

# Chester Diocesan Board of Finance

Annual Report and Financial Statements 2016

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

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COMPANIES HOUSE

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**Auditors:**

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**Solicitors:**

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Chester Diocesan Board of Finance  
Annual Report and Financial Statements 2016  
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Chester Diocesan Board of Finance is the financial executive of the Church of England in the Diocese of Chester. It is a company limited by guarantee registered in England (no 7826) and is a registered charity (no 248968)

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# Index

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## **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
Parish Mission	8
Education	9
Social Responsibility	10
Ministry Development	11
Grants	11
Foxhill House and Woodlands	12
World Mission	12
Financial Review	13
Plans for future periods	14
Risk Management	14
Background information	15
Legal information	21
Statement of trustees' responsibilities	22

## **Independent auditors' report** 23

## **Financial Statements**

Statement of Financial Activities	24
Balance Sheet	25
Statement of Cash Flows	26
Notes to the accounts	27

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# Membership of the Board

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(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 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
Canon Dr John P Mason	Chairman, House of Laity
The Revd Dr Robert S Munro	Chairman, House of Clergy

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  
The Revd Dr David J Page  
The Revd Michael L Ridley  
The Revd Alexandra Sanders  
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, the subject of this annual report and accounts.

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## Chairman's Statement

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*We will tell to the coming generation the glorious deeds of the Lord, and his might, and the wonders that He has done. (Psalm 78:4)*

I am pleased to present the Chairman's Statement for the Chester Diocesan Board of Finance and to be able to report that in its 145th year (2016) the Board continues to serve its mission purpose of "maintaining and promoting the spiritual teachings of the Church of England".

There have been many changes throughout the year, including those in Education; Mission, Surveyor's Department and at Foxhill. 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 with the clear mission to promote God's will.

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 in this time of change.

In 2016, our normal day to day financial performance shows excess of income over expenditure of £205,000, an increase over the previous year which was £51,000. 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. As such, fluctuations are to be expected.

That said, a large portion of this increase was due to an improvement in the Parish Share received, which equated to a collection rate of 94%. As I have explained before, the Diocese is highly dependent on the receipts of Parish Share as a large proportion of our expenditure, including payment of clergy stipends, is paid for through this income. I would like to thank all those parishes who pay their Parish Share and implore those who, although they have substantial reserves, to reconsider the reasons why they are unable to fully support the mission of the Diocese.

Investments performed very well in 2016 with a total return of 15.7% - this was partly caused by the effects of Brexit and the fall in the value of Sterling. The majority of these investments are endowment funds whose primary function is to generate income for stipends, so maintenance of dividends is of more importance than end of year valuations. Dividend yield fell to 3.3% (2015 4.0%), but this was due to the rise in the value of the investments.

Income relating to Parsonages shows a slower rate of sales against previous years at £1,485,000 (2015 £3,195,000) but due to timing differences, expenditure reduced to £272,000 (2015 £3,223,000).

I 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 appreciate for your prayers and support in undertaking these challenges.

Ian N Scott-Dunn  
Chairman

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## Highlights of the year

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- **YBible** was a major initiative designed to encouraging people to read the Bible. On the 15th September more than 300 people attended the Cathedral for the launch of YBible. There were clergy, readers and other church members from across the Diocese. Everyone received a welcome pack which included a copy of the 52 Thoughts book, a selection of favourite Bible verses with reflections. Events are planned across the year and into 2017.
- **Foxhill House and Woodlands** is the Diocese of Chester centre for prayer, study and mission. With the appointment of a new Director, Assistant Director and the new Foxhill Development Group, work began on developing a renewed vision for Foxhill. Bishop Libby leads the Development Group and the Revd. Jonathon Green was appointed as the Director. Jonathon was General Manager at Rydal Hall since 2007.
- The new **Diocesan Mission Team** was formed with the task of inspiring, encouraging and resourcing churches for mission. The Team consists of: Lyn Weston, Diocesan Missioner- Martin Smith, Christian Giving & Pastoral Reorganisation Adviser - Andy Stinson, Worship & Liturgy Adviser - Jonathan Masters, Youth, Children and Families' Missioner - Anne Cody, Mission Coordinator and PA.

The five Mission Team members have experience in mission planning, youth ministry, liturgical advice and Christian giving. They can help congregations develop appropriate ways of inviting and welcoming new people to church. The Youth, Children and Families' Missioner is able to help parishes in their work amongst younger generations, supporting outreach to families with young children and young teens. The Team can offer advice on growing congregations and developing appropriate Christian giving plans or help with alternative funding options.

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# Aims and Activities

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*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.

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# Strategic Report

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## 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 240 trained stipendiary clergy including Archdeacons and clergy who occupy a house and receive a reduced stipend, 40 of whom are curates, this responsibility is by far the DBF's 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**

*For every house is built by someone, but the builder of all things is God. (Hebrews 3:4)*

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, using the Church Commissioners' "Green Guide" standard as an aspiration.

During 2016 the former vicarages at Bollington, Astbury and Godley were sold. A house was purchased in Davenham for future use as a vicarage.

The extension project at Bidston vicarage was completed in March 2016. Other major works were carried out at Bebington vicarage with the renewal of the roof and external decorating.

A number of other improvement projects were completed during the year, including replacement kitchens at Ellesmere Port Team; Deeside Road and Kelsall, together with various window replacement schemes and new boilers.

## **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**

*Therefore, my beloved, be steadfast, immovable, always excelling in the work of the Lord, because you know that in the Lord your labour is not in vain. (1 Corinthians 15:58)*

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 'the work in parishes is the heart beat of our Diocese and that beating heart is strong in most communities. The creativity, imagination and hard work that people bring to their task is always an inspiration and we thank God for all that is being done in Christ's name and for his glory.'

## **Assisting Parochial Church Councils**

*By wisdom a house is built, And by understanding it is established (Proverbs 24:3)*

The DBF has continued to provide detailed guidance and support for parishes as they strive to improve and maintain their church buildings and church yards. Parishes have produced schemes to make their church buildings more welcoming, accessible and comfortable, with Blacon Holy Trinity, North Rode St Michael and Winkle St Michael all to provide new catering and accessible toilet facilities. There is a major re-ordering underway at Ashton-upon-Mersey St Mary which includes the construction of a new prayer room and the replacement of pews with chairs. 2016 has also been a year of change in terms of procedure and legislation with the introduction of the Online Faculty System and the replacement of 'Minor works' and 'Dispensations' with 'List A' and 'List B' works.

