

Chester Diocesan Board of Finance

Annual Report and Financial Statements 2020

Company limited by guarantee registered in England
(no 00007826)

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

HMD Registry Services Ltd, 53 Park Mount Drive, Macclesfield, SK11 8NS
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.

Chester Diocesan Board of Finance Annual Report and Financial Statements
2020

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 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 until 8 th March 2021
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	
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 Dowen	
Mr John J C Freeman	
Miss Fiona Goode	
Mrs Esme A Hammer	
Mr David G Lowcock	
Mr John R Scrivener	
Ms Julie H Withers	

Key Management Personnel

Mr George Colville
Mrs Liz Geddes

Diocesan Secretary
Director of Human Resources
and Deputy Diocesan Secretary

Revd Canon Dr Christopher Burkett
Mr James Butterworth
Revd Debbie Dalby
Revd Peter Froggatt
Mr Nigel Strange

Director of Ministry
Director of Communications
Director of Social Responsibility until 30th Sept 2020
Director of Outreach from 18th Jan 2021
Head of Finance

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.

On the 12th May, it was announced that Mark Tanner would be the new Bishop of Chester. His confirmation of election took place online due to the Coronavirus pandemic on 12th July at which he legally became the Bishop of Chester. He started his public ministry on the 20th September. We welcome Mark and his family to our Diocese and look forward with anticipation and excitement to his ministry in the years to come.

We are hugely grateful to Bishop Keith Sinclair who served as the acting Bishop of Chester in the first half of the year, in addition to being Bishop of Birkenhead. Bishop Keith announced his retirement in October 2020 and retired on 8th March 2021. He is deeply loved in the Diocese and we will all miss him.

The story of our Diocese in 2020 and continuing into 2021 has been dominated by the entire world being engulfed in the Coronavirus pandemic. This has impacted the work of the Diocese in many significant ways. Churches in the Diocese have had significant periods with no public worship in their buildings. Other activities have been difficult to maintain. They have however adapted marvelously to online provision and other imaginative ways to continue our worship and work for the Gospel. Some of what we have all learned will no doubt continue to be used in service of our Lord.

Since the lockdown in March 2020, Diocesan Staff have continued in their work supporting parishes with most working exclusively from home and a few working in the Diocesan office to maintain essential services that needed to be carried out at Church House. Following significant work to allow safe occupation of Church House, there was a brief wider reopening in September, but this had to be reversed due to a change in Government guidance very shortly afterwards.

I thank the staff of the DBF, who have continued to 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. Finally, I thank Bishop's Council and all sub-committee members for their work throughout the year.

Financially, the DBF has been significantly impacted with both Parish Share and Fees falling well below budget leading to a greater than budgeted deficit for the year. We give thanks to God however for the extraordinary effort parishes have made in continuing to pay what parish share they can despite some facing very considerable financial challenges. The result has been a deficit considerably smaller than might otherwise have been the case and this has enabled us to continue to fund our core

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work without having to resort to urgent and unwelcome measures.

Investments showed gains, 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.

We were also able to make grants to all our parishes of £2,000 to support them in their mission and ministry as they navigated the pandemic and reopened in the summer and we used over £500,000 of investments to support this.

Our priority is to continue 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.

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
- **Outreach, Social Responsibility and Mission** - assisting parishes in social action, 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
- **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 physical refreshment at Foxhill House and Woodlands

The majority of the DBF's activity takes place in the Diocese of Chester, which

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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 29) 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)

2020 has been dominated by the Coronavirus pandemic. Churches in the Diocese have had significant periods with no public worship in their buildings. Other activities have been difficult to maintain. Parishes, Clergy and Diocesan staff have adapted to online provision and other imaginative ways to continue our worship and work for the Gospel. Since the lockdown in March 2020, Diocesan Staff have continued in their work supporting parishes with most working exclusively from home and a few working in the Diocesan office to maintain essential services that needed to be carried out at Church House.

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. 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.

In recent years the DBF has expanded the number of training curates in the Diocese, 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.

We are pleased that God has continued to call people to serve in the Diocese and we have been able to appoint good clergy to benefices to fill vacancies throughout the pandemic.

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.

This work has been impacted by the pandemic with periods when only emergency work was undertaken but as the various restrictions and lockdowns have allowed, we have continued to support our clergy in the provision of good quality housing.

Improvement projects to kitchens, bathrooms and boilers and continued and a complete refurbishment took place of the parsonage for Runcorn St Michael. Some of the improvement work has been funded by a grant received from Allchurches Trust, the owner of Ecclesiastical Insurance.

A new parsonage has been purchased at Audlem.

Construction work took place during the year on replacement parsonages for Wallasey St Nicholas and Holmes Chapel. Work on a new parsonage for Prestbury continued during the year.

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.

On the 12th May it was announced that Mark Tanner would be the new Bishop of Chester. His confirmation of election took place online due to the Coronavirus pandemic on 12th July at which he legally became the Bishop of Chester.

He started his public ministry on the 20 September at a Crozier Service in the Cathedral. The service of welcome for the new bishop had to be altered to conform with the coronavirus restrictions. This meant just 30 people were able to attend and witness the beginning of Bishop Mark's ministry. In his sermon, Bishop Mark reflected on life's struggles and reminded us that people have worshipped at Chester Cathedral for centuries and have continually brought their burdens before God as "the one still peaceful point of calm in the midst of the storm."

"I cannot tell you what the future holds, but, as the hymn writers put it, I can tell you who holds the future. And I can tell you that if we resolve even here and now, that,

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at this phase, indeed for every day of the life of this diocese, we will look in two directions: at Christ and at the lost.

"He will shape and form us, that we continue to be his beautiful bride, ever fit for purpose however the world might change around us. Looking at Christ, in order that daily, as we feed on his word and join together in worship, we are shaped in his image and filled with love which goes far beyond our human capacity.

"As we partner with people and agencies of peace and seek to serve those around us, particularly focusing on those who are most vulnerable, those who are abandoned and abused, overlooked and oppressed, we will find, that, as we serve them, we serve Christ, and that we are always shaped for relevant mission in this world.

