

# Chester Diocesan Board of Finance

Annual Report and Financial Statements 2010



**Chester Diocesan Board of Finance is a company limited by guarantee  
registered in England (no. 7826) and a registered charity (no. 248968)**

**Cover Photo: St. Mark's Church, Dukinfield.  
Children enjoy a puppet show as part of 'Messy Church'.**

# Chester Diocesan Board of Finance

Annual Report and Financial Statements 2010

**Bankers:**

National Westminster Bank plc  
33 Eastgate Street  
Chester  
CH1 1LG

Charity Bank  
194 High Street  
Tonbridge  
Kent  
TN9 1BE

**Investment managers:**

CCLA Investment Management Limited  
80 Cheapside  
London  
EC2V 6DZ

**Auditors:**

PKF (UK) LLP  
5 Temple Square  
Temple Street  
Liverpool  
L2 5RH

**Solicitors:**

Cullimore Dutton  
20 White Friars  
Chester  
CH1 1XS

**Chester Diocesan Board of Finance**  
**Annual Report and Financial Statements 2010**

Registered Office Church House, Lower Lane  
Aldford, Chester CH3 6HP  
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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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## Membership of the Board

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Directors served for the full year, except where shown

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

**Chairman:**      Canon Elizabeth Renshaw MBE

**Directors:**

The Rt Revd Keith Sinclair	Bishop of Birkenhead
The Rt Revd Robert R Atwell	Bishop of Stockport
The Ven Donald S Allister	Archdeacon of Chester until 18 February 2010
The Ven Dr Michael R Gilbertson	Archdeacon of Chester from 1 September 2010
The Ven Richard J Gillings	Archdeacon of Macclesfield until 31 December 2010
The Ven Ian G Bishop	Archdeacon of Macclesfield from 8 January 2011
The Very Revd Dr Gordon McPhate	Dean of Chester
The Revd Dr Jonathan R Gibbs	Chairman, House of Clergy
Canon Dr David R Blackmore	Chairman, House of Laity

The Revd Elaine Chegwin Hall	
The Revd Canon David R Felix	
The Revd Simon R Gales	
The Revd Julian R Heaton	
The Revd Libby Lane	
The Revd Edward W Lautenbach	
The Revd Dr Robert S Munro	
The Revd Canon John Sutton	
The Revd Michael I A Smith	
The Revd Canon Prof Roger A Yates	
The Revd Canon Michael W Walters	
Dr J Graham Campbell	
Mrs Rosalind I Campbell	
Mr Paul Edwards	
Mr John J C Freeman	
Miss Fiona Goode	from 10 May 2010
Mr Victor J Legg	
Dr Shirley A Leslie	
Mrs Melanie A McCombe	from 5 October 2010
Mr Richard Neale	
Mr Ian Roberts	
Mr Paul Williams	

**Secretary:**

Canon Dr John Mason until 31 August 2010  
Mr George Colville from 1 September 2010

"Then Jesus came to them and said, "All authority in heaven and on earth has been given to me. Therefore go and make disciples of all nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit, and teaching them to obey everything I have commanded you. And surely I am with you always, to the very end of the age." Matthew 28:18-20

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## Chairman's Statement

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In its 139<sup>th</sup> year, the Chester Diocesan Board of Finance has continued to pursue its core objective "to maintain and promote the spiritual teaching of the Church of England"

This has again been a challenging year and we recognise the increased pressures faced by everyone as a consequence of the recent recession. The impact has been a slight reduction in the Parish Share collection rate. To offset this shortfall, a number of reductions in central staffing costs and structures have been made which will take full effect in 2011. However, we remain cautiously optimistic that we can see our way through these challenges and are encouraged by the positive approach adopted by our parishes. We thank everyone for their continued support.

Now that the Parish Share System has completed the transition period, Bishop's Council, the board of directors, have established a Working Group to undertake a review. The Group will be chaired by the Archdeacon of Chester and will report to Diocesan Synod in 2012.

During the year, a number of events took place to celebrate our links with Melanesia, the completion of the extension to Chester House, a visit by Bishop Peter to Melanesia for the official opening and a visit by the Brothers to the Diocese. Chester Diocese continues to be enriched through our partnerships in mission.

We thank all Board members who have served this year and welcome our two new Archdeacons, Mike Gilbertson and Ian Bishop, and send our love and thanks to Archdeacon Richard Gillings and Kathryn in their retirement. We welcome and congratulate our newly elected General Synod members, in particular Canon Dr John Mason, former diocesan secretary. We also welcome Canon Dr Chris Burkett as Director of Ministry and thank all our Officers as they continue to promote the message that all Christian people are called to serve God. We also thank the Warden and staff at Foxhill and rejoice in the increased numbers who continue to find tranquility there as they explore the presence of God in their personal lives and in their communities.

We thank the staff at Church House who provide support of the highest quality to our parishes and beyond. We congratulate George Colville, on his appointment as Diocesan Secretary and Nigel Strange, as Head of Finance. We thank all staff at Church House who supported George during a difficult year of transition and change. We were all saddened by the death of Canon Stephen Marriott, former Diocesan Secretary, and we keep Lindy and his family in our prayers.

The Board's sub-committees, Finance and Central Services, Audit, Budget Advisory, Human Resources and Staffing Review, continue to undertake day-to-day business on behalf of Chester DBF. The Staffing Review committee provides strategic overview and advice on the wider aspects of activities funded by the Board including the deployment of staff. The Human Resources Committee has worked closely with our Director of Human Resources, Elizabeth Squires, to establish the appropriate policies and procedures for the implementation of the new clergy terms of service known as Common Tenure and we thank Elizabeth and Liz Geddes, Head of Operational Human Resources, for their advice and support in ensuring the Diocese was ready for this significant change.

It is our priority to continue to meet the challenges whilst being ready to grasp the opportunities as we remain committed to focussing our resources on the work of mission, ministry and witness across the Diocese. We ask for your prayers and support to enable us to continue to undertake these challenges on your behalf.

