

Chester Diocesan Board of Finance

Annual Report and Financial Statements 01



THE CHURCH
OF ENGLAND
Diocese of Chester

Cover Photo: Bishop Libby leads a 53 mile walk around Macclesfield Archdeaconry as part of 'Thy Kingdom Come'.

Chester Diocesan Board of Finance

Annual Report and Financial Statements 01

Company limited by guarantee registered in England (no 7826)
Registered charity (no 248968)

Bankers

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

Investment managers

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

Solicitors

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

Auditors

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

Chester Diocesan Board of Finance Annual Report and Financial Statements 2018
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Chester Diocesan Board of Finance is the financial executive of the Church of England in the Diocese of Chester. It is a company limited by guarantee registered in England (no 7826) and is a registered charity (no 248968).

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

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Membership of the Board

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

President: Rt Revd Dr Peter R Forster Bishop of Chester

Chairman: Mr Ian N Scott-Dunn

Trustees/Directors:

Rt Revd Keith Sinclair Bishop of Birkenhead
Rt Revd Elizabeth J H Lane Bishop of Stockport until 11th February 2019
Ven Dr Michael R Gilbertson Archdeacon of Chester
Ven Ian G Bishop Archdeacon of Macclesfield
Very Revd Timothy R Stratford Dean of Chester Cathedral from 26th Sept 2018
Canon Dr John P Mason Chairman, House of Laity
Revd Dr Robert S Munro Chairman, House of Clergy
Revd David Brewster from 6th December 2018
Revd Lynn Boyle from 15th May 2018 to 5th December 2018
Revd Canon Elaine Chegwin Hall
Revd Simon Drew
Revd Canon David R Felix
Revd Alison J Fulford until 5th December 2018
Revd Simon R Gales until 5th of December 2018
Revd Andrew Q Greenhough
Revd Dr Mark Hart from 6th of December 2018
Revd Dr David J Page
Revd Christopher J P Hobbs from 6th December 2018
Revd Michael L Ridley
Revd Alexandra Sanders until 31st January 2018
Revd Carol S Seddon until 5th December 2018
Revd Michael I A Smith
Revd Christina P Upton from 6th December 2018
Canon Elizabeth Renshaw MBE
Dr J Graham Campbell
Dr Alan Downen
Mr John J C Freeman
Miss Fiona Goode
Mrs Jenny Kidd until 5th December 2018
Mr V John Legg until 28th November 2018
Mr David Marriott until 5th December 2018
Mr Ian Roberts
Mr John R Scrivener
Mrs Esme A Hammer from 6th December 2018
Mr David G Lowcock from 6th December 2018
Ms Julie H Withers from 6th December 2018

Key Management Personnel

Mr George Colville
Mrs Liz Geddes

Revd Canon Dr Christopher Burkett
Mr James Butterworth
Mrs Debbie Dalby
Mr Nigel Strange
Mrs Lyn Weston

Diocesan Secretary
Director of Human Resources
and Deputy Diocesan Secretary
Director of Ministry
Director of Communications
Director of Social Responsibility
Head of Finance
Director of Mission

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 across the diocese.



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

A number of themes were key during the year. Bishop Peter circulated a discussion paper "Supporting and Developing Missional Communities" which invited feedback from parishes and others across the diocese. The aim of the paper was to take stock of the changes over the last 20 years, with the change from heavy financial support from the Church Commissioners, to all costs being met by the diocese, almost entirely through parish share contributions. In addition, the paper invited contributions about the way forward.

Safeguarding continued to be a major focus, both with training and responses to requests for information from the Independent Inquiry into Child Sexual Abuse.

The DBF's day to day financial performance showed a substantial surplus for the year, for reasons including: parish share collection at a higher rate than anticipated, underspend on housing repairs, increased vacancies, higher rental income from vicarages currently not occupied by clergy, and one-off income due to some trusts being wound up. The DBF is in the early stages of increasing numbers of curates to respond to the need for future clergy, so we anticipate deficits in the coming years, albeit for a good reason.

Investments declined in capital value. However, most of these investments are endowment funds whose primary function is to generate income for stipends, so maintenance of dividends continues to be of higher importance than end of year valuations.

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

Ian N Scott-Dunn

Chairman

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

Who we are

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

What we do

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

Why we do it

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

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



St Matthew's Church, Edgeley, brought the whole community together to celebrate its tenth Community Open Day

How our activities deliver public benefit

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

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

The majority of the DBF's activity takes place in the Diocese of Chester, which roughly 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 32) 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

Clergy

Provision of clergy

Although the DBF does not employ the parish clergy, it is responsible for training them, paying them, and paying into their pension fund. With approximately 243 trained stipendiary clergy including Archdeacons and clergy who occupy a house and receive a reduced stipend, 37 of whom are curates, this responsibility is by far its largest financial commitment. It can only be met if the parishes pay their Parish Share. Stipend and pension levels are set nationally with some slight regional flexibility.

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

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

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

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



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.

Several improvement projects were completed during the year, including replacement kitchens at Newton West Kirby, Wilmslow, and Birkenhead Christ Church.

New bathrooms / shower rooms were installed at Altrincham St George's, Wilmslow, Grappenhall, St Mary's Upton, Birkenhead St James, Disley and Bidston.

Four window replacement projects were also completed during the year at Broadheath, Tarporley, Bunbury and Edgeley St Mark.

There were also nine new boilers installed in the last 12 months.

The reconfiguration of accommodation to provide improved public and private division of the house was carried out at Christleton, Ashton Hayes, and Sale St Ann.

Additionally, the roof was replaced at the vicarage at Upton St Mary's (Overchurch).

During 2018 the former vicarages at Chester St Paul, Goostrey and Liscard the Resurrection were sold.

Two new houses were purchased in Goostrey and Gee Cross to replace previously sold vicarages.

Planning consent was received to build a new purpose-built Rectory in Woodchurch in part of the existing Rectory garden. Building works commenced in October 2018 and the old Rectory is due to be sold in 2019.

The semi derelict Glebe Cottage at Bowdon underwent a complete refurbishment project during the year, and this property is now rented out.



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 and Archdeacons

Bishops are the chief pastors of the Diocese. They provide overall focus and lead the mission of the Diocese. Archdeacons have the role of pastoral care of the clergy and oversight of church buildings and vicarages. There are two in Chester Diocese. The Ven Dr Michael Gilbertson, Archdeacon of Chester, and the Ven Ian Bishop, Archdeacon of Macclesfield, said, "We continue to be very encouraged by the life and witness of the parishes across the diocese. It is a great privilege to work with our churches as they meet for worship, encourage Christians in their discipleship in everyday life and reach out into our communities."

Setting God's People Free

This is a national initiative in the Church of England encouraging Christians to live out their faith in everyday life - in their homes, workplaces and neighbourhoods, not just in church on a Sunday. The Diocese of Chester is one of a group of dioceses working nationally to develop ways of communicating this message effectively. Following work with a group of pilot parishes in the diocese, it is planned to encourage the diocese as a whole to engage with this initiative from autumn 2019 onwards.

Assisting Parochial Church Councils

During 2018 parishes have developed a wide range of works to maintain and improve their churches and churchyards, including facilities for hospitality, lighting, audio-visual and heating. The DBF through its Diocesan Advisory Committee provides oversight of the planning process. The DBF has been assisting parishes with their proposals for works and providing support by visiting churches to discuss the schemes. Grappenhall St Wilfrid is to carry out a major project for extension and improved access, with other schemes including re-ordering at Stretton St Matthew, new kitchen facilities at Bollington St Oswald, and extensions to Wrenbury St Margaret and Great Saughall All Saints.

Church buildings development

The DBF supports parishes in developing the use of their church buildings for mission and in their communities. Emily Allen, Church Buildings Development Officer, brings her experience in the heritage sector to assist parishes with funding applications and developing plans for alterations and extensions. However, she sees a large part of her role as assisting parishes achieve real clarity in their aims and objectives for their buildings. This paves the way for easier funding applications and project planning. She also runs a range of training events on subjects including project planning, fundraising and application for funding, and assists with putting parishes in touch with relevant local contacts. A churchwarden said, "Thank you for all your work in reviewing our various documents, your comments/reflections on these and your time yesterday. They are so valuable in helping us with our grant applications." A member of another parish building project team said, "It is a great credit to the Diocese that they have a Church Buildings Development Officer at all, and Emily Allen is an excellent person to hold the position. Her faith shines through and clearly informs her working life. She is also very knowledgeable, well organised, can put across complex issues with clarity and imagination and is always a pleasure to deal with."

Emily Allen at All Saints, Darebury



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 DBF focused its work in the diocese around four priorities in 2018; being rooted in prayer; inspiring young generations and their families; developing a culture of whole life discipleship and confident evangelism; and urban transformation.

Being Rooted in Prayer

Prayer underpins every element of mission. The diocese participated in “Thy Kingdom Come”, a global wave of prayer between Ascension Day and Pentecost. Parishes, deaneries, schools and a diversity of worshipping communities were inspired and supported to organise a range of prayer events and activities. Parish and deanery prayer, daily prayers at Foxhill House and Woodlands, and prayer walks were held.