"We look at Christ and we look at the lost because that is what Christ himself did: 'I did not come for those who are well, I came for the sick'"

We welcome Mark and his family to our Diocese and look forward with anticipation and excitement to his ministry in the years to come.

Bishop Keith announced his retirement in October 2020 and he stepped down on the 14th anniversary of his consecration on 8 March 2021.

Writing to the Diocese as he announced his retirement he said "It has been the greatest joy to serve the Lord in this diocese, and I know the time will come when I can express my thanks to so many for so much. I am so thankful to God that he has called Mark to be the next Bishop of Chester, and welcoming him and Lindsay, even though the constraints of lockdown have been many, has been a delight. My chief object now is to do all I can to enable him to begin this ministry to which the Lord has called him and to support him in every way I can. I am hoping that by making this announcement now, it will help the process for the appointment of two new suffragan bishops of Stockport and Birkenhead to go forward.

Thank you for continued prayer for Rosie and me in these days of transition. The challenges to the diocese over recent years have been immense not least with the impact of the global pandemic; it has been inspiring to see the way so many have stepped up and continue to walk in faith, hope and love even in all the uncharted territory of these times. I pray we may all continue to trust God for our keeping and his leading. The Psalm for today as I write this letter is Psalm 23, which could not be more appropriate for me or us all."

We are hugely grateful to Bishop Keith Sinclair who served as the acting Bishop of Chester in the first half of the year, in addition to being Bishop of Birkenhead. He is deeply loved in the Diocese and we will all miss him.

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We look forward to the appointment of new Bishops of Stockport and Birkenhead in 2021.

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. With the vacancies in Bishops and the additional burdens of the pandemic they have carried a significant load during 2020, and we are deeply grateful to them.

Assisting Parochial Church Councils

The DBF has continued to provide support to parishes. The vast majority being provided online during the year.

Regular Coronavirus briefings were sent to parishes to ensure they had the advice they needed. A series of “Back to Better” webinars covered a range of topics including ministry online and in church, and how we can live out our faith in our everyday lives.

Support has continued to be given to parishes in care and development of their church buildings through the work of the Diocesan Advisory Committee

Outreach, Social Responsibility and 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 and the Democratic Republic of Congo.

The launch of the full programme of Everyday Faith was delayed by the pandemic, but the work continues, as has the support to parishes involved in Lead Academy. The learning communities have continued to meet following previous courses. More recently we supported those who ran Fruitfulness on the Front line, an initiative by the London Institute of Contemporary Christianity, (LICC) giving people from across the diocese an experience of this highly regarded discipleship course, with a view to churches taking on and running it for themselves.

Across the Church of England, and many other denominations as well, there is a recognition that we need to do much to encourage a new generation. Efforts to help churches to do this have continued through the year with advice on appointments and developments, and overseeing a network of those working with children, young people and families, the Leaders of Young Generations network, with specific sessions on children's spirituality and Missional Youth Church.

We have continued our work encouraging inclusion and work with those on the margins. This has involved helping with accessibility audits of parish churches, advising

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on adaptations to buildings, worship resources and encouraging PCC's to include disabled people in leadership positions. Training events for parishes have been offered on accessibility. A new Diocesan Race and Ethnicity Forum was formed during the year.

The Church Buildings Missioner, funded by Allchurches Trust, the owner of Ecclesiastical Insurance, has continued to be highly appreciated. This has involved helping churches with fundraising for urgent repairs, new equipment, such as audio visual to assist with livestreaming, and helping with longer term plans for major repairs and improvements such as heating, access and environmental sustainability. During the COVID pandemic, many churches have asked for help in applying for additional COVID-response funding opportunities. At the same time, the usual work has continued, helping churches with developing capital projects and visitor engagement. Around 90 churches have received 1:1 support with fundraising or capital project development. During this year, and despite the constraints, the Houses of Prayer Group has continued of 40+ churches looking to see how church buildings and grounds as liminal spaces for encounter with God can be used missionally to connect with more people in our communities. In response to the challenges of the pandemic, a Café Churches Group of 30+ churches was formed, offering advice and support to churches with significant hospitality enterprises on their premises. A Case Study Report of church building projects was finalised, based on research from Building God's Kingdom, a research and development paper mapping the landscape of Diocesan church buildings.

The Diocesan Christian Giving and Pastoral Reorganisation Missioner has continued to provide parishes with support and advice to parishes about Christian giving and stewardship. He has also provided the diocese with links to national church initiatives and resources to help parishes encourage generous giving: this has been particularly important as COVID forced significant changes on churches regarding the way many parishioners were able to give.

The work of the Head of Counselling Services oversees the work of twelve volunteer counsellors who make up the Diocesan Counselling service, all of whom have worked remotely since March 2020. The Service received 65 referrals in 2020; 39 of these people have now been seen within the service. 5 have since found support elsewhere, and the remainder are still on our waiting list. Some of these people are waiting to see counsellors 'in person' once restrictions are lifted.

The various Forums of the Diocese have continued including the Environment Forum; the Mental Health Forum; the Criminal Justice Group; the Rural Committee and the Urban Committee, although some of these have met less frequently during the year, due to the restrictions.

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.

Ministry Development

Work has continued on vocational discernment, selection, and initial training, and in-service training for all licensed ministries, whether lay or ordained. That work is most obviously evidenced in newly recognised ministers: in this year 4 Pastoral Workers, 13 Readers, 23 Deacons and 22 Priests were admitted to office or ordained.

We have also worked to encourage the every-day discipleship of every believer – working with the notion of vocation in its widest sense. Our intention is to make Everyday Faith principles prominent in all areas.

The Foundations for Ministry Course ran wholly online. Numbers completing the course were similar to earlier years and what was lost in physical cohort interaction seems to have been compensated for by the ease of internet access for most people. The same was also true on Higher Education Certificate and Foundation Degree courses that were rapidly converted to online only teaching. Similarly, the new Spiritual Accompaniment course had to be adapted to circumstances. As plans for the academic year that began in September 2020 were put in place it soon became clear that the temporary measures implemented in the previous year were still required. Staff therefore reframed teaching and other aspects of our provision to make best use of the new kind of learning environment. All users of our courses have responded positively, and together a new synergy and purposefulness has been achieved. We all long, however, for a return to face-to-face encounter not mediated entirely through a computer screen.