Canon Betty Renshaw MBE, Chair

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## Report of the Directors

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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 provide Christian services and spiritual oversight
- **Parochial Church Councils** – assisting PCCs to provide churches, sacred spaces and worship services
- **Parish Mission** – assisting parishes particularly through the Growth Action Planning (GAP) process
- **Education** - contributing to the spiritual and moral education of children and young people
- **Social action** - 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, for example, to assist clergy in providing Christian services, visit the sick, and comfort 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

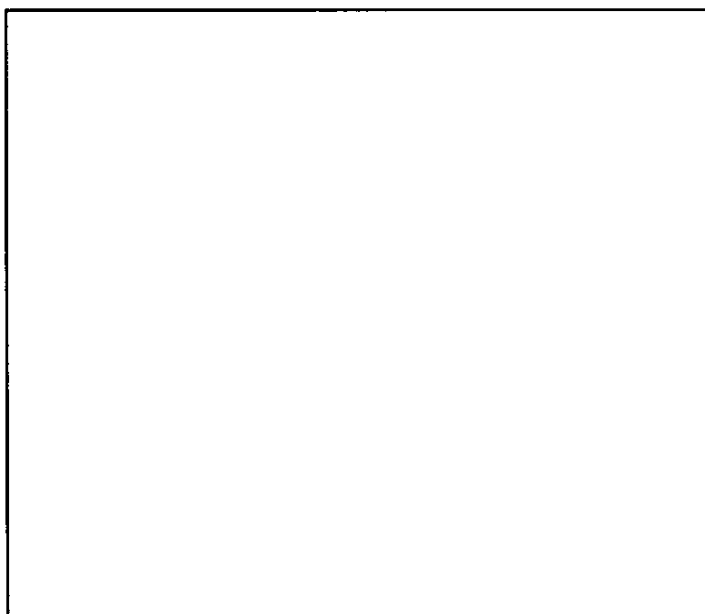
### Area of activity

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?

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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## **Main activities delivering public benefit**

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### **Clergy**

#### **Provision of Clergy**

Stipendiary parish clergy (Rectors, Vicars, Priests-in-Charge, and Curates) are not legally employees but fall into the little-known category of "office holders" Incumbents have security of tenure in the freehold system Priests-in-charge and senior curates (known informally as Associates) do not currently have that security, but from early 2011 they will also have it in essence under the new system of Common Tenure Curates in their first post are still undergoing their training which takes around three years

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 217 trained stipendiary clergy and 29 stipendiary training 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

In principle the DBF could save money and make its operations easier by reducing the number of clergy The number is in practice falling slowly for a number of reasons, but not enough to make a significant difference to the stipends and pensions bill, most of the clergy have or will have security of tenure

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

There are also many non-stipendiary clergy (some retired from secular work, some serving as Ministers in secular employment) They give wonderful service, but generally have less time to offer and in most cases cannot be asked to take charge of a parish

Good clergy, well trained and with high morale, are 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 our Diocese

## **Common Tenure – the new clergy terms of service**

Final preparations and consultations have been taking place for the introduction of new terms of service for clergy early in 2011. It is hoped that this change, mirrored nationally, will give greater clarity on the rights and obligations of clergy. The new package of rights and responsibilities includes - access to Employment Tribunals to claim unfair dismissal, restriction of the use of fixed term appointments, new clergy terms of service regulations, and the requirement to participate in ministerial development review.

## **Clergy housing**

Although parsonage houses (often called rectories or vicarages) are not owned by the charity, it does have responsibility for maintaining and insuring them. This involves dealing with repairs, carrying out a comprehensive programme of inspections, and undertaking major renovation works during vacancies. There is also a phased programme of improving the overall standard of housing within the constraints of available funding, using the Church Commissioners "Green Guide" standard as an aspiration. However, the housing improvement programme was severely limited in 2010 due to financial constraints.

Significant financial transactions this year included the replacement of vicarages at Elworth and Hale Barns, and the sale of the former vicarage at Tushingham.

## **Chaplains**

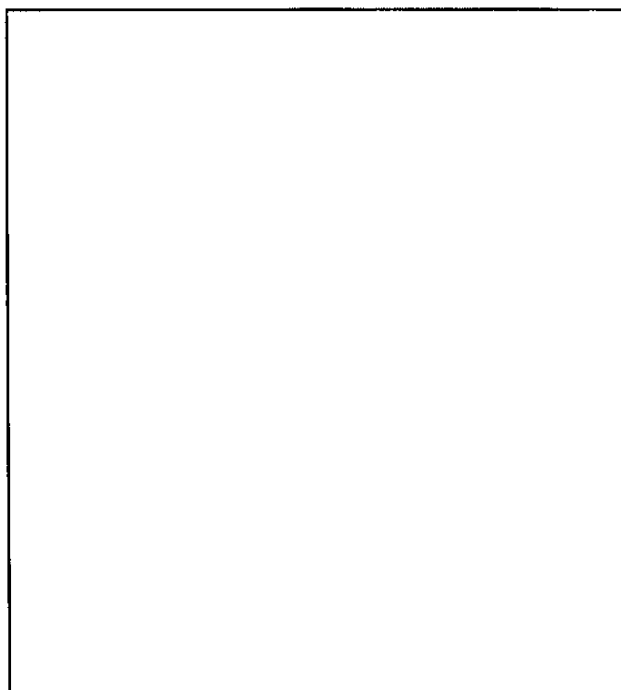
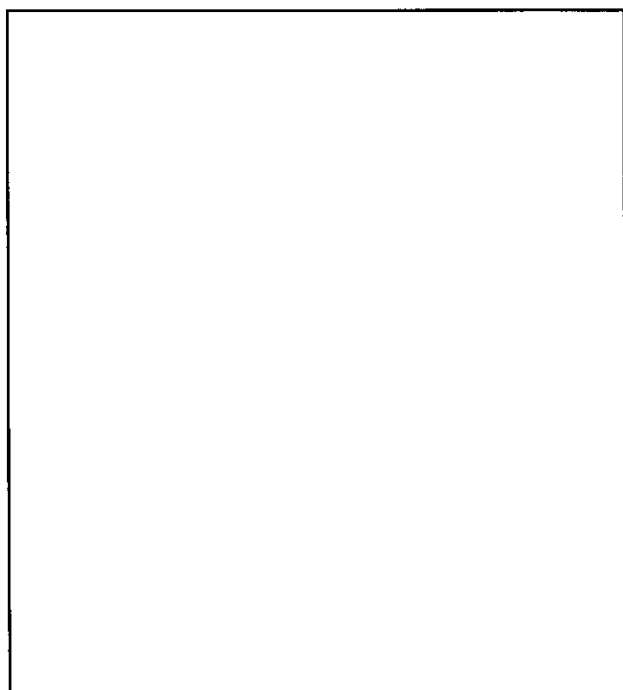
The DBF also supports chaplains who provide a strong Christian influence work in local industry, farming, two prisons and at Manchester Airport.

## **Archdeacons**

Archdeacons have the role of pastoral care of the clergy and oversight of church buildings and vicarages. There are two in Chester Diocese, with both appointments changing this year.

The new Archdeacon of Chester is the Ven Michael Gilbertson. He succeeds Donald Allister, who is now the Bishop of Peterborough. Michael said of his new ministry: "I feel both humbled and excited at this new opportunity to serve God in the Diocese of Chester. This area is where I grew up, so it's a kind of homecoming for me. I'm looking forward to meeting everyone and learning more about the issues facing the Church locally."

