

# Chester Diocesan Board of Finance



Annual Report and Financial Statements 2017

**Cover Photo:** Reverend Andy Bull from St. Mark's Church in Bredbury near Stockport along with 10 other church goers completed the Manchester to Blackpool Bike Ride in 2017, raising almost £500 for The Children's Society.

# Chester Diocesan Board of Finance

Annual Report and Financial Statements 2017

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

**Auditors:**

BDO LLP  
3 Hardman Street  
Spinningfields  
Manchester  
M3 3AT

**Solicitors:**

Cullimore Dutton  
20 White Friars  
Chester  
CH1 1XS

Aaron & Partners  
Grosvenor Court  
Foregate Street  
Chester  
CH1 1HG

Chester Diocesan Board of Finance  
Annual Report and Financial Statements 2017  
Registered Office: Church House, 5500 Daresbury Park,  
Daresbury, Warrington WA4 4GE  
Telephone: (01928) 718 834

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

---

# Index

---

## **Report of the trustees, incorporating the Strategic Report**

Membership of the Board	2
Chairman's Statement	3
Highlights of the year	4
Aims and Activities	5
Strategic report	6
Clergy	6
Assisting Parochial Church Councils	8
Mission	8
Education	9
Social Responsibility	10
Ministry Development	12
Grants	12
Foxhill House and Woodlands	13
World Mission	13
Financial Review	14
Plans for future periods	15
Risk Management	15
Background Information	16
Legal and Financial Information	21
Statement of Trustees' Responsibilities	22

## **Independent Auditors' Report**

24

## **Financial Statements**

Statement of Financial Activities	26
Balance Sheet	27
Statement of Cash Flows	28
Notes to the accounts	29

---

# Membership of the Board

---

(The trustees of the charity and the directors of the charitable company are the same.)

Trustees/Directors served for the full year, except where shown.

**President:** The Rt Revd Dr Peter R Forster Bishop of Chester

**Chairman:** Mr Ian N Scott-Dunn

**Trustees/Directors:**

The Rt Revd Keith Sinclair	Bishop of Birkenhead
The Rt Revd Elizabeth J H Lane	Bishop of Stockport
The Ven Dr Michael R Gilbertson	Archdeacon of Chester
The Ven Ian G Bishop	Archdeacon of Macclesfield
The Very Revd Professor Gordon McPhate	Dean of Chester until 30th September 2017
Canon Dr John P Mason	Chairman, House of Laity
The Revd Dr Robert S Munro	Chairman, House of Clergy

The Revd Lynn Boyle from 15th May 2018  
The Revd Canon Elaine Chegwin Hall  
The Revd Simon Drew  
The Revd Canon David R Felix  
The Revd Alison J Fulford  
The Revd Simon R Gales  
The Revd Andrew Q Greenhough  
The Revd Julian R Heaton until 18th November 2017  
The Revd Dr David J Page  
The Revd Michael L Ridley  
The Revd Alexandra Sanders until 31st January 2018  
The Revd Carol S Seddon  
The Revd Michael I A Smith

Canon Elizabeth Renshaw MBE  
Dr J Graham Campbell  
Dr Alan Downen  
Mr John J C Freeman  
Miss Fiona Goode  
Mrs Jenny Kidd  
Mr V John Legg  
Mr David Marriott  
Mr Ian Roberts  
Mr John R Scrivener

**Secretary:**

Mr George Colville

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

---

## Chairman's Statement

---

*And my God will meet all your needs according to his glorious riches in Christ Jesus. Philippians 4:19*

I am pleased to present the Chairman's Statement for the Chester Diocesan Board of Finance and to be able to report that in 2017, its 146th year, our normal day to day financial performance had an excess of income over expenditure of £341,000, an increase over the previous year which was £205,000. As always, it should be noted that this result is the difference between day to day income and expenditure, both of which are in the region of £13m.

A large portion of this increase in the surplus was due to an improvement in the Parish Share received, with a collection rate equating to about 95%. It is entirely due to the continued commitment and generosity of people in our parishes that we were once again able to discharge our duty in resourcing ministry throughout the Diocese and at the same time achieve the surplus we have.



The future, however, does not look quite so positive as we know that setting the annual budget becomes more of a challenge each year and the Board of Finance is mindful of the tensions in many places in the Diocese. We do try to take account of the amount that can reasonably be asked for in terms of parish share whilst at the same time attempting to resource ministry in all its forms, including training sufficient people for the medium term.

Income relating to the sale of parsonages was at a slower rate than previous years. The Board has a policy of recycling funds from the sale of parsonages to fund new ones and improve existing ones. We also use some of the surpluses to support day to day activities.

Investments performed very well in 2017 with a total return of 12.9% (2016: 15.7%). The majority of these investments are endowment funds whose primary function is to generate income for stipends, so maintenance of dividends is of a higher importance than end of year valuations. Included in the total returns, the dividend yield increased slightly to 3.5% (2016 3.3%) and the capital value increased by 9.4% (2016: 12.4%). The Board recognises, however, that in the early part of 2018, worldwide stock-markets have not performed well and this may have a substantial impact on our future financial performance.

I thank George Colville (Diocesan Secretary) and the staff, who provide the highest quality support to our parishes and beyond, as we recognise the particular stresses that they work under at this time.

The Board thanks all those who have left the Diocese for the work they have done and we welcome all the new members to the Diocesan team at Daresbury and Foxhill.

I also thank all Board and Board Sub-committee members for their work throughout the year.

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**

---

## Highlights of the year

---



### **Pilgrimage to the Holy Land**

More than a hundred people from Chester Diocese went on pilgrimage to the Holy Land just before Easter 2017.

### **A big crowd for The Big Church Day Out**

10,000 people, from hundreds of churches across Chester diocese and beyond, converged on Capesthorpe Hall in early June, to enjoy The Big Church Day Out. It was led by a number of internationally acclaimed Christian ministries, bands and performing artists. From the Wirral to Macclesfield, thousands of families brought their babies, children and teenagers for a weekend of camping, outdoor games, and an opportunity to join in worship, prayer and praise. They came as single families and also in church groups. The Diocese was the largest single group bringing 700 people.

### **Thy Kingdom Come**

The summer of Praise and Prayer included a spectacular celebration of Pentecost, as the Cathedral staged a Beacon Event for the culmination of Thy Kingdom Come – ten days of prayer. The cathedral was packed with 1,400 people, representing all our diversity and ages, meeting in a final act of praise and worship and a concerted prayer to God for the coming of his kingdom and a renewal of mission.

### **New website**

After several months of development and consultation, the new Diocesan website was launched. Designed for both mobile and desktops the new site introduced new features.

### **Believe in Birkenhead**

The Archbishop of York, Dr John Sentamu joined the 'Believe in Birkenhead' mission weekend. Local churches organised a wide variety of events involving schools, shipyards and family fun activities.

The Bishop of Birkenhead, Keith Sinclair, the Bishop of Stockport, Libby Lane, the Bishop of Burnley, Philip North, Revd Roger Simpson, and ex-Gladiator Warren 'Ace' Furman also shared their faith with the people they met in Birkenhead as part of the mission weekend.

### **Retirements**

Jeff Turnbull, Director of Education, after 25 years' service  
Stephen Regan, Director of Communications, after 12 years' service.

---

# Aims and Activities

---

*Jesus said, "You have not chosen me; I have chosen you. Go and bear fruit that will last." John 15:16*

God has given us a Christian framework for living which benefits the members of the churches in the Diocese and the wider public generally.

## Ensuring our work delivers our aims

We review our work each year and consider outcomes and plans for the future. We take account of the Charity Commission's general guidance on public benefit when reviewing our purpose and in considering how planned activities will meet that aim.

## The focus of our work

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 as a whole.