We continue to work collaboratively with the Dioceses of Liverpool, Manchester and Blackburn via the part-time ordination courses offered by the All Saints Centre for Mission and Ministry, as well as with St Mellitus North West for contextual ordination training. We look forward to these relationships re-expressing themselves in a new theological college called Emmanuel for the whole of the north-west from September 2021. Organisational and legal changes to make that possible have begun. Bishop Mark will be Chair of Trustees of the new college.

We have continued to provide access to in-service learning for experienced ministers. As well as training opportunities offered internally through the work of all the departments in Church House, ministers are supported in programmes offered by appropriate outside providers. The take-up was limited by the pandemic during most

of the year.

Amongst popular learning opportunities implemented online were Trauma Informed Ministry; Using Circle as Process and Set-up for Peace; Induction Session for new Training Incumbents; Reading the Bible with New Eyes in a Time of Uncertainty; Women's Voices 6; a Practical Theology Reading Group; and monthly poetry breaks. The Headway Course finished in December.

We continue to produce a Diocesan Cycle of Prayer. Currently the publication is in an 'emergency format' published monthly on the web. Whether it will be possible to return to the much loved termly booklet has yet to be determined.

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.

All parishes in the Diocese of Chester received a grant of £2,000 during the year. Parishes were free to do with the money what they wished in furthering their charitable objects, but it was the strong expectation of Chester Diocesan Board of Finance that parishes would use it prayerfully in helping with some of the new challenges they faced in proclaiming and advancing the Gospel of Christ during the year.

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.

At the start of 2020 we were delighted that we had a very full diary and a programme of retreats and events which were also booking well. Then Foxhill had to close due to Coronavirus on Wednesday 18th March.

As the year progressed, we supported the diocese in prayer, with a team of confidential intercessors praying for all our parishes and receiving prayer requests from them. There were also many personal prayer requests which have been prayed by the intercessors. We produced a prayer briefing for parishes and individuals to use focusing on a variety of topics including the Diocesan links in Melanesia and Democratic Republic of Congo. The parishes were contacted monthly to assure them of our prayers and to receive their prayer requests. One of the positives has been the number of situations where we have seen answered prayer, and this continues to be so.

When the government restrictions eased, we were able to open Foxhill for individual

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guests in late September and to offer individual quiet days for clergy and laity. These were simple but well received. Sadly, the quiet days had to be cancelled in November due to the second lockdown but we were able to offer them again in early December.

Safeguarding

Safeguarding advice and expertise continued to be vital element of support offered to parishes. 2020 saw significant work associated with reviewing Past Cases as part of the National Church PCR2 program.

2021 saw

- The publication of “A Betrayal of Trust”, the independent report into the Church's handling of the allegations concerning the late Hubert Victor Whitsey, former Bishop of Chester. The learning lessons review was carried out by His Hon David Pearl and independent safeguarding consultant Kate Wood.
- The completion of the Independent inquiry into child sexual abuse of its inquiry into the extent of any institutional failures to protect children from sexual abuse within the Anglican Church in England and the Church in Wales

Both made for incredibly difficult reading. Our thoughts and prayers are with all those who have suffered as a result of the actions highlighted.

Bishop Mark Tanner, the Cathedral Dean and the Diocesan Secretary commissioned a review of safeguarding provision in the Diocese following on the publication of A Betrayal of Trust which reported in February 2021.

Financial Review

Net movement in funds amounted to £177k (2019 net movement in funds £3,662k).

The impact of the pandemic has been significant. Contributions received from parishes fell to £10.8m (2019 £11.2m), the parish share collection rate falling back to around 90%. Diocesan Statutory clergy fees reduced to £612k (2019 £691k) and income from the Diocesan Conference Centre reduced to £34k (2019 £236k). This was offset to some extent by staff vacancies, reduced expenditure on clergy housing £1.4m (2019 £1.9m) and reduced expenditure in many areas as work moved online.

In response to the pandemic the DBF:-

- Spent £400,000 from the Retired Clergy Widows and Dependents fund to support clergy pensions.
- Sold investments in the Capital Reserve stipends fund to support stipend payments in the year thereby releasing £500,000 of unrestricted funds that would otherwise have been spent on stipends to support parish grants.
- Put considerable time and effort into maintaining relationships with parish treasurers, providing them with support and explaining the financial challenges we collectively faced.

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As described earlier in the report 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 and the immediate years to come surpluses on the sale and replacement of parsonages will also be 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 £10.2m (2019 £10.2m).

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.

The Statement of Financial Activities shows gains in investment values despite the pandemic although much reduced on the prior year £483k (2019 £1.8m).

Property values were reviewed, resulting in gains, 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 5.2% gain in capital value together with a 2.9% income return. The return on invested cash dropped from 0.75% at the start of the year to 0.15% at the 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.

Going concern

The trustees consider that there is a reasonable expectation that the DBF has adequate resources to continue in operational existence for the foreseeable future, and as a result, the trustees continue to adopt the going concern basis in preparing the accounts. 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 DBF's ability to continue as a going concern.

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In more normal times, the basis of this approach would include budgets and forecasts for the following year. This year, as economies and organisations adapt to the effect for the coronavirus pandemic, this has been supplemented by reviewing other potential sources of funds.

2021 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 Bishops of Stockport and Birkenhead are underway. In addition, there a number of long-standing staff retiring in 2021.
- continuing to cooperate with the Church of England National Safeguarding Team and others in strengthening safeguarding provision in the Diocese.
- Dealing with the continuing impacts financial and otherwise 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.

Most importantly we hope to enable all to hear and respond to the Good News that we have in Christ.

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. The continuing evolving nature of the situation means it is not possible to fully quantify the longer term financial impact, but 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 is in place to

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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 posts of Bishop of Stockport and Bishop of Birkenhead are currently vacant, but work has commenced on making new appointments.
- 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 Outreach 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. Although parish share collection has dropped as a result of the pandemic this has been less than might have been expected in the circumstances and we remain hopeful of a return to previous levels of collection in the coming years.