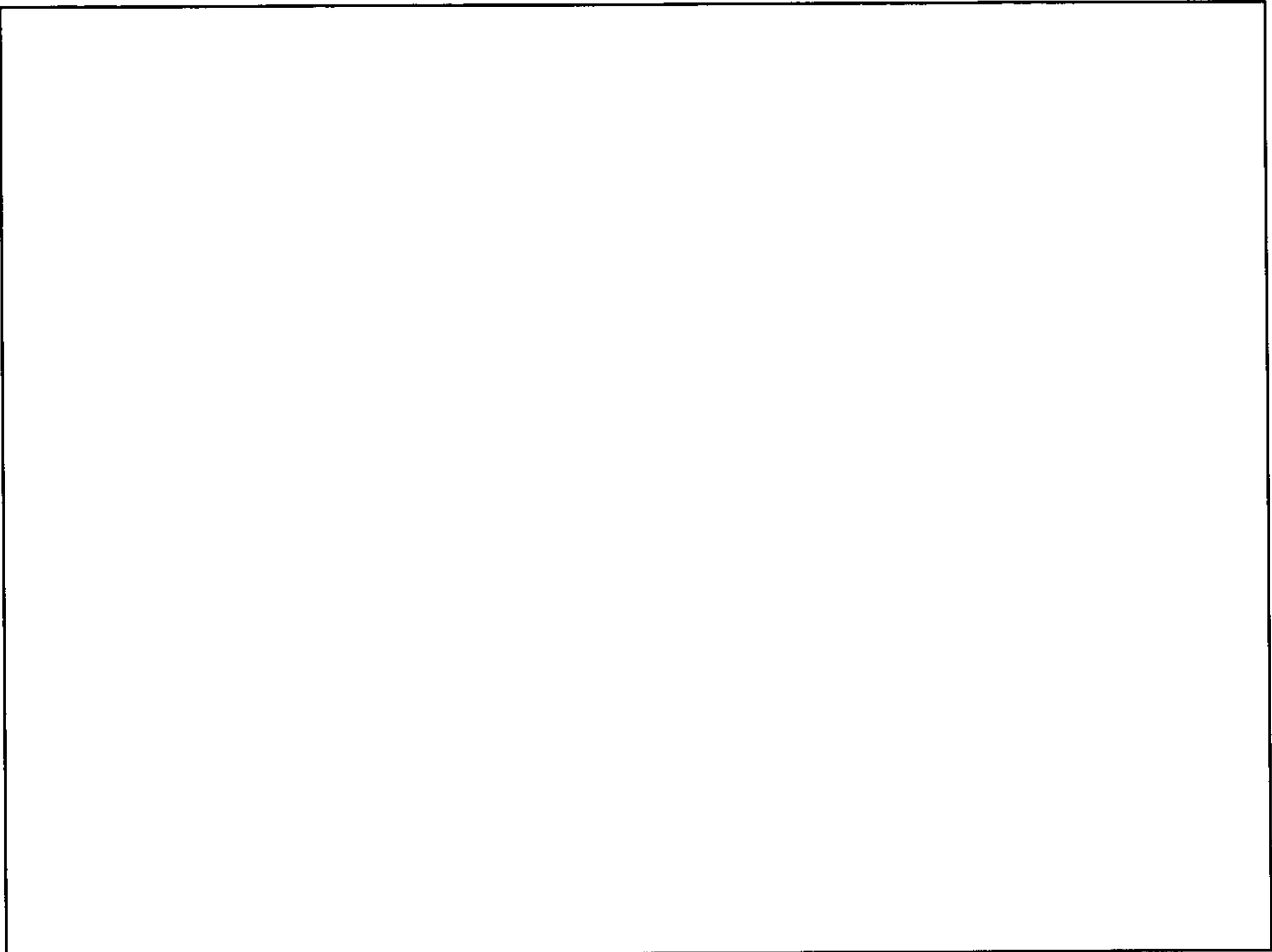
The Archdeacon of Macclesfield, the Ven Richard Gillings, retired at the end of December 2010. He is succeeded from January 2011 by the Ven Ian Bishop. Ian said: "I am very excited about becoming Archdeacon of Macclesfield. Over the past six months since my appointment I have been learning about all the terrific work being done across the archdeaconry, and I can't wait to be a part of it."



## **Assisting Parochial Church Councils**

The DBF continues to provide formal and informal advice and support to parishes on the maintenance, repair and development of church buildings, interior fittings and churchyards

A wide range of advice and recommendations was provided, including on projects involving large extensions, reorderings or other complex schemes of work. Detailed advice was provided to the parishes of Burton St Nicholas, Knutsford St John, Nantwich St Mary, West Kirby St Bridget and Wilmslow St Bartholomew - all of whom were facing major decisions on how best to develop their historic church buildings to meet their congregation's needs. In addition, advice was provided on a number of emergency and temporary schemes



## **Parish Mission**

### **Growth Action Planning**

The primary aim of Growth Action Planning (GAP) is to help each church in the Diocese to focus on what God longs for it to be like in 5 years' time. GAP asks every parish to imagine what their church could be like if it was going really well and then encourages parishes to plan to implement their vision. The process involves -

- Review of the current situation
- Discerning vision
- Prayerful setting of goals and actions

The DBF is assisting parishes in this process through two Parish Mission Development Officers. GAP aims to build on the good work already underway in so many churches. Bishop Peter said, 'I have been encouraged to see how GAP has given new vision and vitality to so many parishes in the Diocese. I hope that in the coming year churches will be able to review their work so far and take further steps to renewing their mission and ministry.'

## **Education**

The DBF's work continues in three main areas

### **Children**

Training for children's ministry continues through courses including the Church Colleges' Certificate in Children's Ministry, run jointly with Manchester Diocese and the University of Chester

The number of parishes in the diocese using the 'Messy Church' model to reach out to families continues to grow, and a Messy Church Forum allowed parishes to learn from each other's progress

The main event for children is the Pilgrim Day at Chester Cathedral. Called 'Global Journey' in 2010, it explored links to Christians around the world

### **Youth**

The DBF's approach is to "inspire and enable every church to share the good news of Jesus with young people"

The annual weekend event at the Quinta Christian Centre, Oswestry, for youth leaders and young people in school years 7 to 11, was held in May. Comments from teenagers included "cold, fun, exciting and changed my mind about God", and "A great experience opening a new window in my life"

Ecumenical collaboration in support of youth and children's workers now involves a wide range of denominations and other Christian agencies. The annual sports event continues to attract wide participation

### **Schools**

The Board works closely with and provides financial and other support to the Diocesan Board of Education (DBE) in its work with Church Schools in the Diocese. Together with the DBE the Board seeks to ensure that schools have high standards and are distinctively Christian