## 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 in order 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
- **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
- **Retreat and conference centre** - providing a retreat and conference centre for education, and spiritual and physical refreshment
- **World Mission** – in part through links with the Anglican Dioceses in Melanesia and Congo

## Area of activity

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. Other Diocesan Boards of Finance perform a similar function in the rest of England.

## Who benefits from our services?

The DBF is a public benefit entity. The trustees confirm that they have complied with the duty of Section 17 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 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.



The church tent at Creamfields

---

# 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.

The DBF could save money and make its operations easier by significantly reducing the number of clergy. But provision of clergy and paying for them is at the very heart of the DBF's purpose, "to maintain and promote the spiritual teaching of the Church of England". Reducing clergy numbers goes against these aims so there is no overall objective to reduce clergy numbers. In the same way, reducing the levels of training would be counter-productive.

Some clergy are not paid stipends. These include self-supporting ministers, ministers in secular employment, and retired clergy. They give wonderful service, but generally have less time to offer and in most cases cannot be 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.

Good clergy, well trained and with high morale, are vital to the DBF's aims and objectives at the heart of the DBF's purpose. We have to 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.



## Clergy housing

*Whatever house you enter, first say, "Peace be to this house!" Luke 10:5*

Although parsonage/clergy houses (often called rectories or vicarages) are not owned by the charity, it does have responsibility under the Repair of Benefice Buildings Measure 1972 for maintaining and insuring them. This includes carrying out repairs and maintenance works as they arise, and as highlighted in the 5-yearly inspections. Major renovation works are usually carried out during an interregnum.

Annual/periodic checks are done on the electrical and gas installations to comply with current legislation. There is also a phased program of improving the overall standard of housing within the constraints of available funding.

During 2017 the former vicarages at Thornton Hough, Altrincham St John, Gee Cross and Edgeley St Mathew were sold. A house was purchased in Bollington for future use as a vicarage.

Additionally, part of the garden land at Stretton vicarage was also sold for development.

A number of improvement projects were completed during the year, including replacement kitchens at Partington, Frankby with Greasby and Barnton, together with various window replacement schemes at Kingsley, Marple, Rostherne, Frankby with Greasby, Birkenhead Priory and Newton West Kirby. Nine new boilers were installed at various houses

## Chaplains

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

## Bishops and Archdeacons

*The gospel is bearing fruit and growing throughout the whole world - just as it has been doing among you since the day you heard it and truly understood God's grace. Colossians 1:6*

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, 'in our role we are given the huge privilege of seeing the fruit produced by the good works of the parishes across the Diocese. The Church is a phenomenal force for good across Cheshire, wonderfully changing things for the better and we always thank God for the way we see him graciously working in ordinary people to produce extraordinary stories'.



## **Assisting Parochial Church Councils**

*“Go up to the hills and bring wood and build the house, that I may take pleasure in it and that I may be glorified,” says the LORD. Haggai 1:8*

2017 has been another very busy and dynamic year with regards to works to church buildings and churchyards, and the DBF has been assisting with parish requests for advice and proposals for a wide variety of works. Parishes have been striving to make their churches more welcoming, accessible and flexible spaces suitable for worship and fellowship in the 21st century, with Rainow Holy Trinity, Compstall St Paul and Bredbury St Mark to carry out major re-ordering/improvement schemes, and with extension schemes at Malpas St Oswald and Waverton St Peter to provide vital facilities. Construction of the new Church Centre at Upton St Mary has also commenced during 2017.

## **Mission**

*You're here to be light, bringing out the God-colours in the world. God is not a secret to be kept. We're going public with this, as public as a city on a hill. Matthew 5:14*

The DBF aims to inspire, enthuse and serve churches in mission, for spiritual and numerical growth. Working to resource all the churches in the diocese, the Mission team is tackling the evolving shape of the church to ensure that the challenges of mission and ministry in coming decades can be met.

The department focused its work around four priorities in 2017; Prayer, Inspiring Younger Generations, Discipleship and Evangelism, and the Urban Transformation Programme.

### **Mission Rooted in Prayer**

Prayer underpins every element of the Mission Strategy. The DBF participated in “Thy Kingdom Come” by supporting parishes to organise creative prayer events. Daily prayers were held at Foxhill House and Woodlands, with the 10 day wave of prayer culminating in a Pilgrimage on Pentecost Sunday from Foxhill House and Woodlands to a special National Beacon Event at the Cathedral.

### **Inspiring Young Generations**

Significant progress in developing strategy and identifying the critical mission priorities amongst young generations has been made during the year. Parishes now have 50 employed Parish Youth, Children and Family Ministers and there are 6 chaplains in schools seeing approximately 6,000 students every week. The Young Generations Mission and Strategy Hub and Network was reshaped in 2017, and began to see a positive attitude cultivated in every parish. Through prayer and worship the learning community has developed strategy together. The Team have been present “beyond the church walls” at such events as We are the Church at Creamfields (led by churches from the Great Budworth Deanery), Salt Sunday and the Cheshire Show.

### **Discipleship and Evangelism**

Working with The London Institute for Contemporary Christianity (LICC) and Jesus Shaped People, the DBF offers teaching resources suitable for all Parishes and contexts. During 2017, work begun to develop ambassadors for mission within the Local Missioner Network. The Parishes of the diocese attended the first Big Church Day Out at Capesthorpe Hall, and Luke’s Gospel and prayers were shared with 300 women at a second Cathedral Zumbathon held to raise funds for Children in Need.

### **Urban Transformation Programme**

Archbishop Sentamu joined us for Believe in Birkenhead, a four-day Deanery Mission held in September. The Gospel was shared in primary and secondary schools, the Hive Youth Club, Cammell Laird, St Catherine’s Health Centre and the YMCA. Churches across 10 parishes hosted events and fun days. Aside from Birkenhead, a Mission Hub was created in Runcorn.

*“The mission was a wonderful learning experience and one of the biggest mission events in Birkenhead in recent years with over 1,500 young people and many more adults hearing about God’s love.”*

Lyn Weston, Diocesan Missioner



*Archbishop Sentamu meets local children during the 'Believe in Birkenhead' mission weekend*



*Bishop Keith celebrated 'Salt Sunday' at the Lion Salt Works museum in May 2017*

**Education**

*Come, my young friends, and listen to me, and I will teach you to honour the Lord.(Psalm 34:11)*

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.

With the work of children and youth services now adopted by the new Mission Department, it is schools work which now is the area of responsibility of the DBE. More details can be found in the DBE annual report.

## **Social Responsibility**

*“The Spirit of the Lord is upon me, because he has anointed me to bring good news to the poor. He has sent me to proclaim release to the captives and recovery of sight to the blind, to let the oppressed go free, to proclaim the year of the Lord’s favour. (Luke 4:18-19)*

The DBF aims to resource and support parishes in mission, particularly their social action and outreach. The Committee for Social Responsibility endeavours to shape and support this aspect of diocesan work.

The DBF continued community based work with the Church Urban Fund – through the Transforming Lives Together project.

Work in this year culminated in events highlighting food poverty and the diverse responses made by people at a parish and local authority level.

The Counselling services continued to provide support to clergy, their families and lay members at both an individual and group level providing therapeutic counselling and ongoing pastoral support. The Mediation service continued to provide an independent forum to manage conflict where this has arisen in parishes.



The Mental Health Forum held its annual service for World Mental Health Day at St Peter's Church, Minshull Vernon in October. Over 80 people attended a successful follow on Mental Health training day for clergy and laity.

Safeguarding support has continued to be vital element of support offered to parishes. In 2017 the Diocese formally adopted all Safeguarding National Policy and Practice Guidance. Training has continued to be delivered to clergy, parish safeguarding officers and volunteers.

The Criminal Justice group continued to support and raise awareness of the work of Prison Chaplaincies in the Diocese and a partnership service was held at Styal Prison.

During the year a Disability Forum was initiated and the post of Inclusion and Engagement Officer established.