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

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 excepted 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 online in November 2020 after the March meeting had been cancelled due to the initial lockdown. The usual business was completed at the meetings, including the receipt of the Annual Report and Financial Statements for the year ended 31 December 2019 and the approval of the 2021 budget. Other matters considered included Safeguarding, the creation of a new synodical committee for Outreach, a new scheme for the inspection of Churches, the Clergy Covenant for Wellbeing, arrangements for Diocesan Synod Elections in 2021, everyday faith, and delegation by the Bishop of Chester in certain matters relating to the Clergy Discipline Measure to Suffragan and Assistant Bishops. Bishop Mark also gave his first Presidential Address to Synod as Bishop of Chester.

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).

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

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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 sessions, and to circulate to members information about matters for discussion;

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- 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 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.

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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 Chester St Oswald & St Thomas of Canterbury, Alvanley St Thomas Liscard, St Stephen the Martyr Moulton, Great Saughall, St Paul with St Luke Tranmere, Stalybridge St Paul, Whaley Bridge, Pott Shrigley, Crewe St Andrew with St John the Baptist, St John the Evangelist Macclesfield with St Thomas Henbury, St Margaret and St Mark, Over Tabley, St Paul Macclesfield, and Crewe all Saints and St Paul with St Peter. The archidiaconal committees agreed proposals that the suspension of the patron's right of presentation to the benefices of St Peter's Chester should be allowed to lapse.

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The Macclesfield Archidiaconal Mission and Pastoral Committee made recommendations to the Bishop for a Pastoral Scheme for the closure for public worship of All Saints Church Balterley, and when local agreement had been reached for pastoral reorganisation of the benefices of Crewe St. Andrew with St John the Baptist; and Crewe All Saints and St Paul with St Peter. They agreed a proposal from the Diocesan Closed Churches Uses Committee concerning a draft Pastoral (Church Buildings Disposal) Scheme to appropriate the closed church building of St. Luke, Dukinfield and the land annexed thereto for residential purposes; and empower the Church Commissioners to sell the property for these purposes. They agreed that St John the Baptist Godley be disposed of for residential purposes if this option were available. They agreed proposals for an interim post at Chelford and Lower Withington with Marthall and St John the Evangelist, Macclesfield with St Thomas Henbury

The committees also considered and reflected on the pandemic.

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.

Discussions continued on the future of Christ Church Crewe, St Luke Winnington, St John Altrincham, St Luke Dukinfield, St Johns Godley, and St Pauls Boughton.

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.

Custodian Trusteeship

The Board is Custodian Trustee for trust assets with a market value of approximately £5.9m at 31 December 2020 (£5.9m at 31 December 2019). 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

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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 accounts. At 31st December 2020, 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. This year there has been significant consideration of the levels of reserves in relation to the financial impact of the pandemic restrictions on the DBF in 2020 and likely in

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future years. Considerable uncertainty remains in this respect and we expect to use a significant amount of unrestricted reserves supporting our parishes through the crisis and its immediate aftermath.

Free unrestricted reserves (excluding fixed assets) have decreased over the year and now represent approximately 2.2 months expenditure (£2.9m). 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.

Restricted funds

The DBF's restricted funds totalling £7.7m (2019 £8.8m) are shown in note 21, together with an explanation of the purpose of those funds.

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. Currently, however, it is also being used to meet the DBF's wider objects as permitted by the measure. Some of the Capital Reserve Stipends has been used this year also to support stipends releasing unrestricted funds for parish grants. We may need to use further this fund to support stipend payments in the next few years.

Endowment funds

The DBF's endowment funds totalling £12.6m (2019 £11.8m) are shown in note 20 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. 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.

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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.

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.

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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.

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.

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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 on 4th November 2021.



Ven Dr M R Gilbertson
Archdeacon of Chester

Independent Auditor Report to Members of Chester Diocesan Board of Finance

Opinion on the financial statements

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 2020 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.

We have audited the financial statements of Chester Diocesan Board of Finance ("the Charitable Company") for the year ended 31 December 2020 which comprise the statement of financial activities, the balance sheet, the 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).

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

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charitable Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The other information comprises: the Chairman's Statement, Who we are, what we do and why we do it and the Strategic Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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.

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;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

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- 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, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Charitable Company, and the sector in which they operate, we considered the risk of acts by the Charitable Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. We considered the significant laws and regulations to be United Kingdom Generally Accepted Accounting Practice (including FRS102 and the Charities Statement of Recommended Practice) and the UK Companies Act 2006. All audit team members

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were briefed to ensure they were aware of any relevant regulations in relation to their work, areas of potential non-compliance and fraud risks.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of an override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper incoming resources recognition.

Our audit procedures in response to the above included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of properties, the recoverability of debtors including parish share arrears, and the assumptions used to calculate the present value of future contributions payable under the terms of the deficit recovery plan;
- Procedures to test incoming resources including agreement of incoming resources recognised to supporting documentation on a sample basis and testing incoming resources recorded around the year end to check the appropriate year end cut-off;
- Identifying and testing journal entries identified as potentially unusual. This testing included, but was not limited to, any journal entries posted with specific keywords, journals posted by unexpected users, and journals posted to least used accounts;
- Discussions with management, and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Discussions with management, and those charged with governance to understand if there has been any Serious Incident Reports made to the Charity Commission either during the period or post year end;
- A review of trustees' meeting minutes both during the period, and post year end, for any known or suspected instances of non-compliance with laws and regulation, Serious Incident Reports made to the Charity Commission or fraud;
- Enquires to confirm with management that there was no legal correspondence during the period, or post year end, requiring review;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Chester Diocesan Board of Finance
Year ended 31 December 2020
Independent Auditor's Report

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 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.