- Denominational inspections have supported the Christian foundation of schools and offered a means of pastoral support to senior managers. Nine primary schools have been assessed as outstanding
- A number of high value building projects have been completed
- A further joint Catholic/Church of England Primary School has opened in Leasowe
- 'Season to Season', a guide to the Anglican liturgical year has been published
- 'Chester Diocesan Family of Schools' has continued successfully for a second year. Schools pay a subscription and receive discounts on courses and other services
- The range of courses for teachers and governors continue to be successful and have helped to raise the profile of the DBE. Work on succession planning has grown

More details can be found in the DBE annual report

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## **Social action**

Chester DBF aims to support parishes in their mission, particularly their social action and outreach

Areas of work include disability awareness, counselling and pastoral support, family life, urban mission and ministry, rural mission and ministry, environment, criminal justice, world development, and minority ethnic Anglican concerns

### **Highlights in 2010 included.-**

**Eco-congregations.** St Bartholomew, Barrow and St Mary, Eastham received eco-congregation awards from the environmental charity Keep Britain Tidy. The award is given to churches which demonstrate good practice in environmental stewardship and which witness to the importance of caring for God's creation

**Mental Health.** A parish in Wirral has set up a support group for local people affected by mental health issues. The Oasis group at Christ Church, Higher Bebington, was started after a parish needs survey highlighted a lack of community perceived by people in today's stress-filled society. Jane Knight, Diocesan Head of Counselling Services said "This is an exciting initiative from Christ Church and its early success is testament to the vision, commitment and hard work of all those involved." The group is run by two members of the Diocesan Mental Health Forum, which has produced a parish resource which aims to raise awareness, and provide information and links to sources of help and advice on a wide range of mental health issues

## **Training**

The DBF oversees the selection of candidates for ordination up to the point when they attend a national selection event, and on-the-job training once they are ordained. 18 newly ordained clergy took up posts in parishes in the year. 13 started training in the year, with a total of 39 in training as at September 2010. 8 readers and 9 pastoral workers were licensed.

The DBF is also responsible for the ongoing review and professional development of clergy and licensed lay ministers. Each is offered a review every three years. Ongoing training is provided internally, in addition to publicising training available elsewhere.

A two-year leadership development programme is offered to clergy, and this has been revised in the light of changes in the church and the wider community. With the start of the new clergy terms of service, clergy training will also be influenced by the introduction of the new ministry development review process.

The DBF is working in collaboration with the Dioceses of Liverpool and Manchester, and with Baptist, Methodist and United Reformed churches in the region via the Southern North West Training Partnership, a registered charity, which provides a part-time route for ordination and lay reader training.

The DBF has also provided assistance and training in general Christian service in the community. The Foundations for Ministry Course continues to attract candidates, many of whom report increased confidence in their work in the community. Courses are being kept under review to ensure that they are accessible to everyone.

The DBF has continued to assist, and where necessary provide training for churchwardens, treasurers, and other parish officials. Examples include assisting parishes with production of accounts, press enquiries, legal issues and good practice in trusteeship. Assistance has been given to larger parishes as they have become registered charities for the first time.

## **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 to Dioceses.

## **Foxhill Retreat and Conference Centre**

Foxhill aims to "provide opportunities for individuals and groups to explore the presence and purposes of God in their personal lives and in their communities and to enjoy being members of the family of the God of Love in a beautiful part of His creation".

There has been a healthy growth in the number of retreats and parish weekends following completion of the refurbishment in 2009. The top floor of the main part of the house has been converted into a 'suite' of accommodation for a single person or a couple.

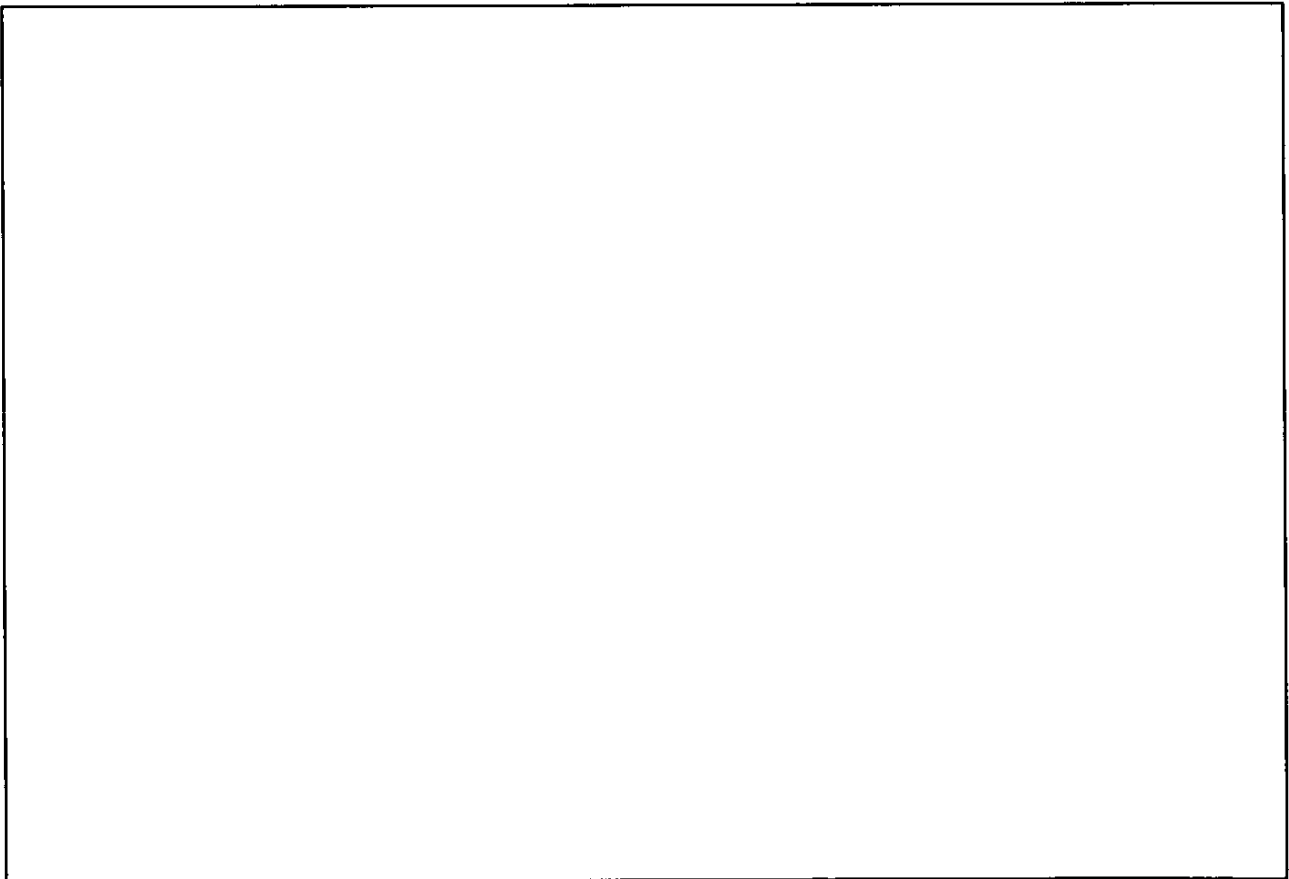
Communication has continued with eleven dioceses, and a range of Christian denominations, resulting in diverse bookings. Many diocesan meetings are now held at Foxhill, and over 100 training events for lay and ordained members of the Diocese have taken place.