Libby Lane, Bishop of Stockport, took up the role of President of the Royal Cheshire County Show. There were services across the Show's opening days. The "Church at the Show" marquee also provided a place to showcase all that is good about the Christian Church across Cheshire.

Other activities included a Loneliness and Isolation seminar which shared the work and ideas of over 20 partner organisations.



## Ministry Development

*Like living stones, let yourselves be built into a spiritual house. 1 Peter 2:5*

Effective ministry serves the whole people of God as a worshipping community eagerly engaged in God's mission. The DBF oversees the processes of vocational discernment, selection, initial training or in-service training for all licensed ministries, whether lay or ordained. Ministry Development might be assumed to be purely about competencies, akin to the training offered in the wider secular world. In fact, Christian formation in terms of worship and mission is the first measure of all our ministry training.

Following an enthusiastic response from Diocesan Synod to the Archbishops' Council report *Setting God's People Free*, the diocese has become one of the pilots for its implementation. Charged with promoting change to 'enable the whole people of God to live out the Good News of Jesus Christ confidently in all of life Monday to Saturday, as well as on Sundays,' we anticipate a widening of that learning community.

In the year under review three Pastoral Workers, ten Readers and nineteen ordained clergy were admitted to office. Of those currently in pre-licensing training, twenty-one are prospective Pastoral Workers, twenty-eight are Reader candidates, and fifty-two are ordinands. The diocese is now joint third nationwide in the total number of ordinands it sponsors. All recently-admitted licensed ministers are provided with continuing practice-based learning in the early years of their respective ministries. A significant number of people in these programmes also use them to complete a higher education qualification. We continue to enjoy a very good partnership arrangement with the University of Chester which validates our courses.

### **Here are a handful of responses from some Committee for Ministry course participants in 2017:**

*'This was '... an experience I was glad to have undergone.'*

*'This course is exceptional. I have found the experience very emotional and I cannot begin to say how interesting it is.'*

*'I have enjoyed this module very much. Any expectations I had have been far exceeded.'*

*'The support from my fellow group members has been exceptional.'*

*'I have learnt lots, and been guided to some fantastic reading.'*

Whether critical or glowing, all responses suggest an eagerness for learning and mutual support that is heartening. Thanks are due to the many volunteers and staff that make such a learning community possible.

Other areas of work include a re-launched Ministry Development Review scheme for clergy; higher-profile promotion of vocations in ministry; revised and refocused schemes for Pastoral Worker and Reader training and the appointment of a new Warden of Readers; new support and training for Spiritual Directors/ Accompanists; the provision of tailored training for Initial Ministerial Education and more general needs; leadership training; mentoring and coaching opportunities; resourcing appropriate ministerial learning opportunities provided by outside bodies, the Arts and Faith Network, and facilitating our unique Foundations for Ministry course. Our own longstanding residential "24 Hours with a Theologian" continues to be a very popular way for ministers to engage with current theological research.

The DBF maintains the collaborative work with the Dioceses of Liverpool, Manchester and Blackburn via the part-time ordination course offered by the All Saints Centre for Mission and Ministry. We also have relationships with St Mellitus North West for contextual ordination training. Of the fifty-two ordinands, thirty-five train with one of these two courses, and seventeen are supported at residential colleges.

## Grants

The DBF makes certain grants to support clergy and parishes in their work. A particular 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.

## **Foxhill House and Woodlands**

*...but whoever drinks the water I give them will never thirst. Indeed, the water I give them will become in them a spring of water welling up to eternal life. John 4:14*

Encouraged by the remarkable and unique place that is Foxhill, the team has continued to develop the house and woodlands into a place of encounter, discovery and transformation for all who visit.

The comprehensive programme of events launched in 2017, in particular the monthly quiet days has grown in attendance. Visitors have been welcomed into the newly refurbished reception, and those returning have been uplifted by the redecoration of the Chapel wing bedrooms and other public areas. We are encouraged with the feedback we have received and continue to evaluate how we can truly be a place of welcome and Christian hospitality.

During the year Foxhill has launched a new website and has become more visible in social media, helping to spread the word to the wider diocesan community of this beautiful and refreshing space.

As we look forward into 2018 we celebrate the relaunch of the Friends of Foxhill with Andrew Rudd as Chairperson.

We very much look forward to welcoming you to Foxhill in 2018.

## **World Mission**

*Jesus said, "I have come in order that you might have life - life in all its fullness." John 10:10*

The link with the Anglican Church of Melanesia continued in 2017.

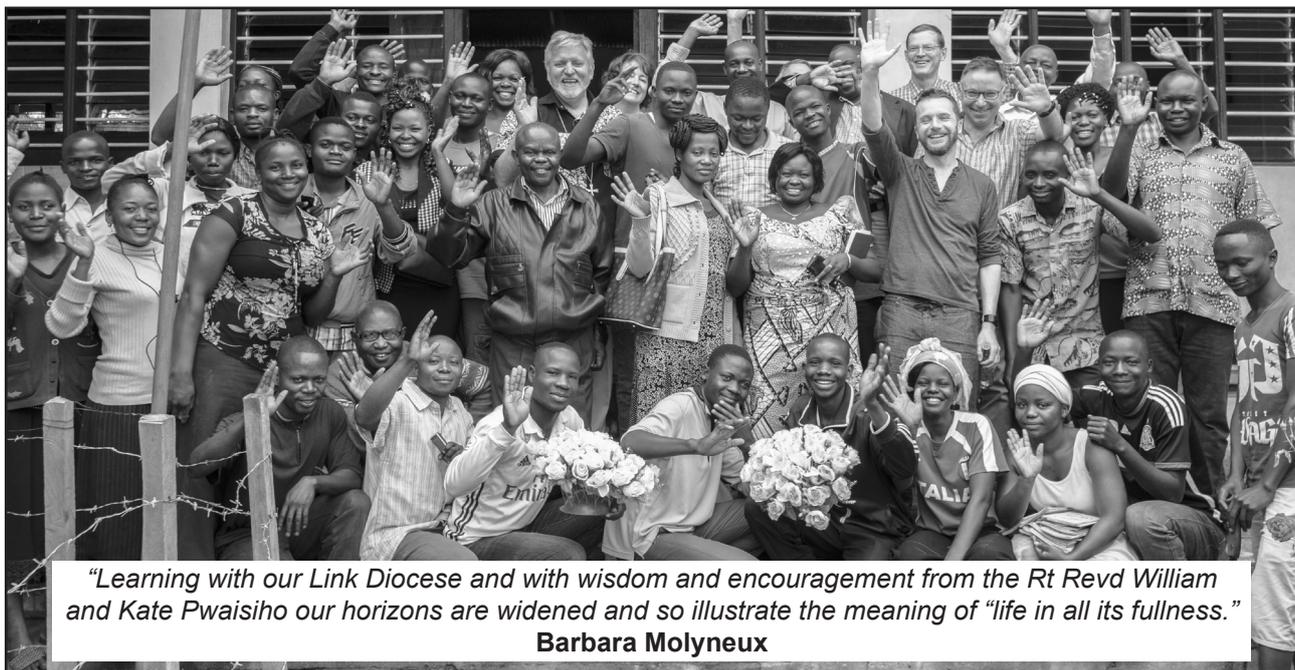
Early in the year The Rt Revd Leonard Dawea, Bishop of the Diocese of Temotu, visited the Diocese meeting Diocesan staff, University staff and Companions of the Melanesian Brotherhood.

In September, Archbishop George and June Takeli, Dr Abraham Hauriasi, General Secretary, and Father Nigel Kelaepa, Mission Secretary of the Anglican Church of Melanesia visited the Diocese. Visits to several schools with links to schools in the Solomon Islands were arranged, climate change in the South Pacific was topical.

The Companions of the Melanesian Brotherhood have sent shipments of church requirements, vestments, school books and theology books to our Link Diocese.