Hamid Ghafoor (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester, UK
Date:

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 for the year ended 31 December 2020

Income and Expenditure

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2020 £'000	Total 2019 £'000
Income and endowments from						
Parochial contributions		10,775	-	-	10,775	11,163
Grants and other donations	3	168	934	-	1,102	1,153
Investment income	4	54	315	-	369	359
Rental income		274	104	-	378	357
Income from charitable activities						
Statutory clergy fees		-	612	-	612	691
Diocesan Retreat and Conference Centre		34	-	-	34	236
Other income from operating activities		56	75	-	131	155
Parsonage and redundant church sales/transfers		-	1,028	-	1,028	1,015
Total		11,361	3,068	-	14,429	15,129
Expenditure on raising funds						
Cost of generating voluntary income		19	-	-	19	19
Investment and Rental costs		16	112	-	128	128
Charitable Activities						
National church responsibility		437	-	-	437	436
Funding of parochial clergy and archdeacons		8,043	2,154	-	10,197	10,183
Parsonage purchases, improvements and transfers		-	1,420	-	1,420	1,907
Support to clergy and parishes		2,216	609	-	2,825	2,431
Diocesan Retreat and Conference Centre		376	-	-	376	477
Change in Staff DBS deficit recovery plan		-	-	-	-	-
Change in CEFPS deficit recovery plan	26	44	-	-	44	(2,228)
Total	6	11,151	4,295	-	15,446	13,353
Net income/(expenditure) before investment gains/(losses)		210	(1,227)	-	(1,017)	1,776
Net (losses)/gains on investments	15	(31)	156	357	482	1,809
Net income/(expenditure)		179	(1,071)	357	(535)	3,585
Transfers between funds	23	94	(42)	(52)	-	-
Other recognised gains/(losses)						
Gains/(losses) on revaluation of fixed assets	14	173	42	497	712	77
Net movement in funds		446	(1,071)	802	177	3,662
Reconciliation of funds:						
Total funds brought forward		9,955	8,793	11,768	30,516	26,854
Total funds carried forward		10,401	7,722	12,570	30,693	30,516

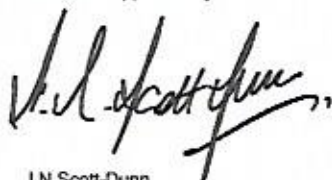
The notes on pages 40 to 55 form part of these financial statements. All activities are continuing.

Chester Diocesan Board of Finance
Balance sheet as at 31 December 2020

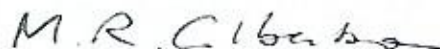
	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	14	16,193	14,687
Investments	15	<u>11,444</u>	<u>11,493</u>
		27,637	26,180
Current assets			
Debtors	16	638	680
Cash at bank on deposit and in hand	17	<u>3,945</u>	<u>5,628</u>
		4,583	6,308
Creditors: amounts falling due within one year	18	<u>1,048</u>	<u>1,153</u>
Net current assets		3,535	5,155
Total assets less current liabilities		31,172	31,335
Creditors: amounts falling due after more than one year	19	479	819
Total net assets		<u>30,693</u>	<u>30,516</u>
Endowment funds	20	12,570	11,768
Restricted income funds	21	7,722	8,793
Unrestricted funds		<u>10,401</u>	<u>9,955</u>
Total charity funds		<u>30,693</u>	<u>30,516</u>

The notes on pages 40 to 55 form part of these financial statements.

The financial statements were approved by the Board of Directors and signed on its behalf on 4th November 2021 by



I N Scott-Dunn
Chairman



Ven Dr M R Gilbertson
Archdeacon of Chester

Chester Diocesan Board of Finance is a company limited by guarantee registered in England and Wales (no. 00007826)

Chester Diocesan Board of Finance
Statement of Cash Flows for the year ended 31 December 2020

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

	Note	2020	2019
		£'000	£'000
Net income for the reporting period (as per the statement of financial activities)		(535)	3,585
Depreciation	14	231	243
Losses/(Gains) on investments	15	(482)	(1,809)
Dividends, interest and royalties from investments		(369)	(359)
Tangible fixed assets transferred in		(1,025)	-
Decrease/(Increase) in debtors		42	66
(Decrease) in creditors		(445)	(2,800)
Net cash (used in)/provided by operating activities		(2,583)	(1,074)

Statement of Cash Flows

	2020	2019
	£'000	£'000
Net cash (used in) operating activities	(2,583)	(1,074)

Cashflows from investing activities

Dividends, interest and royalties from investments	369	359
Payments to acquire fixed assets	-	(62)
Payments to acquire investments	(29)	(1,340)
Receipts from disposal of tangible fixed assets	-	158
Receipts from disposal of investments	560	-
	<u>900</u>	<u>(885)</u>

Increase in cash in the year	(1,683)	(1,959)
-------------------------------------	----------------	----------------

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

	2020	2019
	£'000	£'000
Decrease in cash in the year	(1,683)	(1,959)
Cash and cash equivalents at the beginning of the reporting period	<u>5,628</u>	<u>7,587</u>
Cash and cash equivalents at the end of the reporting period	3,945	5,628

The notes on pages 38 to 53 form part of these financial statements.

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 the Statement of Recommended Practice: 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), the Companies Act 2006 and 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 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.

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 21.

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 20.

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 14. 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 208 parsonage houses in the Diocese insured at a value of £120 million at 31 December 2020.

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.

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 25 and 26.

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 26, 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:-

	2020	2019
	£'000	£'000
Statutory audit	<u>32</u>	<u>25</u>
	32	25

Chester Diocesan Board of Finance
Notes to the accounts for the year ended 31 December 2020

3. Grants and other donations	2020	2019
	£'000	£'000
Donations to Foxhill House and Woodlands Conference Centre	2	4
Grant from Allchurches Trust	165	162
Grant to Clergy Sustentation Fund	5	5
Birkenhead legacy	-	54
Donations to Social Responsibility	5	9
Church Commissioners recharge (Suffragan Bishops personal assistants)	61	53
Transforming Lives Together recharge	32	26
English Heritage grant re Church Buildings Officer	-	12
Church Commissioners Resourcing Ministerial Education block grant	393	407
Additional ordination training support grants	-	2
Diocesan Stipends Fund recharges (housing allowances and St Mellitus training institution)	101	99
Chester Diocesan Board of Education recharge	338	320
E J Massey trust receipt of endowment	-	-
	1,102	1,153

4. Investment Income	2020	2019
	£'000	£'000
Investment and fixed interest funds	344	302
CBF deposits and bank interest	19	51
Other income including interest on loans to parishes	6	6
	369	359