## **Parish Mission**

*"Every day they continued to meet together in the temple courts. They broke bread in their homes and ate together with glad and sincere hearts, praising God and enjoying the favour of all the people. And the Lord added to their number daily those who were being saved." (Acts 2:43-47)*

The DBF aims to facilitate spiritual and numerical growth in all churches in the Diocese. The focus is on both quality and quantity; parishes are encouraged to do church well knowing that this will lead to growth. The DBF is committed to re-imagining the shape of ministry across the Diocese to ensure there is a growing and sustainable Christian witness in every local community.

The new Mission Team established in 2016, was tasked with inspiring, encouraging and resourcing churches for mission. The Mission team will aim to help congregations develop appropriate ways of inviting and welcoming new people to church by working with clergy and laity. The team began to explore practices to encourage and advise on ways to develop existing and new models of church to grow congregations that flourish through serving each other and the wider community.

The key areas of focus for Mission in the Diocese of Chester in 2017 are Prayer – including participation in the national initiative "Thy Kingdom Come", The Urban Transformation Programme, Inspiring Younger Generations, Discipleship and Evangelism, and Spiritual and Numerical Growth.

## Education

*Come, my children, listen to me; I will teach you the fear of the Lord. (Psalm 34:11)*

The DBF works closely with and provides financial and other support to the 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.

The Secretary of State for Education made a new Order during the year which led to 2016 being the last year of the Chester Diocesan Board of Education as it has been constituted since 1993. Under its new chair, the Bishop of Stockport, the DBE will seek to be more responsive to the changes facing education and ensure proper accountability of the officers of the DBE. With work with children and youth moving to the new Mission Department, it is schools work which now is the area of responsibility of the DBE.

Particular areas of note during the year are:

- 98% of church schools in the Diocese have been assessed as outstanding or good in their denominational inspection and 92% have been judged outstanding or good in their Ofsted inspection. Schools are to be congratulated on these outcomes both of which are above national averages;
- Interest in academy status has grown with many schools expressing an interest in joining the Diocesan multi-academy trust, Chester Diocesan Academies Trust which has been restructured in preparation for its growth. While at the year-end one school is in the trust, two will be joining in early 2017 with other applications pending. The agreement of the Diocesan Board of Education is required before any church school can become an academy. Acton Church of England School is now part of a multi-academy trust with Calveley School and St Oswald's Worleston. Bunbury, Aldersey and Warrington Church of England Schools are forming another multi-academy trust;
- Ellesmere Port Christ Church Church of England School moved into new buildings provided under the Priority Schools' Building Programme and ten aided schools had building projects valued at over £100,000 each. Hartford Church of England High School should soon see work on its much needed building project begin. However, the reduction in grant generally available for capital work in schools continues to have an increasingly serious effect on our ability to provide necessary building work;
- Courses for teachers and governors have again been well-received and the Church House venue has continued to prove popular. The very successful training course for Christian leaders in schools has again been provided in conjunction with colleagues from other dioceses culminating in a celebration service in Manchester Cathedral;
- A new Religious Education syllabus, produced by advisers and teachers from our schools, was launched and it was agreed this syllabus should be on-line and freely available to any school. The national 'Understanding Christianity' resource was also launched in the Diocese and the new RE syllabus links in to this project;
- The reduction in Local Authority funding to support schools has continued and church schools continue to look to the Diocese for increased support. Officers of the Regional Schools Commissioners and Ofsted question Diocesan officers if church schools are perceived not to have appropriate standards. We use a team of consultants to provide necessary support and in some schools this needs to be intensive;
- The annual Key Stage 2 Leavers' Services were again a great success, with two held in Chester Cathedral and one in Astbury church;
- Many of our schools, particularly in rural communities are very small and changes in the way schools are funded is causing many governors to have concerns about the viability of their school. It was hoped that the proposed National Funding Formula would alleviate some concerns, but most schools in the Diocese are likely to face reductions on the scheme being consulted upon. Officers encourage schools to work in collaborative ways to try and overcome such difficulties;
- We are seeing increased concern across many schools about the mental health and well-being of both pupils and staff and intend to provide conferences on the issue in the coming year;
- Half-termly newsletters are distributed by email to all church schools and other interested parties and also the website has been successful in communicating the DBE's work and supporting school staff and governors in their respective roles;

- The chaplains of secondary schools are supported through regular meetings;
- The initiative to assist parish churches to work effectively with their local schools has continued;
- Mrs Charlotte Somers joined the staff as Administrator during the year.

More details can be found in the DBE annual report.

## **Social Responsibility**

*"The King will reply, 'Truly I tell you, whatever you did for one of the least of these brothers and sisters of mine, you did for me. (Matthew 25:40)"*

The DBF aims to resource and support parishes in mission, particularly their social action and outreach. The long term and greatly valued Director of Social Responsibility, Janice Mason, retired and is headed for new adventures. She will be greatly missed.

Counselling services have continued to be a vital and integral part of our work. The Mental Health Forum held a service for World Mental Health Day at Christ Church, Higher Bebington - a powerful and moving service attended by approximately 50 people. The counselling team continues to be widely used for therapeutic counselling in addition to providing ongoing pastoral support for clergy.

In partnership with the Committee for Ministry a successful day event on Mental Health was held at St John's, Hartford. Over 100 people had the opportunity to hear from guest speakers and discuss and reflect on themes.

The Mediation Service was promoted at the Archdeacon's visitations together with support for training more diocesan mediators.

The initiative Food Matters 2016 encouraged parishes to focus on the importance of living sustainably and reflect theologically on the place of food within our own Christian stewardship and discipleship.

Special events included a Fairtrade Bake-Off, a Lent Challenge to live on £1 a day and a networking event with foodbank co-ordinators. A special display in the Church Tent at the Cheshire Show highlighted Food Matters, attracting lots of attention.