## **World Mission**

The DBF maintains links with the Anglican Church in Melanesia and the Democratic Republic of Congo -

Two Melanesian Brothers are studying theology at Chester University, financially supported by the DBF, and in the summer, The Bishop of Chester travelled to Melanesia (The Solomon Islands and Vanuatu) He was there to open and dedicate an extension to Chester House funded by the DBF, and to continue the warm dialogue which exists between the Melanesians and the Diocese of Chester. Chester House is a rest or guest house built about 15 years ago for the Melanesian Brotherhood with financial support from the DBF. The Brothers use the house as a base in Honiara, the capital of the Solomon Islands, and rooms are available for overnight accommodation by church members and others.

The Bishop of Boga in the Democratic Republic of Congo visited the diocese and shared his experiences with members of the Aru-Boga-Chester Link (ABC Link) – a developing partnership organisation. The Rt Revd William Bahemuka Mugenyi visited faith partners across Cheshire after attending the new bishops' course at Canterbury. Aru and Boga are adjoining dioceses in the north-east of Congo. The nation has experienced much strife in recent years, following a national civil war in the 1990s which saw the country's president Mobutu deposed and continuing problems with militias, ethnic rivalries and violence. Bishop William has been busy with reconciliation and development. Since becoming a bishop six months ago he has also confirmed more than 2,000 people in the Christian faith.



## **Plans for future periods**

The Board's future plans are currently focussed on

- continuation of Growth Action Planning (GAPs) in parishes,
- ensuring the smooth introduction of the new clergy terms of service, and
- stabilising after a period of considerable change

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

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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), the churchwardens, and a number of elected members.

PCCs are independent charities 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 2006 included a requirement that PCCs with income of over £100,000 would have to register. This took place in 2009.

### 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.

Elections for new clergy and lay members for the next five years took place in 2010.

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 most of their income on pensions for the parochial clergy.

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

## **Chester Cathedral**

Chester Cathedral is a separate charity. Copies of its accounts can be obtained from The Cathedral Office, 12 Abbey Square, Chester CH1 2HU.

## **Bishops**

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

## **The Diocese of Chester**

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

The Diocese is divided into two archdeaconries: Chester covering the western half and Macclesfield the eastern, each with nine deaneries. There are

around 280 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 270 stipendiary clergy. The ministry of Readers and Pastoral Workers is important, with over 400 licensed. The role of non-stipendiary clergy is increasing, with about 70 in post at present.

The archdeaconries are roughly separated by the M6, with the Archdeaconry of Macclesfield, and especially the Deanery of Nantwich, encroaching somewhat to the west in the central and southern parts of the Diocese. Each Archdeaconry has a broad mix of parishes and socio-cultural areas. The Archdeacon of Chester resides in Saughton, near Chester, and also works from Church House, Aldford. The Archdeacon of Macclesfield is based in Congleton.

### **Diocesan Synod report**

The Synod met on three occasions during 2010, on 6 March, 12 June and 13 November. At the March meeting Synod discussed reports on the work of the Committee for Ministry, and the Foxhill Retreat and Conference Centre, and Growth Action Planning. The Synod also received an address from the Diocesan Chancellor, and a report on the February 2010 meeting of General Synod. Financial matters including the 2011 budget were discussed at the June Synod. Synod also received a report on the work of the Committee for Social Responsibility and presentation on Common Tenure. The Annual General Meeting of Chester Diocesan Board of Finance also took place on 12 June and saw adoption of the Annual Report and Financial Statements of the Board for the year ended 31 December 2009. The November Synod received a report on the July 2010 meeting of General Synod. The Bishop of Chester reported on his visit to Melanesia, and the Dean of Chester Cathedral reported on its work. Parish share was discussed, and a review of the parish share system is now due to take place.

### **Bishop's Council report**

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 Central Services Committee deals with all financial transactions of the DBF except for the:

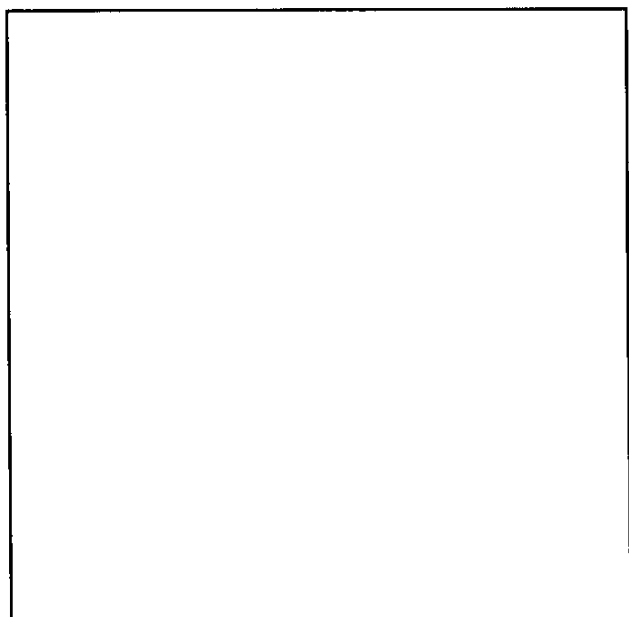
- approval of the annual report and accounts,
- preparation and approval of the annual estimates of expenditure,
- approval of new policy and material changes in policy,
- approval of significant non-budgeted expenditure
- Major capital expenditure
- Staff remuneration

Bishop's Council receives detailed and regular reports on the activities of the Finance and Central Services Committee 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**

Under the provisions of the Dioceses Pastoral and Mission Measure 2007, each diocese is required to form a Mission and Pastoral Committee (MPC). The MPC has similar duties to the former Diocesan Pastoral Committee but includes the right to be consulted about any proposed Bishop Mission Orders. Bishop's Council is the MPC and the day to day work is undertaken by two archidiaconal committees to which the majority of the MPC'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 Council).