The 10-day wave of prayer culminated in a pilgrimage on Pentecost Sunday from Foxhill House and Woodlands to a special event at Chester Cathedral where we prayed specifically for young people across our region to come to know the love of Jesus.



Inspiring Young Generations

Significant progress in developing strategy and identifying mission priorities amongst young generations in the Diocese and in parishes has been made during the year. Across parishes there are now over 50 employed Parish Young Generations Ministers. The Young Generations Mission and Strategy Hub and Network laid a solid foundation to launch Mission Planning Teams in 2019. The DBF teamed up with churches from the Great Budworth Deanery to serve at the Creamfields music festival. DBF staff were also present at the Geronimo family festival and the Cheshire Show.

Further support and training was provided by the National Life Events Team to parishes through the Baptism Matters training day.



Developing a Culture of Whole Life Discipleship and Confident Evangelism

The DBF has partnerships with Lead Academy, the London Institute for Contemporary Christianity (LICC), Jesus Shaped People and National Weekend of Invitation. These partnerships enable the DBF to offer quality teaching resources suitable for all parishes and contexts. Over 120 people have benefited from being part of LICC Imagine Day training in 2018; 9 large (300+) churches completed a 2-year Lead Academy journey exploring spiritual and numerical growth. Parish groups amounting to over 1,000 people attended the Big Church Day Out at Capesthorpe Hall, a great witness to the energy and vibrancy of the Body of Christ in our region.

An initial Journey of Generosity retreat was held, exploring the generous Christian Life. DBF Mission staff continue to visit parishes regularly and facilitate Mission Envisioning and Stewardship days.

Urban Transformation

Urban areas remain a priority for the DBF in 2018 as there is such low church engagement in densely populated areas, often with significant social deprivation. The Restore Runcorn Strategy was developed based on conversations and work with clergy and Christian organisations in Runcorn, ready for implementation starting in 2019. Mission development work in Birkenhead is ongoing, and the DBF is seeking to develop stronger partnerships in other urban centres.



Two members of the Melanesian Brotherhood visited the UK and spent time in the Diocese of Chester



Members of the Melanesian Brotherhood enjoyed a walk to Hilbre Island and a visit to Chester Zoo

Anglican Church in Melanesia

In 2018 our Diocese remembered the 30th Anniversary of our Diocesan Link with the Anglican Church of Melanesia. Head Brother Nelson Bako and his Section Elder Brother visited UK and were present at the celebration day at Foxhill, attended by many from the Diocese and from further afield.

During their week in the Diocese the Brothers worshipped at the Cathedral, visited the University of Chester, St Bridget's Primary School, West Kirby and Woodchurch High School, schools being linked with schools in the Solomon Islands. In addition, they visited the Sisters of Jesus Way who are supporting the Sisters of Melanesia. Our Sisters have recently sent books to the Sisters and tools to the Brotherhood which have been much appreciated.

The Chester Companions of the Melanesian Brotherhood arrange shipments twice yearly to the Anglican Church of Melanesia and raise funds to help the Brotherhood. The annual Pilgrimage to Holy Island took place in June with 20 Companions and our two Brothers, led by our Chaplain Revd Richard Carter of St Martin-in-the-Fields.

Anglican Church in the Democratic Republic of Congo

In the early part of 2018 there was a breakdown in security, particularly in Boga Diocese, but also affecting the southern part of Aru Diocese. Many fled from their homes and there are still tens of thousands of internally displaced people in Bunia, the largest town in the area. Later in the year the area was afflicted with the worst outbreak of Ebola virus so far in Democratic Republic of Congo. To date about 500 people have lost their lives. The Diocese of Chester raised an appeal in partnership with the Congo Church Association, and by July the funds raised were sent to the two dioceses.

Although the result of the recent presidential election in the Democratic Republic of Congo was disputed, the country now appears relatively calm. The new president is Felix Tshisekedi.

New Church Mission Society partners arrived in Aru in the autumn. Patricia Wyard is an expert in palliative care and will continue the work established by Dr Francesca Elloway. Her husband Peter, a former vicar in Hampshire, is teaching in the Bible School and has been given the remit of adult Christian Education in the diocese.

Education

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

Social Responsibility

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

As well as being present in the Cathedral for World Mental Health Day to offer a listening and educative space to visitors, the Mental Health Forum held a training day that focused on Mental Health and Young People. The training was attended by 41 people.

Engagement and inclusion work included the Pink Box appeal, in partnership with the Mothers Union, schools and school nurses. This was piloted in the Nantwich Deanery area, tackling period poverty by making sanitary products accessible to girls on low income, thus enabling them to stay in school and access a full education.

Comprehensive disability awareness training has been delivered and audits have started to help churches become 'disability friendly'.

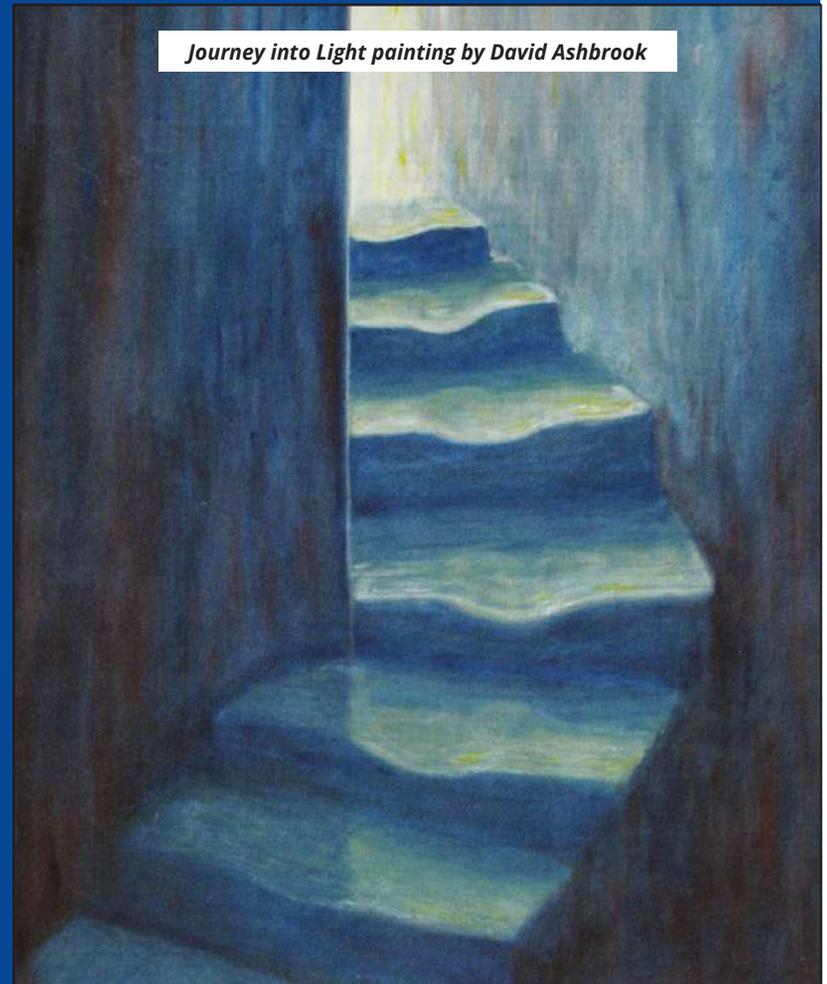
Safeguarding advice and expertise continued to be vital element of support offered to parishes. This year the Diocese formally adopted all Safeguarding National Policy and Practice Guidance. Training has continued to be delivered to clergy, parish safeguarding officers and volunteers, and specialist national modules are now being facilitated. The Diocesan Safeguarding Advisor has been assisting the government's Independent Inquiry into Child Sexual Abuse (IICSA), further Practice Guidance has been introduced by the House of Bishops, and a Parish Handbook is now available for all parishes to assist implementation.

To mark the centenary of women's partial emancipation, Libby Lane, Bishop of Stockport, highlighted a symbolic Vote100 message. Journeying from Boggart Hole Clough to Chester city and Cathedral, fellow marchers drew attention to 100 years of life changing legislation for women.

The DBF continued community-based work with the Church Urban Fund – through the Transforming Lives Together project promoting the Filling the Gap initiative to churches, to deliver food and activities during holidays, enabling over 400 children and their families to eat and play together. Events highlighting dementia, rural life and urban ministry have also taken place during the year.

Journey into Light – an exhibition of artwork produced by prisoners

The Diocesan Criminal Justice Group supported the launch of the art exhibition “Journey into light”. The collection of over 40 pieces of artwork by prisoners from Styal and Thorn Cross prisons. The aim of the exhibition was to demonstrate the experiences of prisoners and the stories behind their convictions, allowing visitors to the exhibition to gain an insight into their lives, sensitivity, compassion and humanity. Prisoners have been able to use art to express emotions and thoughts. Visitors were able to identify with some of the choices, mistakes, and circumstances that prisoners have faced. The exhibition started at Chester Cathedral and then started a tour of venues around the diocese, which will continue throughout 2019. The exhibition has been well received by parishes, visitors, and the press. One of the staff at Woolston Brook School said, “We have loved hosting the exhibition at school this week. It is so inspirational to see the amazing artwork and talent, combined with such personal and honest messages from the artists that bring hope in the darkest of times. Praying for God’s blessing to all the artists. One of the visitors in school was visibly impacted and opened up about difficulties within her family that she could relate to through the artwork on display. She said it gave her hope for change and a sense of peace. Praise God.”