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 2020 100% £'000
Church house costs	4	33	122	5	164
Central services	2	18	67	3	90
Central staff costs	11	118	441	18	588
Legal, audit, depreciation	2	22	98	3	125
	19	191	728	29	967

Prior year comparative

	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 100% £'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

Chester Diocesan Board of Finance
Notes to the accounts for the year ended 31 December 2020

6. Expenditure	Note	Total 2020 £'000	Total 2019 £'000
Cost of generating voluntary income			
Central Services & support costs		19	19
Investment and rental costs			
Rental costs		122	122
Value linked loan interest paid		6	6
		128	128
Charitable Activities			
National church responsibility		437	436
Funding of parochial clergy and archdeacons			
Parochial Clergy and Archdeacons stipends		7,706	7,548
Maintenance of clergy housing		1,259	1,350
National ministry training and ordinands grants		1,041	1,098
Central Services & support costs		191	187
		10,197	10,183
Parsonage purchases, improvements and transfers		1,420	1,907
Support to clergy and parishes			
Ministry		433	530
Bishops' and Archdeacons' support, DAC, Chaplains & Ecumenical		244	259
Education		329	313
Social Responsibility		272	244
Mission		132	185
Discretionary and one off items (EIG)		3	21
Clergy/Lay conferences		(4)	64
Grants to parishes, clergy and others	7	634	76
Transforming Lives Together		32	26
Staff defined benefit pension scheme deficit contribution		-	-
Central Services & support costs		750	713
		2,825	2,431
Diocesan Retreat and Conference Centre			
Diocesan Retreat and Conference Centre		347	449
Central Services & support costs		29	28
		376	477
Change in Church of England Funded Pension Scheme (CEFPS) agreed deficit recovery plan	26	44	(2,228)
		15,446	13,353
7. Grants to parishes, clergy and others		2020 £'000	2019 £'000
Grants to parishes			
Post lockdown reopening grants		520	-
Liscard		-	17
Marton - E J Massey trust		4	4
Birkenhead Priory - clerical or lay assistance		65	5
Thornton Hough - Fryer Legacy income		4	3
		593	29
Grants to Individuals	No. of grants		
Foxhill grants	-	-	7
Clergy Sustentation grants	1	2	12
Retired Clergy, widows and dependents fund grants	82	39	28
		41	47
Total grants		634	76

8. Staff and Office holder costs and numbers

Staff costs:	2020	2019
	£'000	£'000
Wages & salaries	1,707	1,680
Social security costs	158	157
Pension costs	265	262
	2,130	2,099

Average staff numbers based on full time equivalents	2020	2019
	Number	Number
Cost of generating voluntary income	0.5	0.5
Funding of parochial clergy and archdeacons	5.0	5.1
Support to clergy and parishes	26.9	25.3
Diocesan Retreat and Conference Centre	6.3	6.3
Diocesan administration and central support	9.1	9.3
	47.8	46.5

	2020	2019
The number of staff whose salary excluding pension contributions amounted to more than £60,000 were as follows:-		
£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 7.2 (2019 7.3) 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 199 (2019 201) full time equivalent office holders during the year.

	2020	2019
	£'000	£'000
Clergy Stipends	5,408	5,252
Clergy National Insurance	443	426
Clergy Pension Contributions	2,001	1,325
Other clergy payments	248	263
	8,100	7,266

10. Trustee remuneration and benefits

Bishops' Council, the charity trustee body, and 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	Revd Andrew Q Greenhough
Ven Ian G Bishop, Archdeacon of Macclesfield	Revd Dr Mark Hart
Revd Dr Robert S Munro, Chair, House of Clergy	Revd Christopher J P Hobbs
Revd David Brewster	Revd Dr David J Page
Revd Christine J Broad	Revd Michael L Ridley
Revd Canon Elaine Chegwin Hall	Revd Michael I A Smith
Revd Simon Drew	Revd Christina P Upton
Revd Canon David R Felix	

The Rt Revd Keith Sinclair, Bishop of Birkenhead was in receipt of a stipend and provided with housing during the year, the stipend funded by the Church Commissioners and the housing provided by the DBF.

The Very Revd Timothy R Stratford, Dean of Chester, was in receipt of a stipend funded by the Church Commissioners, with housing funded by Chester Cathedral.

The stipends of the Diocesan Bishop and Suffragan Bishops are funded by the Church Commissioners and are in the range £37,485 - £45,953 (2019 £37,305 - £46,062). The stipend, funded by the DBF, paid to Archdeacons was £36,310 (2019 £35,925). The stipend paid to the Dean of Chester was £37,485 (2019 £37,305). Other clergy who were Trustees were paid stipends in the range £26,428 - £28,267 (2019 £25,909 - £27,712).

Trustee expenses

A total of £9,147 (2019 £20,267) was reimbursed to 13 (2019 17) 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 £328,854 (2019 £369,503), together with pension contributions of £66,177 (2019 £70,760). Of these, the highest paid was George Colville, who received £77,718 (2019 £76,194) excluding employers national insurance, together with pension contributions of £19,507 (2019 £19,125). 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.

	2020	2019
	£'000	£'000
Contribution re joint employment contracts and other recharges to Chester Diocesan Board of Education	339	320

13. All Saints Centre for Mission and Ministry Ltd

Chester DBF is one of the three founding members of the All Saints Centre for Mission and Ministry and there are currently four members. All Saints Centre trains lay and ordained ministers to university standards for the Church of England. If the All Saints Centre for Mission and Ministry were to be wound up whilst Chester DBF were still a member or within 12 months of ceasing to be a member, then it promises to pay such amount as is required up to £1 towards the costs of dissolution and the liabilities incurred by the charity while the DBF was a member. During 2011, Chester DBF along with Liverpool and Manchester Diocesan Boards of Finance each authorised a £50,000 interest free loan to provide sufficient cash flow due to the phasing in of student numbers over a 3-year period. A further loan has been provided for £10,000 in 2020 and currently there is a balance of £10,000 (2019: £nil). Chester DBF makes an annual payment to All Saints of £36,000 (2019: £36,000) for the training of its Reader Candidates. Historically, ordinands' training was paid by the National Church. In 2017, new financial arrangements were put in place through the Resourcing Ministerial Education programme. Therefore, Chester DBF now receives funding from the National Church to pay for the training of ordinands. In 2020 Chester DBF paid All Saints £79,380 (2019: £91,916) for the training of ordinands. Chester DBF receives monies from All Saints towards the work which the Director of Studies does in training ordinands at All Saints. Each member diocese provides a Director of Studies for Ordinands whose work is primarily contributing to the training of ordinands at All Saints. The payment equates to the equivalent of a 0.7 full time equivalent post to the diocese and in 2020 the amount received was £31,772 (2019: £31,277). The Director of Studies left in June 2020, and as a result, Chester DBF also paid All Saints for teaching costs in 2020 amounting to £16,000 (2019: £nil).