The Diocesan Safeguarding Commission is now fully established, with representatives from statutory agencies within its membership, and is chaired by His Honour Judge Tim Mort. The Safeguarding Officer has provided mandatory responses to the Independent Inquiry into Child Sexual Abuse, previously known as "The Goddard Inquiry" which remains ongoing. There are now specific mandatory training requirements and nine sessions were held in the year for clergy, parish safeguarding co-ordinators and volunteers.

Other areas of work included family life, urban and rural mission and ministry, environment, criminal justice, and interfaith and minority ethnic Anglican concerns.

## **Ministry Development**

*I will give to the Lord the thanks due to his righteousness, and sing praise to the name of the Lord, the Most High. (Psalm 7:17)*

Through the work of the Committee for Ministry the DBF oversees the processes of vocational discernment, selection, and initial training for all licensed ministries, whether lay or ordained. Stated in such formal terms 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. Effective ministry serves the whole people of God as a worshipping community eagerly engaged in God's mission. Consequently the Committee for Ministry takes the lead in producing the termly Diocesan Cycle of Prayer which now has a circulation of more than 1500 copies, in addition to internet distribution.

A new Spiritual Accompaniment course has fed into a reformulated and expanded list of those available for this ministry. Under the auspices of our Prayer and Christian Spirituality Officer and his advisory group, group supervision and continuing training is now in place.

The YBible initiative was launched in September. It aims to spur mutual encouragement in the use of the Bible, and its launch booklet, "52 Thoughts: favourite Bible verses" has needed to be reprinted twice.

In the year under review sixteen ordained clergy, eight Readers and five Pastoral Workers were admitted to office. Of those currently in training, sixteen are prospective Pastoral Workers, thirty-four are Reader candidates, and fifty are Ordinands. Also provided is continuing practice-based learning in the early years of ministry; programmes are offered tailored to the specifics of the ordained or lay ministry concerned. A significant number of people in these programmes also use them to complete a higher education qualification.

The DBF also provides access to in-service learning for experienced ministers. As well as training opportunities offered internally through the work of all the departments in Church House, ministers are supported in appropriate programmes offered by outside providers. The take-up in this area continues at a record level and it is clear that more of our ministers are engaged in formal practice-based learning than ever before. The second cohort of ministers on our in-house two-year leadership development programme 'Making Headway' was successfully launched by Bishop Peter in the autumn.

The DBF continues to work collaboratively with the Dioceses of Liverpool and Manchester via the part-time courses offered by the All Saints Centre for Mission and Ministry. The partnership is being expanded to include the Diocese of Blackburn. Recently around fifty percent of our Ordinands have trained at All Saints; others use residential pathways or context-based courses, as appropriate to personal circumstances and learning needs. The Director of Ordinands and her colleagues maintain relations with all the providers involved.

All departments of the DBF offer training in general Christian service and discipleship to augment that provided in local churches. The Foundations for Ministry Course continues to attract participants to its unique blend of vocational discernment coupled with theological education. For the past two years the course has run at full capacity. The long-standing partnership with the University of Chester means that work on Foundations can earn Higher Education credits on this and other Church Universities Certificates courses. This provision means many of our candidates entering formal ministerial training already have advantageous HE experience.

## **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 Central Church to enable them 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 )*

Foxhill is a remarkable and unique place; a place for hospitality, welcome and prayer; learning, discipleship and study; recovery, discovery and mission. 2016 welcomed the arrival of Jonathon Green as Director, Chris Wood as Assistant Director and Anne Green, Administrator. A significant development has been the production of a vision statement: it states that Foxhill is 'the Diocese of Chester centre for prayer, study and mission with a focus as a Christian space for retreat, conferences and training.'

Refurbishment in the later part of the year to the kitchen area and relocation of the office to create a new and welcoming reception area will be fully operational for the beginning of the 2017. The team looks forward to launching the Stop Look and Listen programme of events for the year ahead.

## **World Mission**

The link with the Anglican Church of Melanesia continued in 2016. The Rt Revd Nathan Tome, Bishop of Guadalcanal and the, Rt Revd Patteson Worek, Bishop of Banks and Torres in Vanuatu visited the Diocese in January, meeting people at church house and in parishes. In addition, Michael Gilbertson, Archdeacon of Chester, visited Melanesia in April 2016

## **Financial Review**

Net income after investment gains amounted to £2,763k (2015 net income after investment gains £747k), and the surplus on normal day-to-day activities was £205k (2015 £51k).

Contributions received from parishes increased to £11.2m (2015 £10.6m). The increase in parish share assessments continues to marginally outweigh the reductions due to (slowly) falling clergy numbers. The parish share collection rate improved to approximately 94%.

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 (2015 £9.2m). Since 2007, parochial contributions have been requested under a parish share system based on number of allocated clergy and a socio-economic factor; this approach is intended to foster mission and growth.

The Statement of Financial Activities shows 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 15.7% made up of a 12.4% gain in capital value and a 3.3% income return. The return on invested cash declined from 0.5% at the start of the year to 0.35% at the end of the 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 DBF continues to face challenging conditions, but a stable parish share collection rate and a sustained rise in fee income allow some optimism.

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.



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## Background Information

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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.

### 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 archdeacons: 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**

The Synod met on only two occasions during 2016 as Bishop's Council had voted to reduce the number of annual meetings. Synod met on 12 March and 12 November with a June date in reserve which was not required. At the March meeting Synod discussed reports on the work of the Committee for Ministry, the Committee for Social Responsibility, the Committee for Education and Foxhill Retreat and Conference Centre. The Synod received a report on the November 2015 and February 2016 Sessions of General Synod and there was an update on future plans for mission. At the November meeting Synod received the Annual Report and Financial Statements for the year ended 31 December 2015, approved the 2017 budget, considered the new DBE constitution, agreed numbers to be elected to Deanery Synods in 2017, received Cathedral and General Synod reports and Bishop Peter gave a Presidential address.