### **Diocese of Aru and Boga**

A group from the Diocese recently visited our link Diocese of Aru and Boga in the Democratic Republic of Congo. The group comprised: Bishop Keith Sinclair, Archdeacon Ian Bishop, John Owens, Ralph Kemp, Ruth Abbott, Philip Alston and Richard Cussons. They took part in a youth conference, feeling hugely blessed and humbled by the faith, sense of God and the Bible knowledge of the young people involved.



*"Learning with our Link Diocese and with wisdom and encouragement from the Rt Revd William and Kate Pwaisiho our horizons are widened and so illustrate the meaning of "life in all its fullness."  
Barbara Molyneux*

## **Financial Review**

Net income after investment gains amounted to £3,370k (2016 net income after investment gains £3,056k), and the surplus on normal day-to-day activities was £341k (2016 £205k).

Contributions received from parishes increased to £11.4m (2016 £11.2m). The increase in parish share assessments continues to marginally outweigh the reductions due to (slowly) falling clergy numbers. The parish share collection rate again improved to approximately 95%.

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 and housing maintenance, amounting to £9.6m (2016 £9.7m). 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 continued gain in investment values. Property values were reviewed, resulting in a general uplift.

The total return on holdings in the CBF Investment Fund was 12.9% made up of a 9.4% gain in capital value and a 3.5% income return. The return on invested cash remained at 3.5% for the whole year.

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.

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 future periods**

The Board's future plans continue to be focused on:

Responding to the challenges facing the Church of England as a result of decades of declining church attendance by:

- promoting spiritual and numerical growth;
- contributing to the common good;
- reimagining ministry

Other specific plans for the future related to particular activities have been set out in the previous sections.

## **Risk Management**

The Board has undertaken an exercise to identify the major risks which impact on the work of the Diocese. A risk register is maintained and the Board keeps this under development and continuing review.

The main risks relate to our ability to continue to fund increasing stipends, housing, salary and pensions costs if voluntary contributions from parishes fail to come in. Other risks are in the areas of key staff, reputation, and exposure to the consequences of decisions undertaken by separate but related church entities.

Bishop's Council, which is the trustee board, and also the board of trustees, has a number of sub-committees that assist in monitoring risks.

The DBF's largest source of funding is contributions of Parish share made by parishes. Arrears of parish share are reviewed on a monthly basis, 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.

The Finance and Scrutiny Committee also considers budgets for day to day income and expenditure each year, which once formulated, are reviewed and approved by Bishop's Council and Diocesan Synod.

The purchase and sale of parsonages and other housing is uneven, and can be challenging to predict, being dependent on the nature and timing of pastoral reorganisations, the housing market for vicarage style houses, and other factors.

The Staffing Review Committee maintains an overview of overall staffing levels and wider issues relating to the deployment of clergy in the diocese.

The Diocese of Chester Safeguarding Commission has a wide range of responsibilities. Many of these, such as ensuring good practice and adequate training, have elements of risk reduction.



---

## Background Information

---

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 (similar to 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 a number of 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 a number of 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.

PCCs 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.

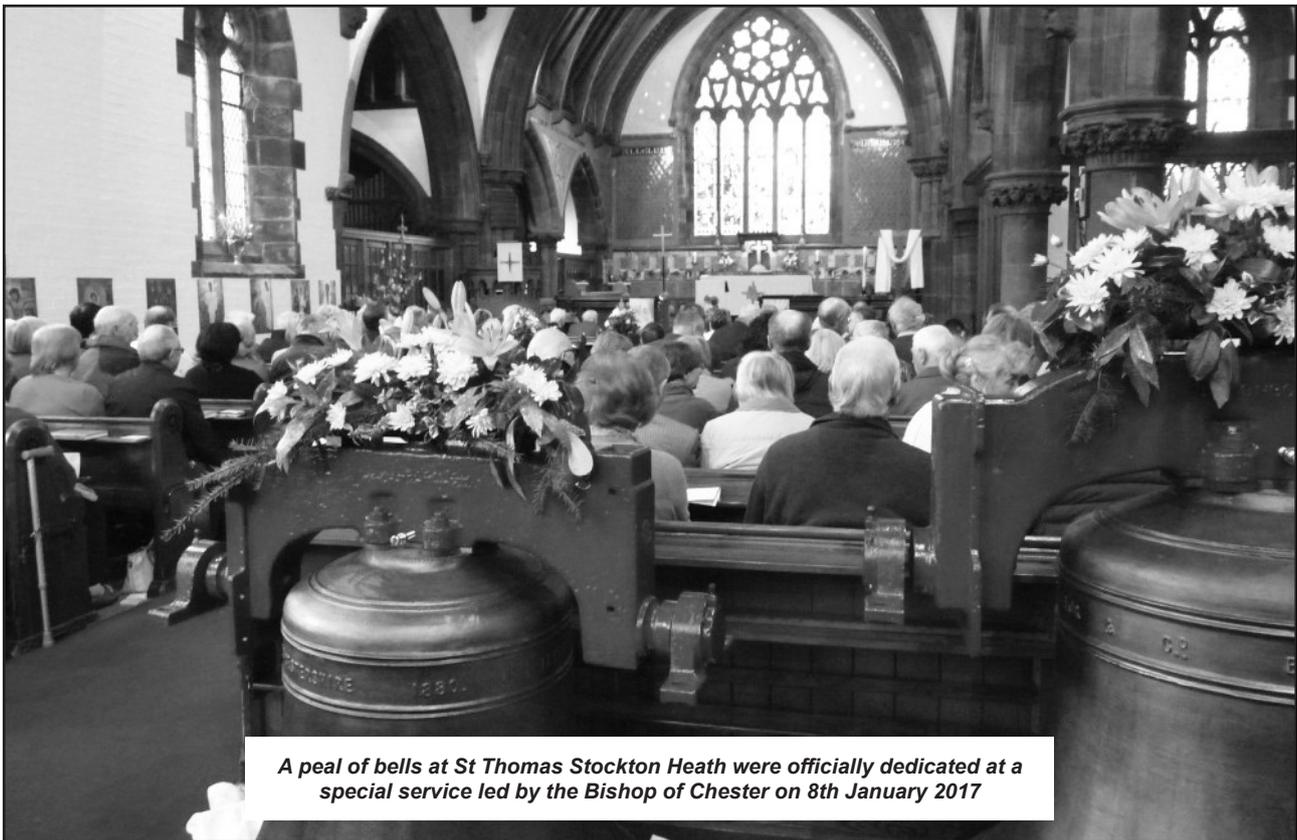
The Charities Act 2011 requires that PCCs with income of over £100,000 register with the Charity Commission.

### 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.





*A peal of bells at St Thomas Stockton Heath were officially dedicated at a special service led by the Bishop of Chester on 8th January 2017*

## **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 together 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.

The financial affairs of the Diocese are conducted through two registered charities:

Chester Diocesan Board of Finance (Registered charity number 248968)

Chester Diocesan Board of Education (Registered charity number 525790)

## **General Synod**

The General Synod is the legislative and deliberative 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 doctrinal formulae, services and relations with other Churches.

Reporting to General Synod, but not subordinate to it, is the Archbishops' Council, which is the Church of England's policy discussion forum.

Independent of the Archbishops' Council, but co-operating closely with it, 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.

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.

## **Diocesan Synod**

In March 2017's Synod meeting at The Fuse, Partington, there was a presentation and round table discussion on the 'Setting God's People Free' report. Other business included: reports on the work of the Committee for Ministry, the Committee for Social Responsibility, the Committee for Education, Foxhill Retreat and Conference Centre and the Mission Department; and a report on General Synod's February 2017 Group of Sessions. November 2017 saw Synod welcomed with bounteous homemade cakes to Upton Priory, where as well as Bishop Peter's Presidential Address and a presentation and discussion on the Diocesan Framework for Academisation for Church Schools, business included: formally adopting the House of Bishops' Policy and Practice guidance on safeguarding; agreeing numbers to be elected to Diocesan Synod in 2018; receiving the Annual Report and Financial Statements for the year ended 31 December 2016; approving the 2018 budget; and receiving a General Synod report on the July 2017 Group of Sessions.