Journey into Light painting by David Ashbrook



The launch event of the 'Journey into Light' exhibition, held at Chester Cathedral

Ministry Development

What is God calling you to do? God calls each one of his people to minister in Christ's name, but finding just what that means in each individual's life isn't always straightforward. And ministry is more than solely an individual's responsibility. Serving in Christ's way involves other people, so collaboration and mutual concern must figure in an individual's thinking about God's call. We need each other's help as we think about how to serve God in daily life, at work, and in church. That vocational exploration is the core of the Foundations for Ministry (FfM) course which has now been running for twenty years.

The DBF oversees the processes of vocational discernment, selection, initial training, early-years continuing training, and in-service development for all licensed ministries, whether lay or ordained. In the year under review eighteen ordained clergy, ten Readers and five Pastoral Workers were newly admitted. Of those currently in training, twenty-five are prospective Pastoral Workers, twenty-nine are Reader candidates, and forty-five are Ordinands.

The DBF offers training in general Christian service and discipleship to augment that provided in local churches. This included developing resilience in ministry, new approaches to Bible reading, rethinking apologetics, passionate presence, and reimagining remembrance. Once again, the two annual residential conferences, Twenty-four hours with a Theologian, were fully booked. The fourth Women's Voices day conference was also a sell-out. For the first time Foundations for Ministry was offered in three teaching centres to reduce travelling for students. The long-standing partnership with the University of Chester means that work on Foundations can earn a Church Universities Certificate of Higher Education and this continues to be the route chosen by most students. Validated Higher Education programmes are also provided for Pastoral Worker and Reader training. Training facilities at Church House and at Foxhill are extensively used in these programmes. Thanks are due to the staff and the many volunteers whose efforts make these programmes possible.

As well as training opportunities offered internally, licensed ministers are supported in appropriate programmes offered by outside providers. The take-up in this area has risen dramatically and once again all the funds set aside this year to support clergy were used.

Other areas of work include support and training for a well-established network of Spiritual Directors/Accompanists; new appointments to the roles of Officer for Self-Supporting Ministers and to that of Dean of Women in Ministry; Ministry Development Review schemes for lay ministers and for clergy; a new cohort for Making Headway – the Art of Leadership; the Arts and Faith Network; and facilitating the sabbatical scheme for clergy.

The DBF works with the Dioceses of Liverpool, Manchester and Blackburn through the part-time ordination course offered by the All Saints Centre for Mission and Ministry. The DBF also works with St Mellitus North West to provide parish-based ordination training.

Ordination of Deacons in June 2018



Ordination of Priests in June 2018

Grants

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

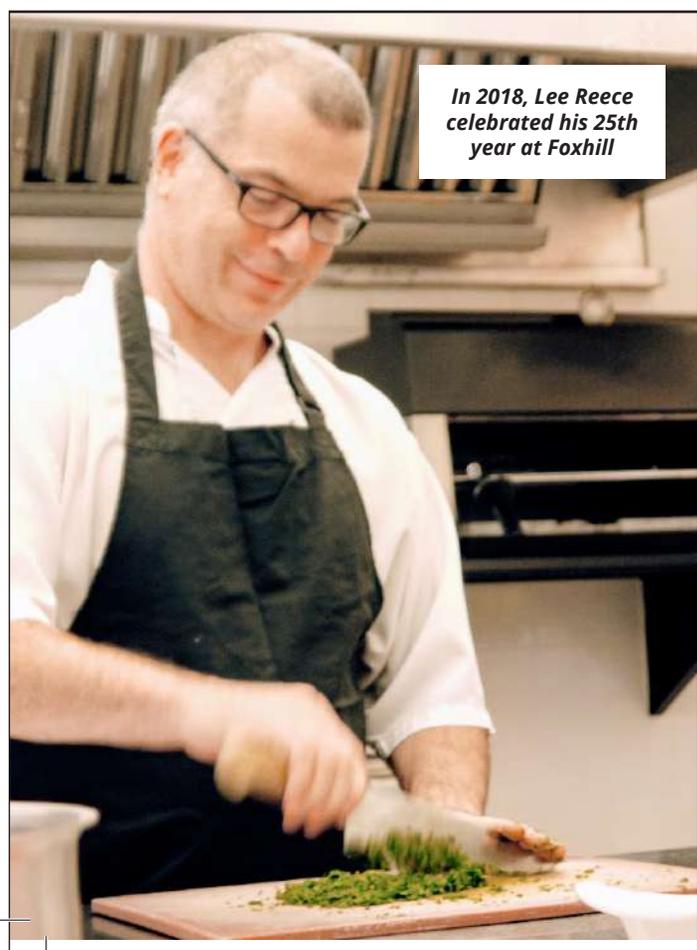
The Diocese of Chester is also a part of the wider Church of England. In this capacity the DBF contributes funds to the national church to enable it to provide functions that are better carried out at a national level. Examples include funding for theological training colleges, promoting the Church of England's place and views in wider society, and the provision of specialist advice and support.

Retreats and Christian conferences

We are encouraged that Foxhill House and Woodlands continues to be a place of prayer, study and mission. We have had positive feedback from individuals and groups who have appreciated the opportunity to spend time at Foxhill. Approximately 7,500 people visited Foxhill during the year.

We are contacting parishes featured in the Diocesan Cycles of Prayer diary so that we can pray intelligently and strengthen our partnership together. Once again Foxhill was a hub for the 'Thy Kingdom Come' prayer initiative culminating with a Prayer Walk from Foxhill to Chester Cathedral, praying for all the parishes that we passed through.

The Stop Look and Listen days, which are retreat days led by guest speakers, were a continued success, offering guests the opportunity to take a break from the busyness of daily life. There were several residential retreats during 2018 with a variety of themes. These were well received and it was good to welcome new guests as well as familiar faces.



In 2018, Lee Reece celebrated his 25th year at Foxhill

The Friends of Foxhill has been relaunched and, whilst the uptake has been slow, several events have been planned for 2019. These include a weekly Eucharist, a monthly prayer morning for the ministry of Foxhill as well as four social events for the Friends.

In 2019 Foxhill celebrates fifty years of ministry and we are holding a variety of events to mark this special anniversary. The year started with the installation of double glazing in the main house which has greatly increased our insulation and will reduce our energy costs. Plans are being finalised for the replacement of the Chapel tower roof and refurbishment of the first-floor bedrooms and Dining Room. We look forward to welcoming you to Foxhill during our Golden Jubilee year. We are blessed to have a fantastic staff team who make Foxhill a very special place of welcome and Christian hospitality.

Financial Review

Net income after investment losses amounted to £736k (2017 net income after investment gains £3,427k).

Contributions received from parishes fell marginally to £11.3m (2017 £11.4m). The increase in parish share assessments was for the first time marginally outweighed by the reductions due to (slowly) falling clergy numbers. That said, the parish share collection rate again improved slightly to approximately 96%.

There were some sales and purchases of parsonage houses during the year, though at a slower rate than in recent years. The Board has a policy of recycling funds raised from the sale of parsonage houses to fund new parsonage houses and improvements to existing houses, though at the current time surpluses on the sale and replacement of parsonages are also being used to support day to day activities. The most significant item of expenditure remained parochial clergy and archdeacons' stipends, national insurance, pension contributions, housing maintenance and ordination training, amounting to £9.8m (2017 £9.6m). 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.

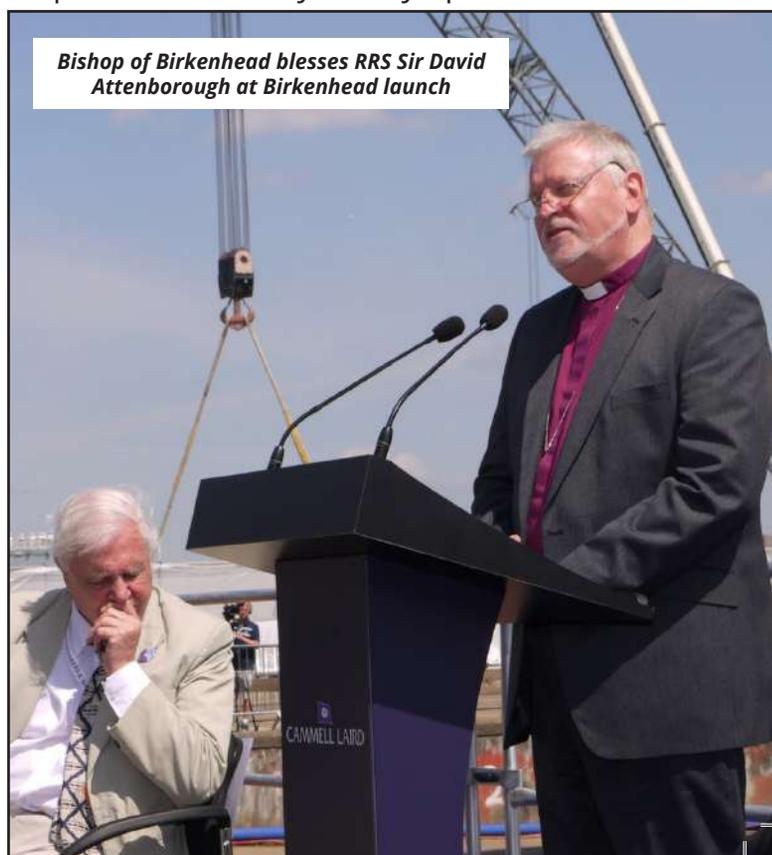
The Statement of Financial Activities shows a loss in investment values. Property values were reviewed, resulting in a general uplift, which was marginally outweighed by losses on sale of a few houses with specific issues.