## **Bishop's Council**

In accordance with the constitution of the Diocesan Synod, Bishop's Council has the following functions:

- to plan the business of the Synod, to prepare the agenda for its sessions, and to circulate to members information about matters for discussion;
- to initiate proposals for action by the Synod and to advise it on matters of policy;
- to advise the President on any matters which he may refer to the Committee;
- subject to the directions of the 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 the 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 2016, the relevant archidiaconal committees considered the suspension (or resuspension) of the patron's right of presentation to the benefices of: Altrincham, St. John; Backford with Capenhurst; Barnton, Christ Church; Barthomley; Bickley; Bredbury, St Barnabas; Chester, St. Oswald & St. Thomas of Canterbury; Dukinfield, St. Mark; Goostrey with Swettenham; Gee Cross, Holy Trinity; Hyde, St. Thomas; Leasowe, St. Chad; Over Tabley; Stockport, St. Mary; and Weston.

In 2016 the Chester Archidiaconal Mission and Pastoral Committee agreed that should the Bishop propose that he approve St. Luke's Parish Centre of Worship as suitable to be a parish church, the building was suitable to be a parish church. The Committee also gave its consent to proposals to amend a Sharing Agreement in respect of 'The Lighthouse' in the parish of Weaverham.

During 2016, the Macclesfield Archidiaconal Mission and Pastoral Committee made recommendations to the Bishop for Pastoral (Church Building) Schemes for pastoral reorganisation in the benefices of Altrincham St. John; Altrincham St John; Bowdon; Dunham Massey, St. Margaret and St. Mark; Dunham Massey St. Mark; and Hale and Ashley; for pastoral reorganisation in the benefices Dukinfield St. Luke; and Dukinfield St. Mark; and for pastoral reorganisation in the benefices of Godley Cum Newton Green; and Hyde, St Thomas. The Committee also made recommendations to the Bishop for a Pastoral Scheme to dissolve the benefice and parish of Mickehurst, All Saints; and transfer the area of the parish to the parish of St. George, Mossley in the diocese of Manchester. The Committee also agreed that the Draft Pastoral (Church Buildings) Scheme (published in 2013) for the benefice of Edgeley and Cheadle Heath, should be withdrawn.

## **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 have been undertaken with Cheshire East over the past year as part of a proposed wider redevelopment of the surrounding area. In the meantime 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.

**St John Altrincham** The church closed shortly after the end of the year. Interest has already been shown in the building (which is Grade 2 Listed and in a Conservation Area) by several developers. The building will be marketed in 2017 where an early future use is anticipated.

**St Luke Dukinfield** The Grade 2 Listed church closed in late 2016. It is anticipated that it will be marketed in 2017.

## **Custodian Trusteeship**

The Board is Custodian Trustee for trust assets with a market value of approximately £5.7m at 31 December 2016 (£5.6m at 31 December 2015). Detailed Certificates of Holding were sent to Parishes and other managing trustees as at 31 December 2016. 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.

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## Legal and Financial Information

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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, and 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 the 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, and the ending of support from the Church Commissioners. 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 1.8 months expenditure (£2.3m). 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 £8.0m (2015 £6.6m) 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 £10.0m (2015 £9.1m) 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.

### **Statement of Trustees' Responsibilities**

The Trustees are responsible for preparing the Strategic report, the Annual 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  
~~2016~~ and signed by order of the Board.  
**2017**

A handwritten signature in black ink, appearing to read 'Peter R Forster', with a cross symbol to its left.

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



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESTER DIOCESAN BOARD OF FINANCE

We have audited the financial statements of Chester Diocesan Board of Finance for the year ended 31 December 2016 which comprise the statement of financial activities, the summary income and expenditure account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity'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 charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditors**

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. We have been appointed auditor under the Companies Act 2006 and report in accordance with that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2016 and of the charity's incoming resources and application of resources, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the trustees' report, which includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements and the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

Based on our knowledge and understanding of the charity and its environment obtained during the course of the audit we have identified no material misstatements in the strategic report and trustees' report.

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

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

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

BDO LLP

Hamid Ghafoor (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Liverpool, UK  
Date 22/05/2017

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

**Chester Diocesan Board of Finance**  
**Statement of Financial Activities for the year ended 31 December 2016**

**Income and Expenditure**

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2016 £'000	Total 2015 £'000
<b>Income and endowments from</b>						
Parochial contributions		11,193	-	-	11,193	10,610
Grants and other donations		159	508	-	667	676
Investment income	3	50	250	-	300	416
Rental income		47	189	-	236	189
<b>Income from charitable activities</b>						
Statutory fees, chaplaincy and other income		-	824	-	824	886
Diocesan Retreat and Conference Centre		126	-	-	126	139
Other income from operating activities		10	74	-	84	64
Parsonage and redundant church sales/transfers		-	1,485	-	1,485	3,195
<b>Total</b>		<b>11,585</b>	<b>3,330</b>	<b>-</b>	<b>14,915</b>	<b>16,175</b>
<b>Expenditure on raising funds</b>						
Cost of generating voluntary income		16	-	-	16	16
Investment and Rental costs		25	96	-	121	89
<b>Charitable Activities</b>						
National church responsibility		416	-	-	416	409
Funding of parochial clergy and archdeacons		8,574	1,103	-	9,677	9,292
Parsonage purchases and major improvements		-	272	-	272	3,223
Support to clergy and parishes		1,660	478	-	2,138	2,178
Diocesan Retreat and Conference Centre		324	-	-	324	291
<b>Total</b>	5	<b>11,015</b>	<b>1,949</b>	<b>-</b>	<b>12,964</b>	<b>15,498</b>
Net gains/(losses) on investments		1	343	468	812	70
<b>Net income/(expenditure)</b>		<b>571</b>	<b>1,724</b>	<b>468</b>	<b>2,763</b>	<b>747</b>
<b>Transfers between funds</b>	21	272	(272)	-	-	-
<b>Other recognised gains/(losses)</b>						
Gains/(losses) on revaluation of fixed assets	12	583	-	463	1,046	224
Actuarial gains/(losses) on defined benefit pension schemes	23	293	-	-	293	204
<b>Net movement in funds</b>		<b>1,719</b>	<b>1,452</b>	<b>931</b>	<b>4,102</b>	<b>1,175</b>
<b>Reconciliation of funds:</b>						
Total funds brought forward		2,051	6,553	9,098	17,702	16,527
Total funds carried forward		3,770	8,005	10,029	21,804	17,702

The notes on pages 27 to 40 form part of these financial statements. All activities are continuing.