The committees considered suspension (or resuspension) of the patron's right of presentation to the benefices of Altrincham St John, Bredbury St Mark, Brereton, Eaton and Hulme Walfield, Delamere, Great Saughall, Macclesfield St John, Micklehurst, Millbrook, Moulton, Pott Shrigley, Poulton, Tilston with Shocklach, Walton, and Whaley Bridge.

The suspension of the patron's right of presentation was lifted or lapsed in the benefices of Barrow, Dodleston, Hargrave, Norley, Crowton and Kingsley, Rainow with Saltersford and Forest, and Stalybridge Holy Trinity and Christchurch,

During the year, the relevant committees considered a number of matters related to pastoral reorganisation including Audlem, Bickerton, Bickley, Burwardsley and Harthill, Handley and Tattenhall, Hattersley, Hollingworth, Malpas and Threapwood, Micklehurst, Millbrook, Mottram, Stalybridge St Paul, Tintwistle, Wybunbury and Doddington.

Among other issues discussed by the committees was the development of Fresh Expressions of Church in the diocese.

## **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.

All Saints Harthill. Discussions between the Church Commissioners and an Arts based Charitable Trust continued in the early part of 2010 but no real progress was achieved. Subsequently, a meeting was arranged between the Church Commissioners, Local Land Agent and the Bolesworth Estate who own the surrounding land. The Church Commissioners have reported that the Estate is now willing to take ownership and responsibility for the church as part

of their plans to rejuvenate and develop the Harthill area. Possible uses and a scheme will be published in 2011.

**St John's, Bollington** A Pastoral Scheme for conversion into flats was published in early 2010, and permission was granted by the Church Commissioners in the summer. Exchange and completion of the sale is due to take place in 2011. All contents have been moved under Bishops Directions including the organ and bells.

**St Augustine's Cheadle Heath** The property was marketed in the summer of 2010. A preferred use of conversion into flats by a local developer was established, and a Pastoral Scheme is due to be published in 2011.

**St Winifred's Birkenhead** The Pastoral Scheme for demolition and building of flats was published. Although some objections were raised the Scheme was passed by the Church Commissioners. Exchange and completion are likely to take place in the second quarter of 2011.

**All Saints, Micklehurst** The property was marketed in the summer of 2010. A developer has shown interest in purchase and then demolition and redevelopment of the site. Discussions are continuing.

### **Custodian Trusteeship**

The Board is Custodian Trustee for Trust Assets with a market value of approximately £5.2 million at 31 December 2010. Detailed Certificates of Holding

were sent to Parishes and other managing Trustees as at 31 December 2010. Most of these Trusts are held on behalf of Parishes whose charitable purposes in the advancement of religion are parallel to those of the Diocese. The assets of the trusts are held separately from those of the Board. Chester 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 and the University of Chester.

### **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.

PKF (UK) LLP were proposed and reappointed at the Annual General Meeting.

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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 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 Chester DBF is not liable to Corporation Tax on its charitable activities

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

The Chester 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

### Financial Review

Net incoming resources amounted to £0.5m (2009 net outgoing resources £0.7m), and the deficit on normal day-to-day activities was £397k. Net investment in new parsonages was £1.2m

Contributions received from parishes increased marginally to £9.7m. The increase in parish share assessments continued to be broadly balanced by the reductions due to falling clergy numbers and rising non-collection. The parish share collection rate again fell slightly to approximately 92.5%. There were some sales and purchases of parsonage houses during the year. 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. The most significant item of expenditure remained

parochial clergy and archdeacons' stipends, national insurance, pension contributions and housing maintenance, amounting to £9.0m. Since 2007, parochial contributions have been requested under a new parish share system designed to encourage mission and growth, which is now fully phased in.

The Statement of Financial Activities shows some stabilisation in asset values, following a decline and rebound over the previous few years.

A continued recovery in stock market values has resulted in gains on investment assets, most of which are held by endowment funds and therefore not available for current expenditure. The total gain on holdings in the CBF Investment Fund was 16% made up of an 11.5% gain in capital value and a 4.5% income return. The return on reinvested cash deposits fell further over the previous year, with the deposit rate static at 0.5% at for most of the year, only rising to 0.7% in December 2010.

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.

In the light of difficult economic circumstances, the Board is pleased to see the continued rise in the dividend payments on the CBF Investment Fund. Going forward the Board will continue to face significantly reduced cash returns, clergy pension deficits and possible increased parish share defaults as a result of the current economic climate.

**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. 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. 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 used accumulated reserves.

Free unrestricted reserves have now reached a low level representing approximately 2 months expenditure (£2.3 million). 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

Details of the funds are shown in note 16.

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. Given current housing policy, the demand for improvements considerably exceeds the funds available.

It is the Board's policy to spend the remaining restricted funds over the short term.

### 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.

### Risk Management

The Board has undertaken an exercise to identify the major risks which impact on the work of the Diocese. A risk register has been prepared and the Board intends to keep 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.

### Statement of Trustees'

#### Responsibilities

The trustees are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year. 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 its income and expenditure, of the charity for the year. In preparing those financial statements the trustees are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and estimates that are reasonable and prudent,
- 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 requirements of 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.

The trustees are responsible for the maintenance and integrity of the financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

By order of the Board



Elizabeth Renshaw  
Chair

25 May 2011



Right Revd Dr Peter Robert Forster  
Bishop of Chester

## **INDEPENDENT AUDITORS' 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 2010 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 auditors' 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also directors of the 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 as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of - whether the accounting policies are appropriate to the charity's

circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the 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 2010 and of its incoming resources and application of resources, including its 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 matter prescribed by the Companies Act 2006**

In our opinion the information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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 in respect of the charity, or
- the financial statements do not accord with the accounting records, or
- certain disclosures of trustee's remuneration specified by law are not made, or
- any information or explanation to which we are entitled has not been afforded to us.



Brian G Ricketts (Senior statutory auditor)  
for and on behalf of PKF (UK) LLP, Statutory auditor