## **Bishop's Council**

In accordance with the constitution of the Diocesan Synod, 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 Bishops 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 of 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 the 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.

Bishop's Council is also now the Diocesan Mission and Pastoral Committee.

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

## 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 2017, the relevant archidiaconal committee considered the suspension (or resuspension) of the patron's right of presentation to the benefices of: Ashton upon Mersey St Martin; Baddiley and Wrenbury with Burleydam; Birkenhead Christ Church; Hyde St. George; Newton with Flowery Field; Norton St. Berteline and St. Christopher; Offerton St.

Alban with Stockport St. Thomas; and Sandbach Heath with Wheelock. The relevant archidiaconal committee considered the suspension of the patron's right of presentation to the following prospective new benefices, should they be created by a Pastoral Scheme: Northwich Holy Trinity; Northwich St. Luke; Offerton St. Alban; and Stockport St. Thomas.

During 2017, the Chester Archidiaconal Mission and Pastoral Committee made recommendations to the Bishop for a Pastoral Schemes for pastoral reorganisation of the benefice of Northwich St. Luke and Holy Trinity. The Committee also made recommendations to the Bishop for a Pastoral Order to alter the boundaries of the parishes of Chester Christ Church; and Chester St. Oswald & St. Thomas of Canterbury.

During 2017, the Macclesfield Archidiaconal Mission and Pastoral Committee made recommendations to the Bishop for Pastoral Schemes for pastoral reorganisation of the benefices of: Congleton Goostrey with Swettenham; and Marton, Siddington with Capesthorpe and Eaton with Hulme Walfield. The Committee also submitted to the Bishop for his approval, a Pastoral Order to transfer part of the parish of Hyde St. Thomas with Godley cum Newton Green to the parish of Holy Trinity Gee Cross.

During the year, the Committees also discussed a number of mission matters.



## 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 a 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 parish hope to build a replacement church subject to raising the necessary finance and are continuing to explore the possibility of achieving this. The Diocese continues to hold this piece of land.

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 and it is anticipated that this will progress in 2018.

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. Possible next steps were to be considered by the Closed Churches Uses Committee in 2018.

St Johns Godley. The Grade 2 Listed Church closed in March 2017. It has been advertised for sale but no interest has been forthcoming. This will again be considered further by the Committee in 2018.

## Custodian Trusteeship

The Board is Custodian Trustee for trust assets with a market value of approximately £5.9m at 31 December 2017 (£5.7m at 31 December 2016). Detailed Certificates of Holding were sent to Parishes and other managing trustees as at 31 December 2017. 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.



---

## Legal and Financial Information

---

The 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 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.

### Trustee appointment and training

The Board of Directors is the same body as the Bishop's Council which 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 2015. 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.

Further training is provided as and when required.

### 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 so as 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 are at a low level representing approximately 1.5 months expenditure (£1.6m). This excludes the long term element of the Clergy Pension Scheme deficit recovery plan. Due to the voluntary nature of the bulk of the Board's income, the Board believes this level of reserves is required 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 £9.5m (2016 £8.0m) are shown in note 19, together with an explanation of the purpose of those funds.

Jane Hannah Graham and Canon White. Reserve levels are maintained so as 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 £10.0m) are shown in note 18 together with an explanation of the purpose of those funds. Of these, the major 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

### 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 report of the trustees, 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 15th May 2018 and signed by order of the Board.

## **The Rt Revd Dr Peter R Forster Bishop Of Chester**



*Bishop Peter invites the Ordinands to lunch in December 2017*

# INDEPENDENT AUDITOR'S REPORT TO THE 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 2017, which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related 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 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions related to going concern

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

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- 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 the 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 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, which is included in the Trustees' report, has been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material 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 Trustees' 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 section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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.

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

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

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

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



Messy Church at Lower Peover

# Chester Diocesan Board of Finance

## Statement of Financial Activities for the year ended 31 December 2017

Income and Expenditure					Restated	
	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2017 £'000	Total 2016 £'000
<b>Income and endowments from</b>						
Parochial contributions		11,350	-	-	11,350	11,193
Grants and other donations		165	470	80	715	667
Investment income	3	47	260	-	307	300
Rental income		153	124	-	277	236
<b>Income from charitable activities</b>						
Statutory fees, chaplaincy and other income		-	756	-	756	824
Diocesan Retreat and Conference Centre		172	-	-	172	126
Other income from operating activities		13	45	-	58	84
Parsonage and redundant church sales/transfers		-	3,128	-	3,128	1,485
<b>Total</b>		<u>11,900</u>	<u>4,783</u>	<u>80</u>	<u>16,763</u>	<u>14,915</u>
<b>Expenditure on raising funds</b>						
Cost of generating voluntary income		17	-	-	17	16
Investment and Rental costs		22	60	-	82	121
<b>Charitable Activities</b>						
National church responsibility		424	-	-	424	416
Funding of parochial clergy and archdeacons		8,517	1,078	-	9,595	9,677
Parsonage purchases, improvements and transfers		-	1,361	160	1,521	272
Support to clergy and parishes		1,715	919	-	2,634	2,138
Diocesan Retreat and Conference Centre		350	-	-	350	324
Change in CEFPS deficit recovery plan	23	(363)	-	-	(363)	(293)
<b>Total</b>	5	<u>10,682</u>	<u>3,418</u>	<u>160</u>	<u>14,260</u>	<u>12,671</u>
Net gains on investments		15	289	403	707	812
<b>Net income</b>		<u>1,233</u>	<u>1,654</u>	<u>323</u>	<u>3,210</u>	<u>3,056</u>
<b>Transfers between funds</b>	21	179	(179)	-	-	-
<b>Other recognised gains/(losses)</b>						
Gains/(losses) on revaluation of fixed assets	12	157	16	124	297	1,046
<b>Net movement in funds</b>		<u>1,569</u>	<u>1,491</u>	<u>447</u>	<u>3,507</u>	<u>4,102</u>
<b>Reconciliation of funds:</b>						
Total funds brought forward		<u>3,770</u>	<u>8,005</u>	<u>10,029</u>	<u>21,804</u>	<u>17,702</u>
Total funds carried forward		<u>5,339</u>	<u>9,496</u>	<u>10,476</u>	<u>25,311</u>	<u>21,804</u>

The notes on pages 25 to 38 form part of these financial statements. All activities are continuing.

### Summary Income and expenditure account for the year ended 31 December 2017 (excluding endowment funds)

	2017	Restated 2016
	£'000	£'000
<b>Gross income</b>	16,683	14,915
<b>Total expenditure</b>	(14,100)	(12,671)
<b>Net income</b>	<u>2,583</u>	<u>2,244</u>

**Chester Diocesan Board of Finance  
Balance Sheet as at 31 December 2017**

		2017 £'000	Restated 2016 £'000
	<b>Note</b>		
<b>Fixed assets</b>			
Tangible assets	12	13,250	14,001
Investments	13	8,560	7,696
		<u>21,810</u>	<u>21,697</u>
<b>Current assets</b>			
Properties awaiting sale	12	1,910	550
Debtors	14	876	810
Cash at bank on deposit and in hand	15	6,648	5,698
		<u>9,434</u>	<u>7,058</u>
Creditors: amounts falling due within one year	16	1,252	1,291
<b>Net current assets</b>		<u>8,182</u>	<u>5,767</u>
<b>Total assets less current liabilities</b>		29,992	27,464
Creditors: amounts falling due after more than one year	17	4,681	5,660
<b>Total net assets</b>		<u>25,311</u>	<u>21,804</u>
Endowment funds	18	10,476	10,029
Restricted income funds	19	9,496	8,005
Unrestricted funds		5,339	3,770
<b>Total charity funds</b>		<u>25,311</u>	<u>21,804</u>

The notes on pages 25 to 38 form part of these financial statements.