**Summary Income and expenditure account for the year ended 31 December 2016 (excluding endowment funds)**

<b>Gross income</b>	14,915	16,063
<b>Total expenditure</b>	(12,964)	(15,498)
<b>Net income</b>	<b>1,951</b>	<b>565</b>

**Chester Diocesan Board of Finance**  
**Balance sheet as at 31 December 2016**

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	12	14,001	12,552
Investments	13	<u>7,696</u>	<u>6,747</u>
		<b>21,697</b>	<b>19,299</b>
<b>Current assets</b>			
Properties awaiting sale	12	550	550
Debtors	14	810	922
Cash at bank on deposit and in hand	15	<u>5,698</u>	<u>4,868</u>
		<b>7,058</b>	<b>6,340</b>
Creditors: amounts falling due within one year	16	<u>587</u>	<u>580</u>
<b>Net current assets</b>		<b>6,471</b>	<b>5,760</b>
<b>Total assets less current liabilities</b>		<b>28,168</b>	<b>25,059</b>
Creditors: amounts falling due after more than one year	17	813	963
<b>Net assets or liabilities excluding pension asset or liability</b>		<b>27,355</b>	<b>24,096</b>
Other provision		(5,551)	(6,394)
<b>Total net assets</b>		<b>21,804</b>	<b>17,702</b>
Endowment funds	18	10,029	9,098
Restricted income funds	19	8,005	6,553
Unrestricted funds		9,321	8,445
Pension reserve	22,23	<u>(5,551)</u>	<u>(6,394)</u>
<b>Total unrestricted funds</b>		<b>3,770</b>	<b>2,051</b>
<b>Total charity funds</b>		<b>21,804</b>	<b>17,702</b>

The notes on pages 27 to 40 form part of these financial statements.

The financial statements were approved by the Board of Directors on 15 May 2017 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 2016**

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

	2016	2015
	£'000	£'000
Net income for the reporting period (as per the statement of financial activities)	2,763	747
Depreciation	64	64
(Gains) on investments	(812)	(70)
Dividends, interest and royalties from investments	(300)	(416)
(Decrease) in pension liability	(843)	(763)
Actuarial gain on pension revaluation	293	204
Tangible fixed assets transferred in	(590)	(1,150)
Decrease in debtors	112	188
(Decrease) in creditors	(143)	(531)
<b>Net cash provided by/(used in) operating activities</b>	<b>544</b>	<b>(1,727)</b>

**Statement of Cash Flows**

	2016	2015
	£'000	£'000
<b>Net cash provided by/(used in) operating activities</b>	<b>544</b>	<b>(1,727)</b>

**Cashflows from investing activities**

Dividends, interest and royalties from investments	300	416
Payments to acquire tangible fixed assets	-	(376)
Payments to acquire investments	(137)	(193)
Receipts from sale of tangible fixed assets	123	1,145
Receipts from sale of investments	-	172
	<b>286</b>	<b>1,164</b>

<b>Increase/(Decrease) in cash in the year</b>	<b>830</b>	<b>(563)</b>
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**Reconciliation of net cash flow to movement in cash and cash equivalents**

	2016	2015
	£'000	£'000
Increase/(Decrease) in cash in the year	830	(563)
Cash and cash equivalents at the beginning of the reporting period	4,868	5,431
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>5,698</b>	<b>4,868</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. Revaluation gains and losses are recognised in the balance sheet within the funds of which the corresponding assets are held.

#### **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 210 parsonage houses in the Diocese insured at a value of £104 million at 31 December 2016.

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

#### **Investments**

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

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

#### **Cash and Cash Equivalents**

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

#### **Taxation**

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

#### **Financial Instruments**

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

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

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

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

#### **Pension schemes**

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

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

The Board 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 as "Other provision" in line with FRS 102. The interest cost of the debt is reflected in the SOCI 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:-

	2016 £'000	2015 £'000
Statutory audit	11	12
Other services	-	2
	<u>11</u>	<u>14</u>

## 3. Investment Income

	2016 £'000	2015 £'000
Investment and fixed interest funds	220	259
CBF deposits and bank interest	34	27
Other income including interest on loans to parishes and mining royalties	46	130
	<u>300</u>	<u>416</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 2016 £'000	Total 2015 £'000
Church house costs	2	24	89	4	119	116
Central services	2	19	72	3	96	87
Central staff costs	11	104	388	16	519	501
Legal, audit, depreciation	1	13	56	2	72	90
	<u>16</u>	<u>160</u>	<u>605</u>	<u>25</u>	<u>806</u>	<u>794</u>

Chester Diocesan Board of Finance  
Notes to the accounts for the year ended 31 December 2016

5. Expenditure	Note	Total 2016 £'000	Total 2015 £'000
<b>Cost of generating voluntary income</b>			
Central Services & support costs		16	16
<b>Investment and rental costs</b>			
Rental costs		107	72
Value linked loan interest paid		14	17
		<u>121</u>	<u>89</u>
<b>Charitable Activities</b>			
<b>National church responsibility</b>		416	409
<b>Funding of parochial clergy and archdeacons</b>			
Parochial Clergy and Archdeacons stipends		7,625	7,551
Maintenance of clergy housing		1,237	973
National ministry training and ordinands grants		656	611
Central Services & support costs		159	157
		<u>9,677</u>	<u>9,292</u>
<b>Parsonage purchases and major improvements</b>		272	3,223
<b>Support to clergy and parishes</b>			
Ministry		457	457
Bishops' and Archdeacons' support, DAC, Chaplains & Ecumenical		294	220
Education		226	307
Social Responsibility		199	224
Mission		164	163
Discretionary and one off items (EIG)		13	31
Lay conference		62	6
Grants to parishes, clergy and others	6	117	173
Central Services & support costs		606	597
		<u>2,138</u>	<u>2,178</u>
<b>Diocesan Retreat and Conference Centre</b>			
Diocesan Retreat and Conference Centre		300	267
Central Services & support costs		24	24
		<u>324</u>	<u>291</u>
		<u>12,964</u>	<u>15,498</u>
<b>6. Grants to parishes, clergy and others</b>		2016	2015
		£'000	£'000
<b>Grants to Parochial Church Councils</b>			
<b>Parish Mission and Ministry Grants</b>			
Restore Crewe		-	16
Churches together in Cheshire (Agricultural Chaplaincy)		-	5
Dukinfield St Mark		-	10
Stalybridge Holy Trinity and Christ Church		-	8
Open Door Project Tranmere/Liscard		-	5
Sale West Community Urban Trust		-	5
Christ Church Chester		-	2
Stockport St Thomas		10	-
Upton by chester		2	-
All Hallows Cheadle		-	8
Elworth		-	5
Partington & Carrington		-	1
Rock Ferry		-	5
Thornton le Moors with Ince & Elton		-	8
Birkenhead Priory - clerical or lay assistanc		5	19
Thornton Hough - Fryer Legacy income		3	4
		<u>20</u>	<u>101</u>