The total loss on holdings in the CBF Investment Fund was 0.7% made up of a 4% loss in capital value offset by a 3.3% income return. The return on invested cash rose from 0.35% at the start of the year to 0.7% 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.

As funds were available, the outstanding balance on the loan from CCLA Investment Management Ltd was repaid in the year.

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.





Plans for 2019 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: -

- forthcoming changes in senior staff including Bishops – as the year closed Bishop Libby Lane's appointment as the new Bishop of Derby was announced, and more recently Bishop Peter Forster announced his intention to retire on 30 September 2019.
- continuing to cooperate with the Church of England National Safeguarding Team and the Independent Inquiry into Child Sexual Abuse.
- absorbing the cost of additional curates to maintain the supply of future clergy.
- operating in the context of Brexit and its associated uncertainties.

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 those parishes.

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.
- Significant vacancies in key senior posts leading to senior management becoming overwhelmed:- the post of Bishop of Stockport is currently vacant, and the post of Bishop of Chester will also become vacant on 30 September. Mitigated by plans being made to bring in extra support including Honorary Assistant Bishops until new appointments made.
- Loss of relevance and failure to adapt to changes in society:- Falling electoral rolls, ageing congregations in parishes. Mitigated by national church task groups and Renewal and Reform agenda, and in Chester Diocese, the DBF Mission team is working with parishes locally.

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

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

Finally, the DBF raises funds and meets its commitments in sterling, and as such is not excessively exposed to first order risks such as currency fluctuation arising from the United Kingdom's forthcoming departure from the European Union. It may be more exposed to second order effects such as consequent changes in the level of economic activity in the United Kingdom.



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.

Diocesan Synod

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



Chester Diocesan Synod met twice during 2018, at Chester University in March and at St. John's Church Knutsford in November. The usual business was completed at both meetings, including the receipt of the Annual Report and Financial Statements for the year ended 31 December 2017 and the approval of the 2019 budget. Synod elections were held in the summer and although there are some new names amongst those elected, just under 70% are returning members. The DBF is grateful to the many individuals who are committed to long-term involvement in the process of synodical government.



Bishop Libby enters a staring competition during the 'Thy Kingdon Come' walk. See front cover

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.

Chester Cathedral

Chester Cathedral is a separate charity. Copies of its accounts can be obtained from The Cathedral Office, 12 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 272 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 240 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 now 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)



The parish of Wettenhall remembered Corporal John George Rathbone in a special church service, held 100 years to the day after he lost his life in the First World War

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;
- 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.

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).

During 2018, the relevant archidiaconal committee considered proposals for the suspension (or resuspension) of the patron's right of presentation to the benefices of: Antrobus; Brinnington with Portwood; Haslington with Crewe Green; Liscard The Resurrection; and Stockport St Peter. The relevant archidiaconal committee considered a proposal for the termination of the suspension of the patron's right of presentation to the benefice of Dukinfield St Mark; and whether the suspension of the Patron's right of presentation to the benefice of St Peter, Hargrave, should be renewed or allowed to lapse.

During 2018, the Chester Archidiaconal Mission and Pastoral Committee discussed pastoral arrangements for the benefices of Latchford, St James; and Liscard The Resurrection. The Committee also agreed a proposal that the Bishop should designate the appointment of a Priest-in-Charge to the benefice of Liscard The Resurrection as an interim post.

During 2018, the Macclesfield Archidiaconal Mission and Pastoral Committee made recommendations to the Bishop for Pastoral Schemes for pastoral reorganisation of the benefices of: St Luke, Brinnington with St Paul, Portwood; St George, Hyde; Hyde St Thomas with Godley cum Newton Green; Offerton St Alban with Stockport, St Thomas; Stockport St Mary; and Stockport, St Thomas. The Committee also submitted to the Bishop for his approval, Pastoral Orders to: 1) change the boundaries of the parish of St John the Evangelist Sandbach Heath; and the parish of Wheelock, and to change the name of the parish of St John the Evangelist, Sandbach Heath; and 2) to change the boundary of the parish of Offerton and the boundary of the parish of All Saints, Marple. The Committee also agreed a proposal that the 'God Loves Offerton' Bishop's Mission Order should be revoked in due course.

Diocesan Closed Churches Uses Committee

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



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

St Luke, Winnington. The church closed in 2014 and was demolished in that year. The Diocese continues to hold the site.

St John Altrincham. The church closed early in 2017. Interest has already been shown in the building (which is Grade 2 Listed and in a Conservation Area) by several developers. The building was marketed in 2017 and several bids were received. These were considered by the Church Commissioners and the Diocese. The preferred option was redevelopment for commercial use. Discussions are ongoing, but a sale has not yet taken place.

St Luke Dukinfield. The Grade 2 Listed church closed in late 2016. It was marketed in 2017 and some interest was initially shown. However, the full extent of the repairs required were not known at that time. A full condition survey has subsequently been undertaken and as a result all potential offers have been withdrawn. There has been no interest since.

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



Custodian Trusteeship

The Board is Custodian Trustee for trust assets with a market value of approximately £5.5m at 31 December 2018 (£5.9m at 31 December 2017), the fall in valuation being due to redemptions and declines in stock market valuations. Most of these trusts are held on behalf of Parishes whose charitable purposes in the advancement of religion are parallel to those of the DBF. The assets of the trusts are held separately from those of the Board. The DBF is responsible for their safe custody but has no right of access to such holdings for its own purposes. The funds are invested in accordance with the wishes of the managing trustees of the trusts and are mainly invested in charity deposits and investment funds.

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

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

Finally, when a vicarage is sold, the proceeds form a parsonage building fund, held on behalf of the relevant benefice. These funds can be used for the purchase of a replacement vicarage, or where a surplus vicarage is sold, the proceeds can be transferred to the Pastoral Account of the DBF, subject to the relevant consents. Parsonage building funds are held by the DBF, but do not form part of the DBF accounts. At 31st December 2018, the DBF held parsonage building funds on behalf of the benefices of Liscard the Resurrection and Astbury St Mary.

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

Reserves Policy

Unrestricted funds

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

Free unrestricted reserves (excluding fixed assets) have increased over the year and now represent approximately 2.5 months expenditure (£3.0m), due in part to the surplus on day to day activities. This excludes the long-term element of the Clergy Pension Scheme deficit recovery plan. Taking account of the voluntary nature of the bulk of the Board's income, the Board believes this level of reserves is adequate to maintain cash flow. The Board intends to keep under close review the level of reserves required for cash flow purposes, particularly if there is any change in the timing or amount of expected parochial contributions.

Restricted funds

The DBF's restricted funds totalling £9.2m (2017 £10.1m restated) are shown in note 19, together with an explanation of the purpose of those funds. The decline is due to the fall in capital value of the investments in the 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 sufficient to meet the needs referred to in the trust documents. Pastoral Account. The Board uses the pastoral account mainly to reinvest funds it receives from the sale of parsonage houses for the improvement of parsonage houses. Where not required for this purpose, it can be used to meet the DBF's wider objects.

Endowment funds

The DBF's endowment funds totalling £10.5m (2017 £10.5m) are shown in note 18 together with an explanation of the purpose of those funds. As with the restricted funds, this is due to the decline 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 6.

Key Management Personnel

The trustees have delegated much of the day to day running of the DBF to a number of 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 Board welcomed the introduction of the Charity Governance Code in 2017 and continues to review best practice as it aims to improve. The Board has made several steps forward in improving its 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.