The financial statements were approved by the Board of Directors on 15 May 2018 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 2017**

<b>Reconciliation of net income/(expenditure) to net cash flow from operating activities</b>	<b>Restated</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Net income for the reporting period (as per the statement of financial activities)	3,210	3,056
Depreciation	64	64
(Gains) on investments	(707)	(812)
Dividends, interest and royalties from investments	(307)	(300)
Tangible fixed assets transferred in	(1,910)	(590)
Tangible fixed assets transferred out	160	-
(Increase)/Decrease in debtors	(66)	112
(Decrease) in creditors excluding CEFPS deficit recovery plan	(29)	(143)
(Decrease) in CEFPS deficit recovery plan	(989)	(843)
<b>Net cash (used in)/provided by operating activities</b>	<b>(574)</b>	<b>544</b>
<b>Statement of Cash Flows</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net cash (used in)/provided by operating activities</b>	<b>(574)</b>	<b>544</b>
<b>Cashflows from investing activities</b>		
Dividends, interest and royalties from investments	307	300
Payments to acquire investments	(157)	(137)
Receipts from sale of tangible fixed assets	1,374	123
	<u>1,524</u>	<u>286</u>
<b>Increase in cash in the year</b>	<b><u>950</u></b>	<b><u>830</u></b>
<b>Reconciliation of net cash flow to movement in cash and cash equivalents</b>		
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Increase in cash in the year	<u>950</u>	<u>830</u>
Cash and cash equivalents at the beginning of the reporting period	<u>5,698</u>	<u>4,868</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b><u>6,648</u></b>	<b><u>5,698</u></b>

## **1. Accounting policies and format of accounts**

### **Basis of Preparation**

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

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

### **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 4.

### **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 6.

### **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 19.

#### **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 18.

#### **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
Computers	25% 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 12.

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 209 parsonage houses in the Diocese insured at a value of £95.5 million at 31 December 2017.

The SOFA and note 5 to these accounts show details of major parsonage sales, purchases and improvements.

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2017**

**Investments**

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

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

**Cash and Cash Equivalents**

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

**Taxation**

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

**Financial Instruments**

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

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

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

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

**Pension schemes**

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

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

The Board 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 22 and 23.

**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 23, 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 for the year was as follows:-

	2017 £'000	2016 £'000
Statutory audit	12	11
	<u>12</u>	<u>11</u>

**3. Investment Income**

	2017 £'000	2016 £'000
Investment and fixed interest funds	277	220
CBF deposits and bank interest	16	34
Other income including interest on loans to parishes	14	46
	<u>307</u>	<u>300</u>

#### 4. Allocation of Central services and support costs

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

	Generating voluntary income 2% £'000	Parochial clergy and Archdeacons 20% £'000	Support to clergy and parishes 75% £'000	Retreat and Conference Centre 3.0% £'000	Total 2017 £'000	Total 2016 £'000
Church house costs	2	24	89	4	119	119
Central services	2	20	78	3	103	96
Central staff costs	12	109	407	16	544	519
Legal, audit, depreciation	1	15	66	2	84	72
	<b>17</b>	<b>168</b>	<b>640</b>	<b>25</b>	<b>850</b>	<b>806</b>

#### 5. Expenditure

##### Cost of generating voluntary income

Central Services & support costs 17 16

##### Investment and rental costs

Rental costs 68 107

Value linked loan interest paid 14 14

**82 121**

##### Charitable Activities

##### National church responsibility

**424 416**

##### Funding of parochial clergy and archdeacons

Parochial Clergy and Archdeacons stipends 7,531 7,625

Maintenance of clergy housing 1,164 1,237

National ministry training and ordinands grants 732 656

Central Services & support costs 168 159

**9,595 9,677**

##### Parsonage purchases, improvements and transfers

**1,521 272**

##### Support to Clergy and parishes

Ministry 503 457

Bishops' and Archdeacons' support, DAC, Chaplains & Ecumenical 264 294

Education 201 226

Social Responsibility 227 199

Mission 160 164

Discretionary and one off items (EIG) 30 13

Lay conference 32 62

Grants to parishes, clergy and others 6 528 117

Transforming Lives Together 49 -

Central Services & support costs 640 606

**2,634 2,138**

##### Diocesan Retreat and Conference Centre

325 300

Central Services & support costs 25 24

**350 324**

##### Change in Church of England Funded Pension Scheme (CEFPS)

agreed deficit recovery plan 23 (363) (293)

**14,260 12,671**

6. Grants to parishes, clergy and others	2017 £'000	2016 £'000
<b>Grants to Parochial Church Councils</b>		
<b>Parish Mission and Ministry Grants</b>		
Stockport St Thomas	-	10
Upton by Chester	-	2
Chester St Peter	120	-
Marton - E J Massey trust	2	-
Birkenhead Priory - clerical or lay assistance	6	5
Thornton Hough - Fryer Legacy income	3	3
	<u>131</u>	<u>20</u>
 <b>Pastoral account grants</b>		
Chelford	-	10
Poulton St Luke	-	24
Stretton	20	-
Bollington	20	-
Brinnington	175	-
Edgeley and Cheadle Heath	147	-
Woodchurch	-	8
Hurdsfield	-	1
Marthall	-	10
Birkenhead Priory	-	5
	<u>362</u>	<u>58</u>
 <b>UPA Projects Fund</b>	 -	 3
 <b>Grants to Individuals</b>		
	No. of grants	
<b>Lay training fund</b>	-	1
<b>Clergy Sustentation grants</b>	13	4
<b>Retired Clergy, widows and dependents fund grants</b>	79	31
	<u>35</u>	<u>36</u>
 <b>Total grants</b>	 <b>528</b>	 <b>117</b>

**7. Staff and Office holder costs and numbers**

<b>Staff costs:</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Wages & salaries	1,482	1,500
Social security costs	141	136
Pension costs	212	203
	<b>1,835</b>	<b>1,839</b>

Average staff numbers based on full time equivalents	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
Cost of generating voluntary income	0.5	0.5
Funding of parochial clergy and archdeacons	4.1	4.6
Support to clergy and parishes	23.7	24.7
Diocesan Retreat and Conference Centre	6.0	6.4
Diocesan administration and central support	9.3	8.8
	<b>43.6</b>	<b>45.0</b>

The number of staff whose salary excluding pension contributions amounted to more than £60,000 were as follows:-	<b>2017</b>	<b>2016</b>
£70,001 - £80,000	1	1

This employee accrued benefits in the Church of England Defined Benefits Pension Scheme

In 2017, the charity made or accrued termination payments of £22,854 (2016: £133,156). 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.

**8. 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 215 (2016 216) full time equivalent office holders during the year.

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Clergy Stipends	5,371	5,278
Clergy National Insurance	434	406
Clergy Pension Contributions	1,977	1,977
Other clergy payments	234	402
	<b>8,016</b>	<b>8,063</b>

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2017**

**9. Trustee remuneration and benefits**

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

**Trustee remuneration**

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

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

The Ven Dr Michael R Gilbertson, Archdeacon of Chester	The Revd Andrew Q Greenhough
The Ven Ian G Bishop, Archdeacon of Macclesfield	The Revd Julian R Heaton
The Revd Dr Robert S Munro, Chairman, House of Clergy	The Revd Dr David J Page
The Revd Canon Elaine Chegwin Hall	The Revd Michael L Ridley
The Revd Simon Drew	The Revd Alexandra Sanders
The Revd Canon David R Felix	The Revd Carol S Seddon
The Revd Alison J Fulford	The Revd Michael I A Smith
The Revd Simon R Gales	

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
--------------------------------	-------------------

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

The Very Revd Professor Gordon McPhate	Dean of Chester until 30th September 2017
--	---

The stipends of the Diocesan Bishop and Suffragan Bishops are funded by the Church Commissioners and are in the range £35,370 - £43,707 (2016 range £34,850 - £43,135). The stipend, funded by the DBF, paid to Archdeacons was £34,570 (2016 £34,525). The stipend paid to the Dean of Chester was £35,877 (2016 £35,410). Other clergy who were Trustees were paid stipends in the range £24,932 - £26,667 (2016 range £24,562 - £26,273).