6. Grants to parishes, clergy and others (continued)

Pastoral account grants

Chelford	10	10
Poultton St Luke	24	8
Church Lawton	-	8
Stockport St Thomas		13
Stockport St Peter	-	7
Bramhall	-	10
Wistaston	-	20
Upton by chester		
Woodchurch	8	-
Hurdsfield	1	-
Marthall	10	-
Birkenhead Priory	5	-
Less adjustments to grants previously accrued	-	(51)

58 25

UPA Projects Fund

3 9

Grants to Individuals

No. of grants

Lay training fund	1	1	1
Clergy Sustentation grants	10	4	11
Retired Clergy, widows and dependents fund grants	89	31	26
		36	38

Total grants

117 173

7. Staff and Office holder costs and numbers

Staff costs:

	2016	2015
	£'000	£'000
Wages & salaries	1,500	1,503
Social security costs	136	128
Pension costs	203	212
	1,839	1,843

Average staff numbers based on full time equivalents

	2016	2015
	Number	Number
Cost of generating voluntary income	0.5	0.5
Funding of parochial clergy and archdeacons	4.6	5.1
Support to clergy and parishes	24.7	26.1
Diocesan Retreat and Conference Centre	6.4	6.8
Diocesan administration and central support	8.8	8.0
Governance Costs	0.0	0.5
	45.0	47.0

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

2016 Restated  
2015  
1 1

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

In the prior year, an employee was incorrectly disclosed as having received remuneration between £60,001 and £70,000. The employment costs of this employee were recharged to Chester Diocesan Board of Education and were disclosed therein.

In 2016, the charity made or accrued termination payments of £133,156 (2015: Nil). The termination payments are a combination of redundancy and severance payments. The accounting policy is to recognise termination payment liabilities on communication of intention to pay and when quantifiable. Such payments are accounted for as staff costs. The payments were funded from unrestricted funds.

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2016**

**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 216 (2015 220) full time equivalent office holders during the year.

Clergy Stipends	5,278	5,318
Clergy National Insurance	406	404
Clergy Pension Contributions	1,977	2,002
Other clergy payments	402	319
	<u>8,063</u>	<u>8,043</u>

**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 Ven Ian G Bishop	Archdeacon of Macclesfield
The Revd Dr Robert S Munro	Chairman, House of Clergy
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	
The Revd Dr David J Page	
The Revd Michael L Ridley	
The Revd Alexandra Sanders	
The Revd Carol S Seddon	
The Revd Michael I A Smith	

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

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

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

The Rt Revd Dr Peter R Forster	Bishop of Chester
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The following trustee was in receipt of a stipend and provided with housing during the year, both funded by the Chester Cathedral:-

The Very Revd Professor Gordon McPate	Dean of Chester
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The stipends of the Diocesan Bishop and Suffragan Bishops are funded by the Church Commissioners and are in the range £34,850 - £43,135 (2015 range £34,290 - £42,670). The stipend, funded by the DBF, paid to Archdeacons was £34,525 (2015 £33,505). The stipend, funded by Chester Cathedral, paid to the Dean of Chester was £35,410 (2015 £35,028). Other clergy who were Trustees were paid stipends in the range £24,562 - £26,273 (2015 range £24,171 – £25,853).

**Trustee expenses**

A total of £18,559 (2015 £15,634) was reimbursed to 13 (2015 11) 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. Of these, the highest paid was George Colville, Diocesan Secretary, with remuneration of £72,240 (2015 71,085) and employer pension contributions of £13,075 (2015 £12,655). The remaining six received remuneration (including employers pension contributions) totalling £289,498 (2015 seven paid £292,082). Of these six, one is ordained and provided with housing.

**11. Related party transactions**

<b>Chester Diocesan Board of Education</b>	<b>2016</b>	<b>2015</b>
Chester Diocesan Board of Finance act as the administration arm of the Church of England in the Diocese of Chester	£'000	£'000
Contribution re joint employment contracts and other recharges to The Chester Diocesan Board of Education	<u>205</u>	<u>207</u>

## 12. Tangible Fixed Assets

Of the balances shown here, £550,000 (2015 £550,000) has been reclassified under current assets as it represents property held for sale.

		Freehold Land and Buildings		Fixtures and Office Equipment	Total 2016	Total 2015
Cost or Valuation	Office £'000	Board £'000	Glebe £'000	£'000	£'000	£'000
Balance at 1 January 2016	1,436	7,421	4,274	115	13,246	12,641
Additions	-	590	-	-	590	1,526
Disposals	-	-	(123)	-	(123)	(1,145)
Revaluations	-	583	463	-	1,046	224
<b>Balance at 31 December 2016</b>	<b>1,436</b>	<b>8,594</b>	<b>4,614</b>	<b>115</b>	<b>14,759</b>	<b>13,246</b>
<b>Accumulated Depreciation</b>						
Balance at 1 January 2016	104	-	-	40	144	80
Charge for year	47	-	-	17	64	64
<b>Balance at 31 December 2016</b>	<b>151</b>	<b>-</b>	<b>-</b>	<b>57</b>	<b>208</b>	<b>144</b>
<b>Net Book Value at 1 January 2016</b>	<b>1,332</b>	<b>7,421</b>	<b>4,274</b>	<b>75</b>	<b>13,102</b>	<b>12,561</b>
<b>Net Book Value at 31 December 2016</b>	<b>1,285</b>	<b>8,594</b>	<b>4,614</b>	<b>58</b>	<b>14,551</b>	<b>13,102</b>
Less properties awaiting sale	-	(550)	-	-	(550)	(550)
	<b>1,285</b>	<b>8,044</b>	<b>4,614</b>	<b>58</b>	<b>14,001</b>	<b>12,552</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 2016. The remaining Glebe land and buildings were formally valued by Fisher German as at 31 December 2016. These valuations are updated whenever evidence suggests a material change in valuation has taken place.