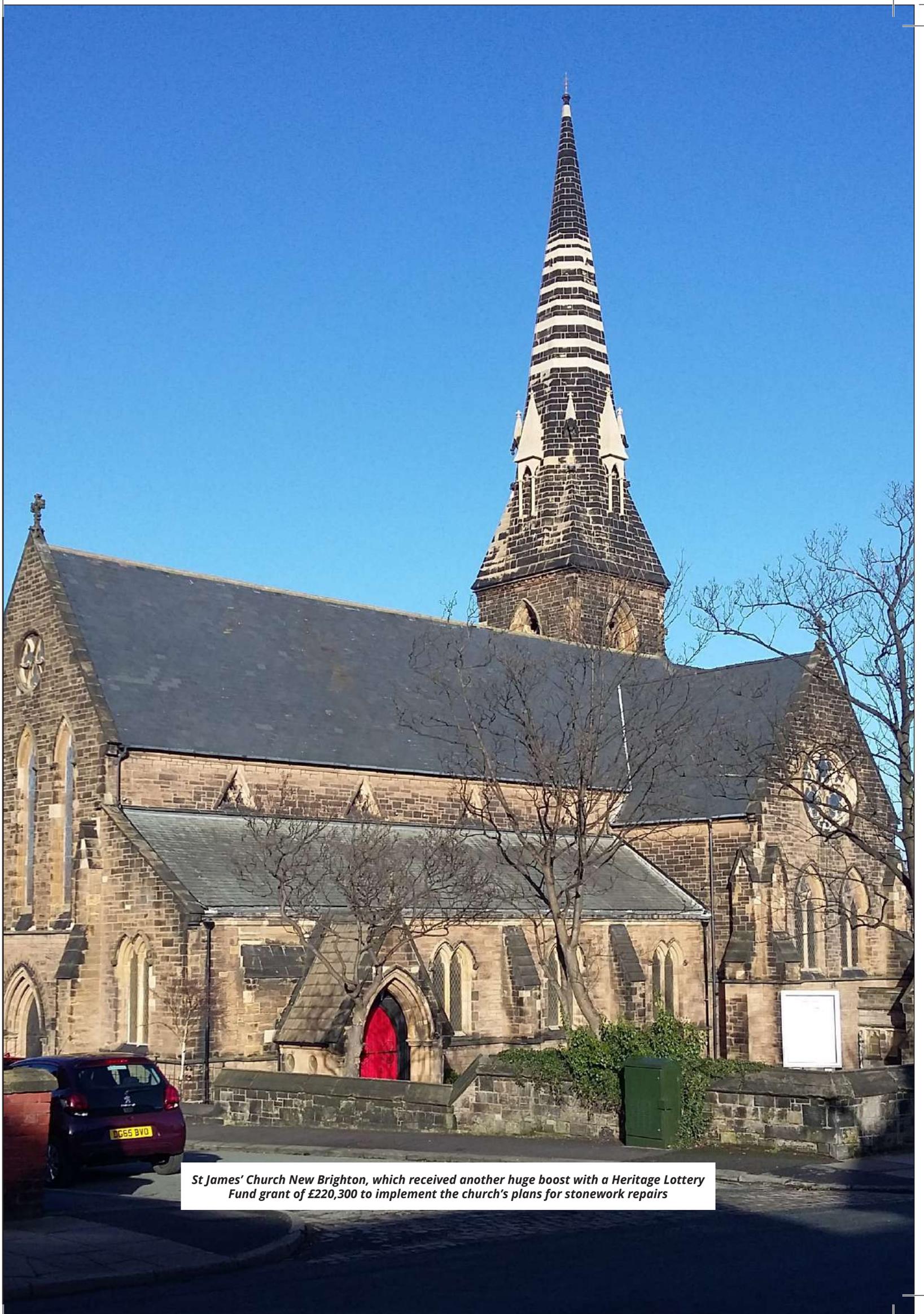
Integrity – The board of trustees is particularly aware of the need for the parishes and clergy of the diocese to have confidence in the charity and works to that end. It is also aware of the need for the wider public to have confidence in the charity and the sector.

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 sub groups of trustees, reporting back to full trustee meetings.

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

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



St James' Church New Brighton, which received another huge boost with a Heritage Lottery Fund grant of £220,300 to implement the church's plans for stonework repairs

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.

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 on 13 May 2019 and signed by order of the Board.

The Rt Revd Dr Peter R Forster Bishop of Chester

Independent Auditor's Report to Members of Chester Diocesan Board of Finance

Opinion

We have audited the financial statements of Chester Diocesan Board of Finance for the year ended 31 December 2018, which comprise the statement of financial activities, the balance sheet, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 December 2018 and of incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions related to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:
<https://www.frc.org.uk> auditors responsibilities. 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
Liverpool, 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 2018

Income and Expenditure	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2018 £'000	Restated Total 2017 £'000
Income and endowments from						
Parochial contributions		11,295	-	-	11,295	11,350
Grants and other donations	3	172	769	25	966	715
Investment income	4	58	271	-	329	307
Rental income		223	98	-	321	277
Income from charitable activities						
Statutory clergy fees		-	826	-	826	756
Diocesan Retreat and Conference Centre		202	-	-	202	172
Other income from operating activities		12	185	-	197	58
Parsonage and redundant church sales/transfers		-	1,323	-	1,323	3,345
Total		<u>11,962</u>	<u>3,472</u>	<u>25</u>	<u>15,459</u>	<u>16,980</u>
Expenditure on raising funds						
Cost of generating voluntary income		18	-	-	18	17
Investment and Rental costs		14	56	-	70	82
Charitable Activities						
National church responsibility		433	-	-	433	424
Funding of parochial clergy and archdeacons		8,298	1,493	-	9,791	9,595
Parsonage purchases, improvements and transfers		-	1,444	-	1,444	1,521
Support to clergy and parishes		1,725	555	-	2,280	2,634
Diocesan Retreat and Conference Centre		351	-	-	351	350
Change in Staff DBS deficit recovery plan		13	-	-	13	-
Change in CEFPS deficit recovery plan	25	-	-	-	-	(363)
Total	6	<u>10,852</u>	<u>3,548</u>	<u>-</u>	<u>14,400</u>	<u>14,260</u>
Net (losses)/gains on investments	14	<u>2</u>	<u>(137)</u>	<u>(188)</u>	<u>(323)</u>	<u>707</u>
Net income/(loss)		1,112	(213)	(163)	736	3,427
Transfers between funds	22	598	(598)	-	-	-
Other recognised gains/(losses)						
Gains/(losses) on revaluation of fixed assets	13	53	(93)	188	148	297
Net movement in funds		<u>1,763</u>	<u>(904)</u>	<u>25</u>	<u>884</u>	<u>3,724</u>
Reconciliation of funds:						
Total funds brought forward		5,339	10,128	10,503	25,970	22,246
Total funds carried forward		<u>7,102</u>	<u>9,224</u>	<u>10,528</u>	<u>26,854</u>	<u>25,970</u>

The notes on pages 41 to 60 form part of these financial statements. All activities are continuing.

Summary Income and expenditure account for the year ended 31 December 2018 (excluding endowment funds)

	2018 £'000	Restated 2017 £'000
Gross income	15,434	16,900
Total expenditure	(14,400)	(14,100)
Net income	<u>1,034</u>	<u>2,800</u>

Chester Diocesan Board of Finance Balance Sheet as at 31 December 2018

	Note	2018 £'000	Restated 2017 £'000
Fixed assets			
Tangible assets	13	14,949	15,819
Investments	14	8,344	8,560
		<u>23,293</u>	<u>24,379</u>
Current assets			
Debtors	15	746	876
Cash at bank on deposit and in hand	16	7,587	6,648
		<u>8,333</u>	<u>7,524</u>
Creditors: amounts falling due within one year	17	1,261	1,252
Net current assets		<u>7,072</u>	<u>6,272</u>
Total assets less current liabilities		30,365	30,651
Creditors: amounts falling due after more than one year	18	3,511	4,681
Total net assets		<u>26,854</u>	<u>25,970</u>
			Restated
Endowment funds	19	10,528	10,503
Restricted income funds	20	9,224	10,128
Unrestricted funds		7,102	5,339
Total charity funds		<u>26,854</u>	<u>25,970</u>

The notes on pages 41 to 60 form part of these financial statements.

The financial statements were approved by the Board of Directors on 13 May 2019 and signed on its behalf by

I Scott-Dunn

+Peter Cestr.

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

Chester Diocesan Board of Finance Statement of Cash Flows for the year ended 31 December 2018

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

	Note	2018 £'000	Restated 2017 £'000
Net income for the reporting period (as per the statement of financial activities)		736	3,427
Depreciation	13	65	64
Losses/(Gains) on investments	14	323	(707)
Dividends, interest and royalties from investments		(329)	(307)
Tangible fixed assets transferred in		-	(217)
Properties awaiting sale transferred in		-	(1,910)
Tangible fixed assets transferred out		-	160
Decrease/(Increase) in debtors		130	(66)
(Decrease) in creditors		(1,161)	(1,018)
Net cash (used in)/provided by operating activities		(236)	(574)

Statement of Cash Flows

	2018 £'000	2017 £'000
Net cash (used in) operating activities	(236)	(574)

Cashflows from investing activities

Dividends, interest and royalties from investments	329	307
Payments to acquire fixed assets	(125)	-
Payments to acquire investments	(107)	(157)
Receipts from disposal of tangible fixed assets	-	840
Receipts from disposal of properties awaiting sale	1,078	534
	<u>1,175</u>	<u>1,524</u>

Increase in cash in the year

	<u>939</u>	<u>950</u>
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Reconciliation of net cash flow to movement in cash and cash equivalents

	2018 £'000	2017 £'000
Increase in cash in the year	939	950
Cash and cash equivalents at the beginning of the reporting period	<u>6,648</u>	<u>5,698</u>
Cash and cash equivalents at the end of the reporting period	<u>7,587</u>	<u>6,648</u>

Chester Diocesan Board of Finance

Notes to the accounts for the year ended 31 December 2018

1. Accounting policies and format of accounts

Chester Diocesan Board of Finance is a company limited by guarantee incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity is set out in the trustees' report.