Liverpool - 25 May 2011

**Chester Diocesan Board of Finance:  
Statement of Financial Activities for the year ended 31 December 2010**

Income and Expenditure	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2010 £'000	Total 2009 £'000
<b>Incoming Resources</b>						
<b>Incoming resources from generated funds</b>						
<b>Voluntary income</b>						
Parochial contributions		9,722	21	-	9,743	9,545
Money from National Church Institutions		-	132	-	132	173
Grants and donations		169	459	-	628	978
Investment income	3	35	253	-	288	335
Rental income		83	98	-	181	141
<b>Incoming resources from charitable activities</b>						
Statutory fees, chaplaincy and other income		-	674	-	674	703
Diocesan Retreat and Conference Centre		143	-	-	143	96
Other income from operating activities		59	62	-	121	98
Parsonage and redundant church sales/transfers		320	2,308	-	2,628	1,174
<b>Total Incoming Resources</b>		<b>10,531</b>	<b>4,007</b>	<b>-</b>	<b>14,538</b>	<b>13,243</b>
<b>Resources Expended</b>						
<b>Cost of Generating funds</b>						
Cost of generating voluntary income		30	-	-	30	31
Investment and Rental costs		21	61	-	82	117
<b>Charitable Activities</b>						
National church responsibility		434	-	-	434	430
Funding of parochial clergy and archdeacons		8,360	2,799	-	11,159	10,998
Support to clergy and parishes		1,696	358	-	2,054	2,118
Diocesan Retreat and Conference Centre		262	-	-	262	216
Governance Costs	4	47	-	-	47	49
<b>Total Resources Expended</b>	5	<b>10,850</b>	<b>3,218</b>	<b>-</b>	<b>14,068</b>	<b>13,959</b>
Net incoming/(outgoing) resources before transfers		(319)	789	-	470	(716)
Transfers between funds	18	235	(644)	409	-	-
Net incoming/(outgoing) resources for the year before other recognised gains and losses		(84)	145	409	470	(716)
Gains on investment assets		5	4	364	373	529
Gains / (losses) on revaluation of tangible fixed assets		79	(61)	275	293	727
		<b>84</b>	<b>(57)</b>	<b>639</b>	<b>666</b>	<b>1,256</b>
<b>Net Movement in Funds in year</b>		<b>-</b>	<b>88</b>	<b>1,048</b>	<b>1,136</b>	<b>540</b>
Fund balances at 1 January		7,768	3,923	10,198	21,889	21,349
<b>Fund balances at 31 December</b>	15-17	<b>7,768</b>	<b>4,011</b>	<b>11,246</b>	<b>23,025</b>	<b>21,889</b>
All activities are continuing						
<b>Summary income and expenditure account for the year ended 31 December 2010 (excluding endowment funds)</b>						
Gross income					14,538	13,229
Total expenditure					(14,068)	(13,959)
<b>Net income</b>					<b>470</b>	<b>(730)</b>



**Chester Diocesan Board of Finance**  
**Balance sheet as at 31 December 2010**

	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>			
Tangible assets	9	15,069	12,717
Investments	10	5,986	5,690
		<u>21,055</u>	<u>18,407</u>
<b>Current assets</b>			
Debtors	11	1,236	1,421
Cash at bank on deposit and in hand	12	2,344	3,604
		<u>3,580</u>	<u>5,025</u>
Creditors amounts falling due within one year	13	1,224	1,157
<b>Net current assets</b>		<u>2,356</u>	<u>3,868</u>
<b>Total assets less current liabilities</b>		<b>23,411</b>	<b>22,275</b>
Creditors amounts falling due after more than one year	14	386	386
<b>Net assets</b>		<u><b>23,025</b></u>	<u><b>21,889</b></u>
Unrestricted		7,768	7,768
Restricted	16	4,011	3,923
Endowment	15	11,246	10,198
		<u>23,025</u>	<u>21,889</u>

The financial statements were approved by the Board of Directors on 25 May 2011 and signed on its behalf by

E Renshaw



+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**  
**Cash flow statement for the year ended 31 December 2010**

	2010	2009	
	£'000	£'000	
Net cash outflow from operating activities	442	(1,434)	
Returns of investments and servicing of finance			
Dividends and interest	288	335	
Interest received on loans	21	23	
Interest paid on value linked loans	(21)	(23)	
	288	335	
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(2,658)	(616)	
Sale of tangible fixed assets	591	501	
Purchase of investments	-	-	
Sale/Redemption of investments	77	31	
	(1,990)	(84)	
Net decrease in cash	(1,260)	(1,183)	
Reconciliation of Net Outgoing Resources to Net cash outflow from operating activities			
	2010	2009	
	£'000	£'000	
Net incoming resources	470	(716)	
Dividends and interest	(288)	(335)	
Interest received on value linked loans	(21)	(23)	
Interest paid on value linked loans	21	23	
Depreciation	8	8	
Decrease / (Increase) in debtors	185	(308)	
Increase / (Decrease) in creditors	67	(83)	
Net cash outflow from operating activities	442	(1,434)	
Analysis of changes in net funds	At 1 Jan	Cash	At 31 Dec
	2010	flows	2010
	£'000	£'000	£'000
Cash at bank on deposit and in hand	3,604	(1,260)	2,344

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2010**

**1 Accounting policies and format of accounts**

**Basis of Preparation**

The Board prepares its annual financial statements on the basis of historical cost adjusted for the revaluation of land and buildings and the carrying of investment assets (including investment properties) at market value. The financial statements are drawn up in accordance with the requirements of the Companies Act 1985 and 2006 (except where the special nature of the company's operations has required adaptation of the required formats as required or allowed by Section 226(5) of the Act) and the Charities SORP. The financial statements comply with applicable accounting standards, current statutory requirements, any further requirements of the charity's governing document and the Statement of Recommended Practice "Accounting and Reporting by Charities" published in March 2005.

**Incoming resources**

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 Parochial contributions 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.

**Resources expended**

Expenditure is included on the accrual basis and has been classified under headings that aggregate all 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. Further information on the allocation of support costs and governance costs is shown in note 4.

The Statement of Financial Activities is divided into three main sections. The first shows all of the resources becoming available to the Board during the year. The second shows all of the resources expended in the year. The final section shows gains, losses and transfers between funds, with closing fund balances which match the balance sheet. In addition, the Statement of Financial Activities shows funds segregated 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 16.

**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 15.

**Fixed Assets**

Freehold land and buildings held for the board's charitable purposes, and investments are stated at market valuation. A formal review of the market valuations takes place at least every 5 years. Interim adjustments are made to market valuations whenever evidence suggests a material change in market value has occurred. On sale assets are marked to market and therefore no realised gains occur. 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.

**Depreciation**

Depreciation is calculated so as to write off the cost of assets other than freehold property over their expected economic life. As stated above buildings are included at a regularly reviewed market value, and as a result no depreciation is charged.

The following rates of depreciation are used -

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 9.

**Parsonages**

It is the policy of the board not to capitalise parsonage houses. 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 1993, section 96(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 215 parsonage houses in the Diocese insured at a value of £90 million at 31 December 2010. The SOFA and note 5 to these accounts show details of major parsonage sales, purchases and improvements.

**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.

**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.

**Pension schemes**

For schemes such as the Church of England Funded Pension Scheme and the Church workers pension scheme the Chester Diocesan Board of Finance accounts for pension costs on the basis of contributions actually payable to the scheme in the year.

**Investments**

In accordance with the SORP investments are valued at market value. On sale, investments are marked to market and therefore no realised gains occur. Investment income is credited to the accounts when receivable.

**Operating leases**

Rent on Church House is paid as it falls due.