**Trustee expenses**

A total of £19,052 (2016 £18,559) was reimbursed to 15 (2016 13) directors during the year. Nearly all expenses reimbursed to directors are in respect of their charitable work for the Diocese. Amounts in respect of their duties as charity trustees are small.

**10. 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 £333,627 (2016 £349,185), together with pension contributions of £55,650 (2016 £59,566). Of these, the highest paid was George Colville, who received £73,324 (2016 £72,240) excluding employers national insurance, together with pension contributions of £13,272 (2016 £13,075). Disclosure of prior year key management personnel remuneration has been corrected to include employers national insurance contributions.

**11. Related party transactions**

<b>Chester Diocesan Board of Education</b>	<b>2017</b>	<b>2016</b>
Chester Diocesan Board of Finance act as the administration arm of the Church of England in the Diocese of Chester	<b>£'000</b>	<b>£'000</b>
Contribution re joint employment contracts and other recharges to The Chester Diocesan Board of Education	<b>206</b>	<b>205</b>

## 12. Tangible Fixed Assets

Of the balances shown here, £1,910,000 (2016 £550,000) has been reclassified under current assets as it represents property held for sale.

	Office	Freehold Land and Buildings Board	Glebe	Fixtures and Office Equipment	Total 2017
Cost or Valuation	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	1,436	8,044	4,614	115	14,209
Additions	-	1,910	-	-	1,910
Disposals	-	(1,172)	(362)	-	(1,534)
Revaluations	-	173	124	-	297
Transfer to current assets - properties awaiting sale	-	(1,360)	-	-	(1,360)
<b>Balance at 31 December 2017</b>	<b>1,436</b>	<b>7,595</b>	<b>4,376</b>	<b>115</b>	<b>13,522</b>
<b>Accumulated Depreciation</b>					
Balance at 1 January 2017	151	-	-	57	208
Charge for year	47	-	-	17	64
<b>Balance at 31 December 2017</b>	<b>198</b>	<b>-</b>	<b>-</b>	<b>74</b>	<b>272</b>
<b>Net Book Value at 1 January 2017</b>	<b>1,285</b>	<b>8,044</b>	<b>4,614</b>	<b>58</b>	<b>14,001</b>
<b>Net Book Value at 31 December 2017</b>	<b>1,238</b>	<b>7,595</b>	<b>4,376</b>	<b>41</b>	<b>13,250</b>

The DBF's office at Daresbury Park is shown at cost and depreciated over 30 years. Other DBF properties and certain Glebe properties were revalued by Neil Cummings of Wright Marshall Ltd as at 31 December 2017. The remaining Glebe land and buildings were formally valued by Fisher German as at 31 December 2017. These valuations are updated whenever evidence suggests a material change in valuation has taken place.

## 13. Investments

	2017	2016
	£'000	£'000
<b>Market Value at 1 January 2017</b>	7,696	6,747
Acquisitions at cost	157	137
Net gains on revaluation at 31 December 2017	707	812
<b>Market Value at 31 December 2017</b>	<b>8,560</b>	<b>7,696</b>

Investments at 31 December 2017 comprise

	2017		2016	
	No of shares	Market Value £'000	No of shares	Market Value £'000
CBF Church of England Investment Fund	495,670	8,197	490,597	7,416
CBF Church of England Fixed Interest Fund	30,414	51	30,414	51
CBF Church of England Property Fund	222,540	302	167,189	219
Churches' Mutual Credit Union Deferred £1	10,000	10	10,000	10
		<b>8,560</b>		<b>7,696</b>

The historical cost of the above investments at 31 December 2017 was £1,964,269 (2016 £1,886,991)

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2017**

<b>14. Debtors</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Loans to parishes	21	121
Other debtors	310	235
Prepayments and accrued income	326	231
Other loans	6	10
Value linked loans to parishes (due after more than one year)	213	213
	<b>876</b>	<b>810</b>

Debtors are valued at the undiscounted amount receivable. Included in Other loans are amounts totalling £2,500 (2016: £5,000) which are repayable after more than one year. 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.

<b>15. Cash at bank, on deposit and in hand</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Balances held by Church Commissioners	4	(6)
Cash in hand, at bank and on bank deposit	1,522	1,184
Charity Bank Deposit	327	325
CBF Church of England Deposit Fund	4,795	4,195
	<b>6,648</b>	<b>5,698</b>

<b>16. Creditors: amounts falling due within one year</b>		<b>Restated</b>
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Ordinary creditors	324	277
Sundry creditors and accruals	334	310
Church of England Funded Pension Scheme agreed deficit recovery plan	594	704
	<b>1,252</b>	<b>1,291</b>

Creditors are valued at the undiscounted amount payable.

<b>17. Creditors: amounts falling due after more than one year</b>		<b>Restated</b>
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
CCLA loan	500	600
Value linked loans for parishes	213	213
Church of England Funded Pension Scheme agreed deficit recovery plan	3,968	4,847
	<b>4,681</b>	<b>5,660</b>

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 £1,851,000 (2016: £2,411,000). The CCLA loan is due for repayment in 2022. Creditors are valued at the undiscounted amount payable.

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2017**

**18. Endowment Funds**

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

	Balance 1 January 2017	Incoming Resources	(Expenditure) gains/(losses) and transfers	Balance 31 December 2017
	£'000		£'000	£'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	4,614	-	(238)	4,376
Diocesan Stipends Fund Capital Account	2,951	-	369	3,320
	<b>10,029</b>	<b>80</b>	<b>367</b>	<b>10,476</b>

**Permanent Endowment**

Diocesan Conference Centre

Held to produce income for the Foxhill Conference Centre

Steel & William Fletcher Rogers Fund

Making of grants for women and girls in need on the Wirral

Retired Clergy, Widows and Dependants Fund

Making of grants for relief in need of retired clergy, widows, spouses of the clergy, and in certain circumstances meeting the cost of clergy pension contributions

Clergy Sustentation Fund

Making of grants to members of the clergy in need of assistance.

Birkenhead Curacy Fund

Fund for clerical or lay assistance at Birkenhead Priory Parish

E J Massey

For the maintenance and upkeep of church and churchyard at Marton

**Expendable endowment**

Glebe Land & Buildings

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

Diocesan Stipends Fund Capital Account

The accounts are governed by the Diocesan Stipends Measure 1953 as amended by the Glebe Measure 1976, the National Institutions Measure 1998, and the Miscellaneous Provisions Measure. The main function of the fund is to provide income for stipends; it can also be used for other purposes permitted by the Measures.

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2017**

**19. 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:-

	Balance 1 January 2017	Incoming Resources	(Expenditure), Gains, (Losses) & Transfers	Balance 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	3,574	3,148	(1,884)	4,838
Birkenhead Curacy Fund	63	6	(1)	68
Foxhill Retreat Fund	174	1	2	177
Restricted Committee income*	-	1,535	(1,535)	-
	<b>8,005</b>	<b>4,783</b>	<b>(3,292)</b>	<b>9,496</b>

\*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 18) 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 18) 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 18) 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 £66,913. The trust arose to pay grants to Honorary Canons of Chester Cathedral with a wish that they preach at Balterley Memorial Chapel.