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 2015 (Charities SORP (FRS 102)), 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.

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.

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 20.

Chester Diocesan Board of Finance

Notes to the accounts for the year ended 31 December 2018

Endowment Funds

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

Fixed Assets

The office at Daresbury Park, fixtures and office equipment are held at historic cost less depreciation. Depreciation is calculated so as to write off the cost of assets, held at historic cost, over their expected economic life. The following rates of depreciation are used:-

Office building	3.3% of cost per annum
Other fixtures and equipment	15% of cost per annum

The amount of depreciation charged in the year is shown in note 13.

Computers less than £5,000, and fixtures and office equipment less than £2,500, are not capitalised. Larger items are stated at cost less depreciation.

Freehold land and buildings held for the board's charitable purposes, which comprise the classes of board and glebe, are included at fair value as at the balance sheet date. A full valuation is attained from a qualified valuer, for each property, at regular intervals and specifically in any year in which the Trustees believe there has been a material change in value.

Revaluation gains or losses (which are not considered to be impairment losses) are included in the SOFA under the section for other recognised gains and losses.

Parsonages

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

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

There were 207 parsonage houses in the Diocese insured at a value of £119.5 million at 31 December 2018.

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.

Chester Diocesan Board of Finance

Notes to the accounts for the year ended 31 December 2018

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 have entered in to a deficit contribution plan concerning the Church of England Funded Pension Scheme. Future additional contributions have been discounted and have resulted in a liability being reflected in the balance sheet split between creditors due less than one year and creditors due in more than one year in line with FRS 102. The interest cost of the debt is reflected in the Statement of Financial Activities with the payments (less interest) being offset against the liability. Further detail is provided in notes 24 and 25.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty include:

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

2. Auditors remuneration

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

	2018	2017
	£'000	£'000
Statutory audit	15	15
	15	15

3. Grants and other donations

	2018	2017
	£'000	£'000
Donations to Foxhill House and Woodlands Conference Centre	12	4
Grant from Allchurches Trust	159	161
Donations to Social Responsibility	10	10
Church Commissioners recharge (Suffragan Bishops personal assistants)	66	63
Transforming Lives Together recharge	50	49
English Heritage grant re Church Buildings Officer	21	26
Grant to Retired Clergy Widows Fund	4	5
Grant to Clergy Sustentation Fund	-	5
Church Commissioners Resourcing Ministerial Education block grant	254	66
Additional ordination training support grants	-	8
Diocesan Stipends Fund recharges (housing allowances and St Mellitus training institution)	127	32
Chester Diocesan Board of Education recharge	238	206
E J Massey trust receipt of endowment	25	80
	966	715

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

4. Investment Income	2018	2017
	£'000	£'000
Investment and fixed interest funds	288	277
CBF deposits and bank interest	32	16
Other income including interest on loans to parishes	9	14
	<u>329</u>	<u>307</u>

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	Parochial clergy and Archdeacons	Support to clergy and parishes	Retreat and Conference Centre	Total 2018	Total 2017
	2%	20%	75%	3.0%	100%	
	£'000	£'000	£'000	£'000	£'000	£'000
Church house costs	3	26	97	4	130	119
Central services	2	24	89	4	119	103
Central staff costs	11	113	423	17	564	544
Legal, audit, depreciation	2	16	73	2	93	84
	<u>18</u>	<u>179</u>	<u>682</u>	<u>27</u>	<u>906</u>	<u>850</u>

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

6. Expenditure	Note	Total 2018 £'000	Total 2017 £'000
Cost of generating voluntary income		18	17
Central Services & support costs		18	17
Investment and rental costs			
Rental costs		61	68
Value linked loan interest paid		9	14
		<u>70</u>	<u>82</u>
Charitable Activities			
National church responsibility		433	424
Funding of parochial clergy and archdeacons			
Parochial Clergy and Archdeacons stipends		7,589	7,531
Maintenance of clergy housing		1,109	1,164
National ministry training and ordinands grants		914	732
Central Services & support costs		179	168
		<u>9,791</u>	<u>9,595</u>
Parsonage purchases, improvements and transfers		1,444	1,521
Support to clergy and parishes			
Ministry		476	503
Bishops' and Archdeacons' support, DAC, Chaplains & Ecumenical		258	264
Education		231	201
Social Responsibility		234	227
Mission		219	160
Discretionary and one off items (EIG)		19	30
Lay conference		6	32
Grants to parishes, clergy and others	7	118	528
Transforming Lives Together		50	49
Staff defined benefit pension scheme deficit contribution		(13)	-
Central Services & support costs		682	640
		<u>2,280</u>	<u>2,634</u>
Diocesan Retreat and Conference Centre			
Diocesan Retreat and Conference Centre		324	325
Central Services & support costs		27	25
		<u>351</u>	<u>350</u>
Change in Staff Defined Benefit Pension Scheme deficit recovery plan		13	-
Change in Church of England Funded Pension Scheme (CEFPS) agreed deficit recovery plan			
	25	-	(363)
		<u>14,400</u>	<u>14,260</u>

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

7. Grants to parishes, clergy and others	2018	2017
	£'000	£'000
Pastoral account grants to parishes		
Stretton	-	20
Bollington	-	20
Brinnington	-	175
Edgeley and Cheadle Heath	-	147
Huntington	20	-
Winnington	13	-
Northwich Holy Trinity	7	-
Open Door project Runcorn	3	-
Goostrey	13	-
Swettenham	7	-
	63	362
Other grants to parishes		
Chester St Peter	-	120
Marton - E J Massey trust	4	2
Birkenhead Priory - clerical or lay assistance	5	6
Thornton Hough - Fryer Legacy income	3	3
	12	131
Grants to Individuals		
	No. of grants	
Foxhill grants	17	2
Clergy Sustentation grants	15	14
Retired Clergy, widows and dependents fund grants	87	27
	43	35
Total grants	118	528
8. Staff and Office holder costs and numbers		
Staff costs:		
	2018	2017
	£'000	£'000
Wages & salaries	1,636	1,482
Social security costs	152	141
Pension costs	258	212
	2,046	1,835
Average staff numbers based on full time equivalents		
	2018	2017
	Number	Number
Cost of generating voluntary income	0.5	0.5
Funding of parochial clergy and archdeacons	4.1	4.1
Support to clergy and parishes	25.1	23.7
Diocesan Retreat and Conference Centre	6.3	6.0
Diocesan administration and central support	9.0	9.3
	45.0	43.6
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 5.1 (2017 4.8) 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). In 2018, the charity made or accrued termination payments of £nil (2017: £22,854). The termination payments are a combination of redundancy and severance payments. The accounting policy is to recognise termination payment liabilities on communication of intention to pay and when quantifiable. Such payments are accounted for as staff costs. The payments were funded from unrestricted funds.

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

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 202 (2017 215) full time equivalent office holders during the year.

	2018	2017
	£'000	£'000
Clergy Stipends	5,181	5,371
Clergy National Insurance	421	434
Clergy Pension Contributions	1,406	1,273
Other clergy payments	315	234
	<u>7,323</u>	<u>7,312</u>

10. Trustee remuneration and benefits

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

Trustee remuneration

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

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

The Ven Dr Michael R Gilbertson, Archdeacon of Chester	The Revd Alexandra Sanders until 31st January 2018
The Ven Ian G Bishop, Archdeacon of Macclesfield	The Revd Lynn Boyle from 15th May 2018 until 5th December 2018
The Revd Dr Robert S Munro, Chairman, House of Clergy	The Revd Alison J Fulford until 5th December 2018
The Revd Canon Elaine Chegwin Hall	The Revd Simon R Gales until 5th December 2018
The Revd Simon Drew	The Revd Carol S Seddon until 5th December 2018
The Revd Canon David R Felix	The Revd David Brewster from 6th December 2018
The Revd Andrew Q Greenhough	The Revd Dr Mark Hart from 6th December 2018
The Revd Dr David J Page	The Revd Christopher Hobbs from 6th December 2018
The Revd Michael L Ridley	The Revd Christina P Upton from 6th December 2018
The Revd Michael I A Smith	

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

The Rt Revd Keith Sinclair	Bishop of Birkenhead
The Rt Revd Elizabeth J H Lane	Bishop of Stockport

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

The Rt Revd Dr Peter R Forster	Bishop of Chester
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The following trustee was in receipt of a stipend funded by the Church Commissioners, and with housing funded by Chester Cathedral.

The Very Revd Timothy R Stratford	Dean of Chester from 26th September 2018
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The stipends of the Diocesan Bishop and Suffragan Bishops are funded by the Church Commissioners and are in the range £36,032 - £44,530 (2017 range £35,370 - £43,707). The stipend, funded by the DBF, paid to Archdeacons was £35,225 (2017 £34,570). The stipend paid to the Dean of Chester was £36,032 (2017 £35,877). Other clergy who were Trustees were paid stipends in the range £25,401 - £27,168 (2017 range £24,932 - £26,667).