## 13. Investments

	2016 £'000	2015 £'000
Market Value at 1 January 2016	6,747	6,656
Disposals at market value	-	(172)
Acquisitions at cost	137	193
Net gains on revaluation at 31 December 2016	812	70
<b>Market Value at 31 December 2016</b>	<b>7,696</b>	<b>6,747</b>

Investments at 31 December 2016 comprise

	No of shares	2016 Market Value £'000	No of shares	2015 Market Value £'000
CBF Investment Fund	490,597	7,416	490,597	6,597
CBF Fixed Interest Fund	30,414	51	30,414	49
CBF Property Fund	167,189	219	67,190	91
Churches' Mutual Credit Union Deferred £1	10,000	10	10,000	10
		<b>7,696</b>		<b>6,747</b>

The historical cost of the above investments at 31 December 2016 was £1,886,991 (2015 £1,750,115)

## 14. Debtors

	2016 £'000	2015 £'000
Loans to parishes	121	321
Other debtors	235	138
Prepayments and accrued income	231	185
Other loans	10	15
Value linked loans to parishes (due after more than one year)	213	263
	<b>810</b>	<b>922</b>

Debtors are valued at the undiscounted amount receivable. Included in Other loans are amounts totalling £5,000 (2015: £8,239) 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.

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2016**

<b>15. Cash at bank, on deposit and in hand</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Balances held by Church Commissioners	(6)	1
Cash in hand, at bank and on bank deposit	1,184	2,043
Charity Bank Deposit	325	319
CBF Deposit Fund	4,195	2,505
	<b>5,698</b>	<b>4,868</b>

<b>16. Creditors: amounts falling due within one year</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Ordinary creditors	277	255
Taxation and other creditors	-	35
Sundry creditors and accruals	310	290
	<b>587</b>	<b>580</b>

Creditors are valued at the undiscounted amount payable.

<b>17. Creditors: amounts falling due after more than one year</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
CCLA loan	600	700
Value linked loans for parishes	213	263
	<b>813</b>	<b>963</b>

Creditors are valued at the undiscounted amount payable.

**18. Endowment Funds**

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

	<b>Balance 1 January 2016 £'000</b>	<b>Incoming Resources</b>	<b>(Expenditure) gains/(losses) and transfers £'000</b>	<b>Balance 31 December 2016 £'000</b>
Diocesan Conference Centre	89	-	11	100
Steel & William Fletcher Rogers Fund	54	-	7	61
Retired Clergy, Widows and Dependants Fund	1,824	-	226	2,050
Clergy Sustentation Fund	115	-	14	129
Birkenhead Curacy Fund	110	-	14	124
Glebe Land & Buildings	4,274	-	340	4,614
Diocesan Stipends Fund Capital Account	2,632	-	319	2,951
	<b>9,098</b>	<b>-</b>	<b>931</b>	<b>10,029</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

**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 2016

### 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 2016 £'000	Incoming Resources £'000	(Expenditure), Gains, (Losses) & Transfers £'000	Balance 31 December 2016 £'000
Capital Reserve Stipends	2,669	-	331	3,000
Clergy Sustentation	29	9	(4)	34
UPA Projects	16	-	(2)	14
Canon White Trust	4	-	(2)	2
Jane Hannah Graham Trust	330	1	-	331
Retired Clergy Widows and Dependants	611	64	(32)	643
Steel & William Fletcher Rogers Fund	22	2	-	24
Parish Mission and Ministry	89	171	(114)	146
Diocesan Pastoral Account	2,560	1,512	(498)	3,574
Birkenhead Curacy Fund	57	5	1	63
Foxhill Retreat Fund	166	3	5	174
Restricted Committee income*	-	1,563	(1,563)	-
	<b>6,553</b>	<b>3,330</b>	<b>(1,878)</b>	<b>8,005</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 From Archbishops Council. Can be spent on parish mission and ministry activities, or stipends.
Parish Mission and Ministry	Applied towards the payment of stipends
Diocesan Stipends Income Fund	Fund for clerical or lay assistance at Birkenhead Priory Parish
Birkenhead Curacy Fund	The fund arose from a donation from Chester Retreat House and is to be used to fund Retreats.
Foxhill Retreat Fund	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.
Diocesan Pastoral Account	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 value with accumulated income of £75,277.

The trust arose to pay grants to Honorary Canons of Chester Cathedral with a wish that they preach at Balterley Memorial Chapel. Chester Diocesan Board of Finance has periodically transferred the majority of the accumulated income to Barthomley PCC.