The Statement of Financial Activities for All Saints for the period 1 September 2019 to 31 August 2020 showed:

	£'000
Income	769
Expenditure	643
Net Income	126

Any surplus monies will be transferred to reserves to set aside funds for special purposes or as reserves against future expenditure.

The Revd Canon Dr Christopher Burkett and the Revd Canon David Rhys Felix served as Trustees of All Saints Centre for Mission and Ministry during 2020.

14. Tangible Fixed Assets

	Office	Freehold Land and Buildings	Glebe	Fixtures and Office Equipment	Total
	£'000	Board £'000	£'000	£'000	2020 £'000
Cost or valuation					
Balance at 1 January 2020	1,436	8,782	4,934	115	15,267
Additions	-	1,025	-	-	1,025
Revaluations	-	(35)	394	-	359
Balance at 31 December 2020	1,436	9,772	5,328	115	16,651
Accumulated depreciation					
Balance at 1 January 2020	296	125	50	109	580
Depreciation charge for the year	47	126	52	6	231
Revaluations	-	(251)	(102)	-	(353)
Balance at 31 December 2020	343	-	-	115	458
Net Book Value at 1 January 2020	1,140	8,657	4,884	6	14,687
Net Book Value at 31 December 2020	1,093	9,772	5,328	-	16,193

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 2020. 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 £1,625,000 (2019 £nil).

Chester Diocesan Board of Finance
Notes to the accounts for the year ended 31 December 2020

15. Investments	2020	2019
	£'000	£'000
Market Value at 1 January 2020	11,493	8,344
Acquisitions at cost	29	1,340
Disposals at market value	(560)	-
Net gains on revaluation at 31 December 2020	482	1,809
Market Value at 31 December 2020	11,444	11,493

Investments at 31 December 2020 comprise

	No of	2020	No of	2019
	shares	Market	shares	Market
		Value		Value
		£'000		£'000
CBF Church of England Investment Fund	534,462	10,928	564,362	10,970
CBF Church of England Fixed Interest Fund	30,414	51	30,414	51
CBF Church of England Property Fund	357,111	455	340,241	462
Churches' Mutual Credit Union Deferred £1	10,000	10	10,000	10
		11,444		11,493

16. Debtors

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Loan to Liverpool DBF	6	6
Other debtors	214	254
Prepayments and accrued income	228	234
Other loans	12	1
	460	495
Amounts falling due after more than one year		
Loans to parishes	21	21
Loan to Liverpool DBF	74	81
Other loans	-	-
Value linked loans to parishes (note 19)	83	83
	178	185
Total debtors	638	680

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.

17. Cash at bank, on deposit and in hand	2020	2019
	£'000	£'000
Balances held by Church Commissioners	(2)	(2)
Cash in hand, at bank and on bank deposit	1,000	720
Charity Bank Deposit	335	333
CBF Church of England Deposit Fund	2,612	4,577
	3,945	5,628

18. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Ordinary creditors	130	77
Sundry creditors and accruals	554	506
Church of England Funded Pension Scheme agreed deficit recovery plan (note 26)	364	570
	1,048	1,153

Creditors are valued at the undiscounted amount payable.

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

	2020	2019
	£'000	£'000
Value linked loans for parishes (note 16)	83	83
Church of England Funded Pension Scheme agreed deficit recovery plan (note 26)	396	736
	479	819

Creditors are valued at the undiscounted amount payable.

Chester Diocesan Board of Finance

Notes to the accounts for the year ended 31 December 2020

Value Linked Loans from the Church Commissioners are loaned on to parishes on 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.

20. Endowment Funds

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

	1 January 2020 £'000	Incoming Resources	(Expenditure) gains/(losses) and transfers £'000	31 December 2020 £'000
Diocesan Conference Centre	130	-	5	135
Steel & William Fletcher Rogers Fund	78	-	5	83
Retired Clergy, Widows and Dependants Fund	2,635	-	138	2,773
Clergy Sustentation Fund	167	-	9	176
Birkenhead Curacy Fund	159	-	8	167
E J Massey	129	-	6	135
Glebe Land & Buildings	4,884	-	444	5,328
Diocesan Stipends Fund Capital Account	3,586	-	187	3,773
	11,768	-	802	12,570

Prior year comparatives:-

	1 January 2019 £'000	Incoming Resources	(Expenditure) gains/(losses) and transfers £'000	31 December 2019 £'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
	10,528	-	1,240	11,768

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.

21. 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 2020	Incoming Resources	(Expenditure), Gains, (Losses) & Transfers	31 December 2020
	£'000	£'000	£'000	£'000
Capital Reserve Stipends	3,858	-	(336)	3,522
Clergy Sustentation	24	6	(3)	27
UPA Projects	14	-	-	14
Canon White Trust	2	-	-	2
Jane Hannah Graham Trust	335	1	-	336
Retired Clergy Widows and Dependents	821	86	(416)	491
Steel & William Fletcher Rogers Fund	31	3	-	34
Parish Mission and Ministry	27	-	-	27
Diocesan Pastoral Account	3,415	1,046	(1,471)	2,990
Birkenhead Curacy Fund	79	5	(77)	7
Foxhill Retreat Fund	175	3	3	181
RME block grant	12	393	(314)	91
Restricted Committee income*	-	1,535	(1,535)	-
	8,793	3,078	(4,149)	7,722

Prior year comparatives:-

	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 Dependents	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
Foxhill Retreat Fund	173	2	-	175
RME block grant	-	407	(395)	12
Restricted Committee income*	-	1,593	(1,593)	-
	9,224	3,175	(3,606)	8,793

*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 20) 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 Dependents	The charity is endowed (see note 20) 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 20) Making of grants for women and girls in need on the Wirral
Parish Mission and Ministry	From Archbishops Council. Can be spent on parish mission and ministry activities, or 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 £82,727. The trust arose to pay grants to Honorary Canons of Chester Cathedral with a wish that they preach at Balterley Memorial Chapel.