Trustee expenses

A total of £17,126 (2017 £19,052) was reimbursed to 13 (2017 15) 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.

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

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 £356,172 (2017 £333,627), together with pension contributions of £65,512 (2017 £55,650). Of these, the highest paid was George Colville, who received £74,701 (2017 £73,324) excluding employers national insurance, together with pension contributions of £17,462 (2017 £13,272). 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.

	2018	2017
	£'000	£'000
Contribution re joint employment contracts and other recharges to Chester Diocesan Board of Education	<u>238</u>	<u>206</u>

In 2018, and following her retirement, Revd Carol Seddon bought the former vicarage of Northwich (Winnington) St Luke from the DBF for £385,000.

13. Tangible Fixed Assets

	Office	Freehold Land and Buildings Board	Glebe	Fixtures and Office Equipment	Total 2018
Cost or Valuation	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018 (restated)	1,436	10,137	4,403	115	16,091
Additions	-	-	125	-	125
Revaluations	-	(40)	188	-	148
Disposals		(1,078)			(1,078)
Balance at 31 December 2018	<u>1,436</u>	<u>9,019</u>	<u>4,716</u>	<u>115</u>	<u>15,286</u>
Accumulated Depreciation					
Balance at 1 January 2018	198	-	-	74	272
Charge for year	47	-	-	18	65
Balance at 31 December 2018	<u>245</u>	<u>-</u>	<u>-</u>	<u>92</u>	<u>337</u>
Net Book Value at 1 January 2018	<u>1,238</u>	<u>10,137</u>	<u>4,403</u>	<u>41</u>	<u>15,819</u>
Net Book Value at 31 December 2018	<u>1,191</u>	<u>9,019</u>	<u>4,716</u>	<u>23</u>	<u>14,949</u>

The DBF's office at Daresbury Park is shown at cost and depreciated over 30 years.

Other DBF properties and Glebe properties are held at valuation. Valuations are determined by an independent, professionally qualified valuer, for each property at regular intervals, and specifically in any year where the Trustees believe there has been a material change in value. A desk top valuation was performed by Neil Cummings MRICS of Wright Marshall Limited and by Fisher German as at 31 December 2018. 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 £1,355,000 (2017 £2,540,000).

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

14. Investments	2018	2017
	£'000	£'000
Market Value at 1 January 2018	8,560	7,696
Acquisitions at cost	107	157
Net gains on revaluation at 31 December 2018	(323)	707
Market Value at 31 December 2018	8,344	8,560

Investments at 31 December 2018 comprise

	No of shares	2018 Market Value £'000	No of shares	2017 Market Value £'000
CBF Church of England Investment Fund	497,214	7,895	495,670	8,197
CBF Church of England Fixed Interest Fund	30,414	49	30,414	51
CBF Church of England Property Fund	279,267	390	222,540	302
Churches' Mutual Credit Union Deferred £1	10,000	10	10,000	10
		8,344		8,560

15. Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Loan to Liverpool DBF	6	-
Other debtors	245	310
Prepayments and accrued income	300	326
Other loans	4	3
	555	639
Amounts falling due after more than one year		
Loans to parishes	21	21
Loan to Liverpool DBF	87	-
Other loans	-	3
Value linked loans to parishes (note 18)	83	213
	191	237
Total debtors	746	876

Debtors are valued at the undiscounted amount receivable.

The loan to Liverpool DBF was arranged as £100,000 repayable over 15 years interest free. £6,667 is repayable within a year, the remainder of £86,666 is repayable after more than one year. 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.

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

16. Cash at bank, on deposit and in hand	2018	2017
	£'000	£'000
Balances held by Church Commissioners	2	4
Cash in hand, at bank and on bank deposit	881	1,522
Charity Bank Deposit	330	327
CBF Church of England Deposit Fund	6,374	4,795
	<u>7,587</u>	<u>6,648</u>

17. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Ordinary creditors	295	324
Sundry creditors and accruals	369	334
Church of England Funded Pension Scheme agreed deficit recovery plan (note 25)	597	594
	<u>1,261</u>	<u>1,252</u>

Creditors are valued at the undiscounted amount payable.

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

	2018	2017
	£'000	£'000
CCLA loan	-	500
Value linked loans for parishes (note 15)	83	213
Church of England Funded Pension Scheme agreed deficit recovery plan (note 25)	3,428	3,968
	<u>3,511</u>	<u>4,681</u>

Creditors are valued at the undiscounted amount payable.

Included in creditors falling due after more than one year are liabilities concerning pension deficit repayments due after more than five years, estimated as being £1,207,000 (2017: £1,851,000).

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

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

19. Endowment Funds

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

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

Prior year comparatives:-

	Restated 1 January 2017 £'000	Incoming Resources	(Expenditure) gains/(losses) and transfers £'000	Restated 31 December 2017 £'000
Diocesan Conference Centre	100	-	9	109
Steel & William Fletcher Rogers Fund	61	-	6	67
Retired Clergy, Widows and Dependants Fund	2,050	-	193	2,243
Clergy Sustentation Fund	129	-	13	142
Birkenhead Curacy Fund	124	-	11	135
E J Massey	-	80	4	84
Glebe Land & Buildings	4,641	-	(238)	4,403
Diocesan Stipends Fund Capital Account	2,951	-	369	3,320
	10,056	80	367	10,503

Permanent Endowment

Diocesan Conference Centre
Steel & William Fletcher Rogers Fund
Retired Clergy, Widows and Dependants Fund

Held to produce income for the Foxhill Conference Centre
Making of grants for women and girls in need on the Wirral
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
Birkenhead Curacy Fund
E J Massey

Making of grants to members of the clergy in need of assistance.
Fund for clerical or lay assistance at Birkenhead Priory Parish
For the maintenance and upkeep of church and churchyard at Marton

Expendable endowment

Glebe Land & Buildings
Diocesan Stipends Fund Capital Account

Representing the value of glebe property. Glebe rental income is used for funding stipends

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.

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

20. Restricted Funds

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

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

Prior year comparatives:-

	Restated 1 January 2017	Restated Incoming Resources	(Expenditure), Gains, (Losses) & Transfers	31 December 2017
	£'000	£'000	£'000	£'000
Capital Reserve Stipends	3,000	-	282	3,282
Clergy Sustentation	34	9	(8)	35
UPA Projects	14	-	-	14
Canon White Trust	2	-	-	2
Jane Hannah Graham Trust	331	1	-	332
Retired Clergy Widows and Dependants	643	81	(30)	694
Steel & William Fletcher Rogers Fund	24	2	1	27
Parish Mission and Ministry	146	-	(119)	27
Diocesan Pastoral Account	3,639	3,715	(1,884)	5,470
Birkenhead Curacy Fund	63	6	-	68
Foxhill Retreat Fund	174	1	2	177
Restricted Committee income* (See over)	-	1,535	(1,535)	-
	8,070	5,350	(3,292)	10,128

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

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

Details of the Restricted funds outstanding are as follows:

Capital Reserve Stipends	Fund for payment of stipends.
Clergy Sustentation	The charity is endowed (see note 19) The income is for the making of grants to members of the clergy in need of assistance.
UPA Projects	Raised for projects in Urban Priority Areas.
Canon White Trust	Repair and restoration of churches in the Diocese.
Jane Hannah Graham Trust	The making of grants and loans for the provision, restoration and repair of churches and parsonage houses.
Retired Clergy Widow and Dependants	The charity is endowed (see note 19) Making of grants for relief in need of retired clergy, widows, spouses of the clergy. In certain circumstances meeting clergy pension contributions.
The Steel and William Fletcher Rogers Fund	The charity is endowed (see note 19) Making of grants for women and girls in need on the Wirral.
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 £64,245. The trust arose to pay grants to Honorary Canons of Chester Cathedral with a wish that they preach at Balterley Memorial Chapel.

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

21. Analysis of net assets between funds

					Restated	
					2018	
	Tangible Fixed Assets	Investments	Net Current Assets	Long term Liabilities	Total Net Assets	Total Net Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted Funds						
General Funds	4,321	10	2,685	(83)	6,933	5,777
Designated						
CEFPS deficit recovery plan	-	-	(597)	(3,428)	(4,025)	(4,562)
Office refurbishment	-	389	-	-	389	302
EIG Reserve	-	-	187	-	187	205
Lay Training	-	-	18	-	18	19
Fryer Trust	-	100	-	-	100	104
Diocesan Conference Centre	3,500	-	-	-	3,500	3,494
Total Unrestricted Funds	7,821	499	2,293	(3,511)	7,102	5,339
Restricted Funds						
Capital Reserve Stipends	-	3,152	-	-	3,152	3,282
Clergy Sustentation	-	-	26	-	26	35
UPA Projects	-	-	14	-	14	14
Canon White Trust	-	-	2	-	2	2
Jane Hannah Graham Trust	-	-	333	-	333	332
Retired Clergy Widows and Dependants	185	-	570	-	755	694
Pastoral Account	2,227	-	2,421	-	4,648	5,470
Parish Mission and Ministry	-	-	27	-	27	27
Birkenhead Curacy Fund	-	59	7	-	66	68
Foxhill Retreat Fund	-	76	96	-	172	177
Steel & William Fletcher Rogers	-	-	29	-	29	27
Total Restricted Funds	2,412	3,287	3,525	-	9,224	10,128
Endowment Funds						
Diocesan Conference Centre	-	105	-	-	105	109
Steel & William Fletcher Rogers	-	64	-	-	64	67
E J Massey	-	105	-	-	105	84
Retired Clergy Widows and Dependants	-	2,154	-	-	2,154	2,243
Clergy Sustentation Fund	-	136	-	-	136	142
Glebe Land & Buildings	4,716	-	-	-	4,716	4,403
Birkenhead Curacy Fund	-	130	-	-	130	135
Diocesan Stipends Fund Capital	-	1,864	1,254	-	3,118	3,320
Total Endowment Funds	4,716	4,558	1,254	-	10,528	10,503
Total Funds	14,949	8,344	7,072	(3,511)	26,854	25,970