20. Analysis of net assets between funds

	Tangible Fixed Assets £'000	Investments £'000	Net Current Assets £'000	Long term Liabilities £'000	2016 Total Net Assets £'000	2015 Total Net Assets £'000
<b>Unrestricted Funds</b>						
General Funds	4,320	10	1,818	813	5,335	5,043
<b>Designated</b>						
Office refurbishment	-	219	-	-	219	91
EIG Reserve	-	-	233	-	233	247
Lay Training	-	-	19	-	19	19
Fryer Trust	-	95	-	-	95	85
Diocesan Conference Centre	3,420	-	-	-	3,420	2,960
Pension Reserve	-	-	-	5,551	(5,551)	(6,394)
<b>Total Unrestricted Funds</b>	<b>7,740</b>	<b>324</b>	<b>2,070</b>	<b>6,364</b>	<b>3,770</b>	<b>2,051</b>
<b>Restricted Funds</b>						
Capital Reserve Stipends	-	3,000	-	-	3,000	2,669
Clergy Sustentation	-	-	34	-	34	29
UPA Projects	-	-	14	-	14	16
Canon White Trust	-	-	2	-	2	5
Jane Hannah Graham Trust	-	-	331	-	331	330
Clergy Widows and Dependents	180	-	463	-	643	611
Pastoral Account	1,467	-	2,106	-	3,573	2,560
Parish Mission and Ministry	-	-	147	-	147	89
Birkenhead Curacy Fund	-	56	7	-	63	57
Foxhill Retreat Fund	-	78	96	-	174	165
Steel & William Fletcher Rogers	-	-	24	-	24	22
<b>Total Restricted Funds</b>	<b>1,647</b>	<b>3,134</b>	<b>3,224</b>	<b>-</b>	<b>8,005</b>	<b>6,553</b>
<b>Endowment Funds</b>						
Diocesan Conference Centre	-	100	-	-	100	89
Steel & William Fletcher Rogers	-	61	-	-	61	54
Retired Clergy, Widows	-	2,050	-	-	2,050	1,824
Clergy Sustentation Fund	-	129	-	-	129	115
Glebe Land & Buildings	4,614	-	-	-	4,614	4,274
Birkenhead Curacy Fund	-	124	-	-	124	110
Diocesan Stipends Fund Capital	-	1,774	1,177	-	2,951	2,632
<b>Total Endowment Funds</b>	<b>4,614</b>	<b>4,238</b>	<b>1,177</b>	<b>-</b>	<b>10,029</b>	<b>9,098</b>
<b>Total Funds</b>	<b>14,001</b>	<b>7,696</b>	<b>6,471</b>	<b>6,364</b>	<b>21,804</b>	<b>17,702</b>

<b>Unrealised gains/losses included above</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>On Investment Assets</b>	<b>5,809</b>	<b>4,997</b>

On tangible fixed assets

It has been impractical to ascertain the total unrealised gains on tangible fixed assets as some assets were gifted or transferred to the Board and no records remain of their value at the time of receipt.

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
From the Parish Mission and Ministry Fund	
Part funding of Growth Action Planning officer and additional curates	102
<b>Total transfers</b>	<b>272</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 (2016 £99,255, 2015 £115,991). There were no deficit contributions in either year.

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:

	2016 £'000	2015 £'000
Balance sheet liability at 1 January	-	47
Deficit contribution paid	-	-
Interest cost (recognised in SoFA)	-	-
Remaining change to the balance sheet liability*(recognised in SoFA)	-	(47)
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 2016	December 2015	December 2014
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 (2016: £95,083, £2015: £87,932).

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 Employer and the other participating employers.

Each participating employer 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 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 towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

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

\* An investment strategy of:

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

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

\* Investment returns of 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 future 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 2016**

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

% of pensionable stipends	January 2015 to December 2017	January 2018 to December 2025
Deficit repair contributions	14.1%	11.9%

As at December 2014 and December 2015, the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends until December 20

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.

	2016 £'000	2015 £'000
Balance sheet liability at 1 January	6,394	7,110
Deficit contribution paid	(701)	(714)
Interest cost (recognised in SoFA)	151	155
Remaining change to the balance sheet liability* (recognised in SoFA)	(293)	(157)
Balance sheet liability at 31 December	<u>5,551</u>	<u>6,394</u>

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

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

	December 2016	December 2015	December 2014
Discount rate	1.5% pa	2.5% pa	2.3% pa
Price inflation	3.1% pa	2.4% pa	2.7% pa
Increase to total pensionable payroll	1.6% pa	0.9% pa	1.2% pa

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

#### 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:-

	Management Accounts £'000	EIG Reserve £'000	Pastoral Account £'000	Other items & transfers £'000	SOFA £'000
Income	13,109	-	1,512	294	14,915
Expenditure	12,904	14	-	46	12,964
Net Income/Expenditure	<u>205</u>	<u>(14)</u>	<u>1,512</u>	<u>248</u>	<u>1,951</u>

(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

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2015
	£'000	£'000	£'000	£'000
<b>Income and endowments from</b>				
Parochial contributions	10,610	-	-	10,610
Grants and other donations	157	519	-	676
Investment income	46	258	112	416
Rental income	60	129	-	189
<b>Income from charitable activities</b>				
Statutory fees, chaplaincy and other income	-	886	-	886
Diocesan Retreat and Conference Centre	139	-	-	139
Other income from operating activities	17	47	-	64
Parsonage and redundant church sales/transfers		3,195	-	3,195
<b>Total Income</b>	<b>11,029</b>	<b>5,034</b>	<b>112</b>	<b>16,175</b>
<b>Expenditure on raising funds</b>				
Cost of generating voluntary income	16	-	-	16
Investment and Rental costs	24	65	-	89
<b>Charitable Activities</b>				
National church responsibility	409	-	-	409
Funding of parochial clergy and archdeacons	8,108	1,184	-	9,292
Parsonage purchases and major improvements	-	3,223	-	3,223
Support to clergy and parishes	1,711	467	-	2,178
Diocesan Retreat and Conference Centre	291	-	-	291
<b>Total Expenditure</b>	<b>10,559</b>	<b>4,939</b>	<b>-</b>	<b>15,498</b>
Net gains/(losses) on investments	9	25	36	70
<b>Net income/(expenditure)</b>	<b>479</b>	<b>120</b>	<b>148</b>	<b>747</b>
<b>Transfers between funds</b>	<b>867</b>	<b>(867)</b>		<b>-</b>
<b>Other recognised gains/(losses)</b>				
Gains/(losses) on revaluation of fixed assets	80	119	25	224
Actuarial gains/(losses) on defined benefit pension schemes	204	-	-	204
<b>Net movement in funds</b>	<b>1,630</b>	<b>(628)</b>	<b>173</b>	<b>1,175</b>
<b>Reconciliation of funds:</b>				
Total funds brought forward	421	7,181	8,925	16,527
<b>Total funds carried forward</b>	<b>2,051</b>	<b>6,553</b>	<b>9,098</b>	<b>17,702</b>