20. Analysis of net assets between funds

	Tangible Fixed Assets	Investments	Net Current Assets	Long term Liabilities	2017 Total Net Assets	2016 Total Net Assets
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted Funds</b>						
General Funds	4,339	10	1,547	(4,681)	1,215	(216)
<b>Designated</b>						
Office refurbishment	-	302	-	-	302	219
EIG Reserve	-	-	205	-	205	233
Lay Training	-	-	19	-	19	19
Fryer Trust	-	104	-	-	104	95
Diocesan Conference Centre	3,494	-	-	-	3,494	3,420
<b>Total Unrestricted Funds</b>	<b>7,833</b>	<b>416</b>	<b>1,771</b>	<b>(4,681)</b>	<b>5,339</b>	<b>3,770</b>
<b>Restricted Funds</b>						
Capital Reserve Stipends	-	3,282	-	-	3,282	3,000
Clergy Sustentation	-	-	35	-	35	34
UPA Projects	-	-	14	-	14	14
Canon White Trust	-	-	2	-	2	2
Jane Hannah Graham Trust	-	-	332	-	332	331
Retired Clergy Widows and Dependants	182	-	512	-	694	643
Pastoral Account	859	-	3,979	-	4,838	3,574
Parish Mission and Ministry	-	-	27	-	27	146
Birkenhead Curacy Fund	-	61	7	-	68	63
Foxhill Retreat Fund	-	80	97	-	177	174
Steel & William Fletcher Rogers	-	-	27	-	27	24
<b>Total Restricted Funds</b>	<b>1,041</b>	<b>3,423</b>	<b>5,032</b>	<b>-</b>	<b>9,496</b>	<b>8,005</b>
<b>Endowment Funds</b>						
Diocesan Conference Centre	-	109	-	-	109	100
Steel & William Fletcher Rogers	-	67	-	-	67	61
E J Massey	-	84	-	-	84	-
Retired Clergy Widows and Dependants	-	2,243	-	-	2,243	2,050
Clergy Sustentation Fund	-	142	-	-	142	129
Glebe Land & Buildings	4,376	-	-	-	4,376	4,614
Birkenhead Curacy Fund	-	135	-	-	135	124
Diocesan Stipends Fund Capital	-	1,941	1,379	-	3,320	2,951
<b>Total Endowment Funds</b>	<b>4,376</b>	<b>4,721</b>	<b>1,379</b>	<b>-</b>	<b>10,476</b>	<b>10,029</b>
<b>Total Funds</b>	<b>13,250</b>	<b>8,560</b>	<b>8,182</b>	<b>(4,681)</b>	<b>25,311</b>	<b>21,804</b>

**21. Transfers between funds**

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

From the Pastoral Account	
In respect of housing allowances	70
In respect of Loan repayments	100
Other transfers	9
<b>Total transfers</b>	<b>179</b>

**22. 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.

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2017 £88,142, 2016 £99,255).

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

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

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 18.1% of pensionable salary and expenses of £6,400 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:

	2017	2016
	£'000	£'000
Balance sheet liability at 1 January	-	-
Deficit contribution paid	-	-
Interest cost (recognised in SoFA)	-	-
Remaining change to the balance sheet liability*(recognised in SoFA)	-	-
Balance sheet liability at 31 December	-	-

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

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

	December 2017	December 2016	December 2015
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 is being carried out as at December 2016.

**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. Bonuses may also be declared, depending upon the investment returns and other factors.

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2017: £110,036, 2016: £95,083).

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

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

**23. Clergy Pensions Scheme**

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific Responsible Bodies, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2017: £1,293,037, 2016: £1,284,180), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total charge of £1,008,037 for 2017, (2016: £1,142,180).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2015.

The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

\* An investment strategy of:

\* for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030; and

\* a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;

\* Investment 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%.

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2017**

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

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

As at December 2015, the deficit recovery contributions under the recovery plan in force at the time were 14.1% of pensionable stipends until December 2025. As at December 2016 and December 2017 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

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

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Balance sheet liability at 1 January	5,551	6,394
Deficit contribution paid	(704)	(701)
Interest cost (recognised in SoFA)	78	151
Remaining change to the balance sheet liability* (recognised in SoFA)	(363)	(293)
Balance sheet liability at 31 December	<b>4,562</b>	<b>5,551</b>

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

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

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

**24. Ongoing Diocesan Activity**

The Diocesan finances comprise underlying ongoing activity that is budgeted for each year as well as other less predictable activities such as the purchase and sale of parsonage houses processed through the pastoral account.

The internal management accounts representing budgeted diocesan activity and the SOFA are reconciled as follows:-

	<b>Management Accounts</b>	<b>EIG Reserve</b>	<b>Pastoral Account</b>	<b>Other items &amp; transfers</b>	<b>SOFA</b>
	£'000	£'000	£'000	£'000	£'000
<b>Income</b>	13,122	3	3,072	566	16,763
<b>Expenditure</b>	12,781	30	1,722	(273)	14,260
<b>Net Income/Expenditure</b>	<b>341</b>	<b>(27)</b>	<b>1,350</b>	<b>839</b>	<b>2,503</b>

(Income to the EIG Reserve and Pastoral Account are shown net of transfers to general funds included in Income in the management accounts)

25. Prior year comparative Statement of Financial Activities

	Restated Unrestricted Funds	Restricted Funds	Endowment Funds	Restated Total 2016
	£'000	£'000	£'000	£'000
<b>Income and endowments from</b>				
Parochial contributions	11,193	-	-	11,193
Grants and other donations	159	508	-	667
Investment income	50	250	-	300
Rental income	47	189	-	236
<b>Income from charitable activities</b>				
Statutory fees, chaplaincy and other income	-	824	-	824
Diocesan Retreat and Conference Centre	126	-	-	126
Other income from operating activities	10	74	-	84
Parsonage and redundant church sales/transfers		1,485	-	1,485
<b>Total Income</b>	<b>11,585</b>	<b>3,330</b>	<b>-</b>	<b>14,915</b>
<b>Expenditure on raising funds</b>				
Cost of generating voluntary income	16	-	-	16
Investment and Rental costs	25	96	-	121
<b>Charitable Activities</b>				
National church responsibility	416	-	-	416
Funding of parochial clergy and archdeacons	8,574	1,103	-	9,677
Parsonage purchases and major improvements	-	272	-	272
Support to clergy and parishes	1,660	478	-	2,138
Diocesan Retreat and Conference Centre	324	-	-	324
Change in CEFPS deficit recovery plan	(293)	-	-	(293)
<b>Total Expenditure</b>	<b>10,722</b>	<b>1,949</b>	<b>-</b>	<b>12,671</b>
Net gains/(losses) on investments	1	343	468	812
<b>Net income/(expenditure)</b>	<b>864</b>	<b>1,724</b>	<b>468</b>	<b>3,056</b>
<b>Transfers between funds</b>	272	(272)	-	-
<b>Other recognised gains/(losses)</b>				
Gains/(losses) on revaluation of fixed assets	583	-	463	1,046
<b>Net movement in funds</b>	<b>1,719</b>	<b>1,452</b>	<b>931</b>	<b>4,102</b>
<b>Reconciliation of funds:</b>				
Total funds brought forward	2,051	6,553	9,098	17,702
<b>Total funds carried forward</b>	<b>3,770</b>	<b>8,005</b>	<b>10,029</b>	<b>21,804</b>

26. Restatement of Comparative Figures

Two reclassification adjustments, which have no effect on surplus for the year, or total reserves, have been made to the prior year comparative figures. The adjustments have been made due to technical clarification regarding accounting for deficit contributions in respect of defined benefit pension schemes which are accounted for as defined contribution schemes:

- The balance of £293k, previously presented as an actuarial gain on defined benefit pension scheme has been reclassified to change in CEFPS deficit recovery plan presented within resources expended.
- The liability in respect of future deficit contributions has been reclassified to creditors, split due in less than one year £704k and due in greater than one year £4,847k. This balance had previously been presented as a provision £5,551k.