22. Analysis of net assets between funds

	Tangible Fixed Assets £'000	Investments £'000	Net Current Assets £'000	Long term Liabilities £'000	2020 Total Net Assets £'000	2019 Total Net Assets £'000
Unrestricted Funds						
General Funds	4,273	10	2,593	(83)	6,793	6,925
Designated						
CEFPS deficit recovery plan	-	-	(364)	(396)	(760)	(1,306)
Office refurbishment	-	455	-	-	455	462
EIG Reserve	-	-	163	-	163	166
Lay Training	-	-	18	-	18	18
Fryer Trust	-	129	-	-	129	123
Bishop of Birkenhead Fund	-	-	38	-	38	37
Diocesan Conference Centre	3,565	-	-	-	3,565	3,530
Total Unrestricted Funds	7,838	594	2,448	(479)	10,401	9,955
Restricted Funds						
Capital Reserve Stipends	-	3,522	-	-	3,522	3,858
Clergy Sustentation	-	-	27	-	27	24
RME block grant	-	-	91	-	91	12
UPA Projects	-	-	14	-	14	14
Canon White Trust	-	-	2	-	2	2
Jane Hannah Graham Trust	-	-	336	-	336	335
Retired Clergy Widows and Dependents	220	-	271	-	491	821
Pastoral Account	2,807	-	183	-	2,990	3,415
Parish Mission and Ministry	-	-	27	-	27	27
Birkenhead Curacy Fund	-	-	7	-	7	79
Foxhill Retreat Fund	-	86	95	-	181	175
Steel & William Fletcher Rogers	-	-	34	-	34	31
Total Restricted Funds	3,027	3,608	1,087	-	7,722	8,793
Endowment Funds						
Diocesan Conference Centre	-	135	-	-	135	129
Steel & William Fletcher Rogers	-	83	-	-	83	79
E J Massey	-	135	-	-	135	128
Retired Clergy Widows and Dependents	-	2,773	-	-	2,773	2,636
Clergy Sustentation Fund	-	176	-	-	176	167
Glebe Land & Buildings	5,328	-	-	-	5,328	4,884
Birkenhead Curacy Fund	-	167	-	-	167	159
Diocesan Stipends Fund Capital	-	3,773	-	-	3,773	3,586
Total Endowment Funds	5,328	7,242	-	-	12,570	11,768
Total Funds	16,193	11,444	3,535	(479)	30,693	30,516

Prior year comparatives:-

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

23. Transfers between funds

Transfers were made to unrestricted funds as follows:-

	2020 £'000	2019 £'000
From Restricted funds		
In respect of housing allowances	70	70
In respect of improvement work at Conference Centre	-	62
In respect of Glebe	(28)	-
Other transfers	-	35
	42	167
From Endowment funds		
In respect of Glebe	52	-
Total transfers to unrestricted funds	94	167

24. Financial Instruments

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

	2020	2019
	£'000	£'000
Financial assets		
Financial assets measured at fair value through Statement of Financial Activities	11,444	11,493
Financial assets measured at amortised cost	4,583	6,308
Financial liabilities		
Financial liabilities measured at amortised cost	1,527	1,972

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 and debtors.

Financial liabilities measured at amortised cost comprise creditors including the Church of England Funded Pension Scheme agreed deficit recovery plan.

25. Staff Pensions Schemes

Defined Benefit Scheme

Chester DBF 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 contributions payable towards benefits and expenses accrued in that year (2020 £116,421, 2019 £114,290). No deficit contributions were made in either year as highlighted in the table below.

If, following an actuarial valuation of the Life Risk Pool, there is a surplus or deficit in the pool, 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 recently finalised was carried out as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m was notionally transferred from the employers' sub-pools to the Life Risk Section. This increased the Employer contributions that would otherwise have been payable. The overall deficit in DBS was £26.2m.

A valuation as at 31 December 2019 was under way as at 31 December 2020. The contributions agreed at that valuation will be reflected in the figures disclosed in the 2021 accounts.

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:

	2020	2019
	£'000	£'000
Balance sheet liability at 1 January	-	-
Deficit contribution paid	-	-
Interest cost (recognised in SoFA)	-	-
Remaining change to the balance sheet liability*(recognised in SoFA)	-	-
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 2020	December 2019	December 2018
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.

Pension Builder Scheme

Chester DBF 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 upon the investment returns and other factors.

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

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

The scheme is considered to be 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 means that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2020: £145,172, 2019: £137,243).

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. A valuation as at 31 December 2019 was underway as at 31 December 2020.

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.

26. 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 (2020: £1,415,385, 2019: £1,345,787), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £1,470,385 for 2020, (2019: negative charge of £803,213).

Chester Diocesan Board of Finance

Notes to the accounts for the year ended 31 December 2020

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 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 and 31 December 2020 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 2019 and 2020 is set out in the table below:-

	2020 £'000	2019 £'000
Balance sheet liability at 1 January	1,306	4,025
Deficit contribution paid	(601)	(570)
Interest cost (recognised in SoFA)	11	79
Remaining change to the balance sheet liability* (recognised in SoFA)	44	(2,228)
Balance sheet liability at 31 December	760	1,306

* 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 2020	December 2019	December 2018
Discount rate	0.2% pa	1.1% pa	2.1% pa
Price inflation	3.1% pa	2.8% pa	3.1% pa
Increase to total pensionable payroll	1.6% pa	1.3% pa	1.6% 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.

27. Prior year comparative Statement of Financial Activities

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