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

Prior year comparatives:-

	Tangible Fixed Assets £'000	Investments £'000	Net Current Assets £'000	Long term Liabilities £'000	2017 Total Net Assets £'000
Unrestricted Funds					
General Funds	4,339	10	1,547	(119)	5,777
Designated					
CEFPS deficit recovery plan				(4,562)	(4,562)
Office refurbishment	-	302	-	-	302
EIG Reserve	-	-	205	-	205
Lay Training	-	-	19	-	19
Fryer Trust	-	104	-	-	104
Diocesan Conference Centre	3,494	-	-	-	3,494
Total Unrestricted Funds	7,833	416	1,771	(4,681)	5,339
Restricted Funds					
Capital Reserve Stipends	-	3,282	-	-	3,282
Clergy Sustentation	-	-	35	-	35
UPA Projects	-	-	14	-	14
Canon White Trust	-	-	2	-	2
Jane Hannah Graham Trust	-	-	332	-	332
Retired Clergy Widows and Dependants	182	-	512	-	694
Pastoral Account	1,491	-	3,979	-	5,470
Parish Mission and Ministry	-	-	27	-	27
Birkenhead Curacy Fund	-	61	7	-	68
Foxhill Retreat Fund	-	80	97	-	177
Steel & William Fletcher Rogers	-	-	27	-	27
Total Restricted Funds	1,673	3,423	5,032	-	10,128
Endowment Funds					
Diocesan Conference Centre	-	109	-	-	109
Steel & William Fletcher Rogers	-	67	-	-	67
EJ Massey	-	84	-	-	84
Retired Clergy Widows and Dependants	-	2,243	-	-	2,243
Clergy Sustentation Fund	-	142	-	-	142
Glebe Land & Buildings	4,403	-	-	-	4,403
Birkenhead Curacy Fund	-	135	-	-	135
Diocesan Stipends Fund Capital	-	1,941	1,379	-	3,320
Total Endowment Funds	4,403	4,721	1,379	-	10,503
Total Funds	13,909	8,560	8,182	(4,681)	25,970

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

22. Transfers between funds

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

	2018	2017
	£'000	£'000
From the Pastoral Account		
In respect of housing allowances	70	70
In respect of Loan repayments	500	100
Other transfers	28	9
Total transfers	598	179

23. Financial Instruments

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

	2018	2017
	£'000	£'000
Financial assets		
Financial assets measured at fair value through profit or loss	8,344	8,560
Financial assets measured at amortised cost	8,333	7,524
Financial liabilities		
Financial liabilities measured at amortised cost	4,772	5,933

Financial assets measured at fair value through profit or loss comprise fixed asset investments in unlisted common investment funds

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

Financial liabilities measured at amortised cost comprise loans, trade creditors, other creditors and accruals.

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

24. Staff Pensions Schemes Defined Benefit Scheme (DBS)

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

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

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

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

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

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Section, is exposed to actuarial risks associated with the current and former employees of other entities participating in DBS. This means that contributions are accounted for as if DBS were a defined contribution scheme. The pensions costs charged to the SoFA during the year are payable towards benefits and expenses accrued in that year (2018 £104,504, 2017 £88,142).

If, following an actuarial valuation of the Life Risk Pool, there is a surplus or deficit in the pool and the Actuary so recommends, further transfers may be made from the Life Risk Pool to the employers' sub-pools, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the Church of England Pensions Board on the advice of the Actuary. A valuation of the DBS is carried out once every three years. The most recent was carried out as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £26.2m.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 30.1% of pensionable salary and expenses of £7,200 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:

	2018	2017
	£'000	£'000
Balance sheet liability at 1 January	-	-
Deficit contribution paid	(13,000)	-
Interest cost (recognised in SoFA)	-	-
Remaining change to the balance sheet liability*(recognised in SoFA)	13,000	-
Balance sheet liability at 31 December	<u>-</u>	<u>-</u>

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

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

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

	December 2018	December 2017	December 2016
Discount rate	0.0%	0.0%	0.0%

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

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

Pension Builder Scheme (PBS)

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

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

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

Pension Builder Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the Church of England Pensions Board from time to time. Discretionary increases may also be added, depending on 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 as it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers. This means that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2018: £128,981, 2017: £110,036).

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

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

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

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

25. Clergy 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 (2018: £1,425,893, 2017: £1,293,037), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total charge of £1,485,893 for 2018, (2017: £1,008,037).

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2015. A valuation at 31 December 2018 is currently under way, but the results of this are yet to be determined. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

* An investment strategy of:

- * for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030 (with the remainder in return-seeking assets); and
- * a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;

* Investment return equivalent to 2.6% p.a. on gilts and 4.6% p.a. on return-seeking assets;

* RPI inflation of 3.2% p.a. (and pension increases consistent with this);

* Increase in pensionable stipends of 3.2% p.a.;

* Mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance for improvements in mortality rates in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.5%.

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

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

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

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

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

	2018	2017
	£'000	£'000
Balance sheet liability at 1 January	<u>4,562</u>	<u>5,551</u>
Deficit contribution paid	(597)	(704)
Interest cost (recognised in SoFA)	60	78
Remaining change to the balance sheet liability* (recognised in SoFA)	-	(363)
Balance sheet liability at 31 December	<u>4,025</u>	<u>4,562</u>

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

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

	December 2018	December 2017	December 2016
Discount rate	2.1% pa	1.4% pa	1.5% pa
Price inflation	3.1% pa	3.0% pa	3.1% pa
Increase to total pensionable payroll	1.6% pa	1.5% pa	1.6% pa

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

26. Guaranteed Minimum Pension (GMP) Equalisation

On 26 October 2018, the High Court handed down its judgment in the case involving the Lloyds Banking Group's defined benefit pension schemes and the rights of members to equality of treatment in relation to pension benefits. The Court's ruling has made it clear that schemes should be amended to equalise benefits for men and women in respect of guaranteed minimum pension benefits. The Church Workers Pension Scheme and the Clergy Pension Scheme have equal contributions for men and women, and as a result, the DBF does not anticipate additional liabilities as a result of this judgement.

Chester Diocesan Board of Finance Notes to the accounts for the year ended 31 December 2018

27. Prior year comparative Statement of Financial Activities

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Restated Total 2017 £'000
Income and endowments from				
Parochial contributions	11,350	-	-	11,350
Grants and other donations	165	470	80	715
Investment income	47	260	-	307
Rental income	153	124	-	277
Income from charitable activities				
Statutory fees, chaplaincy and other income	-	756	-	756
Diocesan Retreat and Conference Centre	172	-	-	172
Other income from operating activities	13	45	-	58
Parsonage and redundant church sales/transfers		3,345	-	3,345
Total Income	11,900	5,000	80	16,980
Expenditure on raising funds				
Cost of generating voluntary income	17	-	-	17
Investment and Rental costs	22	60	-	82
Charitable Activities				
National church responsibility	424	-	-	424
Funding of parochial clergy and archdeacons	8,517	1,078	-	9,595
Parsonage purchases and major improvements	-	1,361	160	1,521
Support to clergy and parishes	1,715	919	-	2,634
Diocesan Retreat and Conference Centre	350	-	-	350
Change in CEFPS deficit recovery plan	(363)	-	-	(363)
Total Expenditure	10,682	3,418	160	14,260
Net gains/(losses) on investments	15	289	403	707
Net income	1,233	1,871	323	3,427
Transfers between funds	179	(179)	-	-
Other recognised gains/(losses)				
Gains/(losses) on revaluation of fixed assets	157	16	124	297
Net movement in funds	1,569	1,708	447	3,724
Reconciliation of funds:				
Total funds brought forward	3,770	8,420	10,056	22,246
Total funds carried forward	5,339	10,128	10,503	25,970

28. Restatement of comparative figures

In the current period, information had come to light of properties that should have been shown in the prior period balance sheet of Chester Diocesan Board of Finance.

As a result, the comparative figures of the prior period have been restated. This resulted in fixed assets and equity being increased with £444,047 in the comparative period. Fixed asset and income & endowments was increased with £216,667 in the comparative period. Non current assets held for sale of £1,910,000 was disclosed in current assets in the prior period. It has come to light in the current period that this is meant to be reflected within tangible assets. This resulted in non - current assets held for sale decreasing with £1,910,000 and tangible assets increasing with £1,910,000.