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2010**

**2 Net Movement in Funds**

The net movement in funds detailed in the Statement of Financial Activities relates to continuing activities carried out in the United Kingdom, and largely within the Diocese of Chester. The net movement in funds is stated after charging -

	2010	2009
	£'000	£'000
Auditors remuneration current year	11	11
Depreciation and loss on disposal	19	8
Rental of Church House	35	35

**3 Investment Income**

	2010	2009
	£'000	£'000
Investment Funds	248	239
CBF deposits and Bank interest	18	73
Interest on value linked loans to parishes	22	23
	<b>288</b>	<b>335</b>

**4 Allocation of Central services and support costs**

The Diocesan Board of Finance allocates its support costs as shown in the table below. Costs that are attributable to activities are allocated according to an estimate of the actual cost. The remaining costs are allocated according to the percentages shown below based on a per capita basis.

	Generating voluntary income	Parochial clergy and Archdeacons	Support to clergy and parishes	Retreat and Conference Centre	Governance	Total
	1.5%	19%	74%	4%	1.5%	100%
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Church house costs</b>						
Allocated	1	12	45	2	1	61
<b>Central Services</b>						
Allocated	2	21	80	4	2	109
<b>Central Staff costs</b>						
Specific salary costs	21	57	-	-	22	101
Specific costs	-	-	11	-	-	11
Allocated	5	66	256	14	5	345
	<b>27</b>	<b>123</b>	<b>267</b>	<b>14</b>	<b>27</b>	<b>457</b>
<b>Legal/Financial Depreciation</b>						
Audit/Accountancy/Tax advice	-	-	-	-	11	11
Legal	-	-	7	-	5	12
CRB	-	-	27	-	-	27
Allocated	1	7	29	2	1	40
	<b>1</b>	<b>7</b>	<b>63</b>	<b>2</b>	<b>17</b>	<b>90</b>
	<b>31</b>	<b>163</b>	<b>455</b>	<b>22</b>	<b>47</b>	<b>717</b>

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2010**

<b>5 Total Resources Expended</b>	<b>Note</b>	<b>Total 2010 £'000</b>	<b>Total 2009 £'000</b>
<b>Cost of Generating funds</b>			
<i>Cost of generating voluntary income</i>			
Central Services & support costs		30	31
<i>Investment and rental costs</i>			
Rental costs		61	95
Value linked loan interest paid		21	22
		<u>82</u>	<u>117</u>
<b>Charitable Activities</b>			
<i>National church responsibility</i>		434	430
<i>Funding of parochial clergy and archdeacons</i>			
Parochial Clergy and Archdeacons' stipends		7,832	7,598
Maintenance of clergy housing		906	1,112
Purchase of parsonages and major improvements		1,616	1,586
National ministry training and ordinands grants		643	535
Central Services & support costs		162	167
		<u>11,159</u>	<u>10,998</u>
<i>Support to clergy and parishes</i>			
Mission and Ministry		585	620
Archdeacons' support, DAC, Chaplains & Ecumenical		292	278
Education		301	302
Social Responsibility		159	154
Discretionary and one off items (EIG)		32	31
Grants to parishes, clergy and others	6	230	300
Central Services & support costs		455	433
		<u>2,054</u>	<u>2,118</u>
<i>Diocesan Retreat and Conference Centre</i>			
Diocesan Retreat and Conference Centre		240	211
Central Services & support costs		22	5
		<u>262</u>	<u>216</u>
<b>Governance Costs</b>			
Central Services & support costs		47	49
		<u>14,068</u>	<u>13,959</u>

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2010**

**6 Grants to parishes, clergy and others**

		<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Grants to Parochial Church Councils</b>			
<i>Security grants</i>	-	-	19
<i>Parish Mission and Ministry Grants</i>			
Brinnington	8		
Chester Christ Church	10		
Churches together in Cheshire (Agricultural Chaplaincy)	5		
Congleton Team	7		
Hattersley	5		
Macclesfield St Barnabas	5		
Open Doors (Runcorn All Saints and Holy Trinity)	7		
Thornton Hough - Fryer Legacy income	3		
Birkenhead Priory - re clerical or lay assistance	3	53	107
<i>Pastoral account grants</i>			
Hale Barns with Ringway	42		
Stockton Heath	1		
		43	41
<i>UPA Projects Fund</i>			
Tranmere St Paul with St Luke	2		
Grange	5		
New Ferry	4		
Bredbury St Barnabas	5	16	1
<b>Grant to Melanesian Brothers - Chester House extension</b>		63	80
<b>Grants to Individuals</b>	<b>No of grants</b>		
<i>Clergy Sustentation grants</i>	13	7	5
<i>Retired Clergy, widows and dependents fund grants</i>	116	48	47
		<b>230</b>	<b>300</b>

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2010**

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

<b>Staff costs</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Wages & salaries	1,143	1,100
Social security costs	88	83
Pension costs	228	202
	<b>1,459</b>	<b>1,385</b>

**Average staff numbers based on full time equivalents**

	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
Cost of generating voluntary income	0.5	0.5
Funding of parochial clergy and archdeacons	4.5	4.7
Support to clergy and parishes	23.2	23.9
Diocesan Retreat and Conference Centre	5.3	4.5
Diocesan administration and central support	8.5	7.7
Governance Costs	0.5	0.5
	<b>42.5</b>	<b>41.8</b>

No employee earned between £60,000 and £70,000 (2009 one) who also accrued benefits in the Church of England Defined Benefits Pension Scheme

**Office holders not employees**

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 243 (2009 243) full time equivalent office holders during the year.

Clergy Stipends	5,280	5,455
Clergy National Insurance	294	299
Clergy Pension Contributions	2,200	2,059
Other clergy payments	186	216
	<b>7,960</b>	<b>8,029</b>

**8 Trustee remuneration, benefits and connected party transactions**

**Trustee remuneration**

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

**Trustee expenses**

A total of £20,028 (2009 £17,492) was reimbursed to 17 (2009 14) 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 extremely small.

**Transactions with connected persons**

Suffragan Bishops, Archdeacons and parochial clergy, who are directors, whether ex-officio, elected, appointed or co-opted, are in receipt of a stipend and housing paid via the Board by virtue of their office.

<b>Chester Diocesan Board of Education</b>	<b>2010</b>	<b>2009</b>
Chester Diocesan Board of Finance act as the administration arm of the Church of England in the Diocese of Chester	<b>£'000</b>	<b>£'000</b>
Contribution re joint employment contracts and other recharges to The Chester Diocesan Board of Education	<b>138</b>	<b>135</b>

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2010**

**9 Tangible Fixed Assets**

	<b>Freehold</b>		<b>Fixtures</b>	<b>Total</b>	<b>Total</b>
	<b>Land and Buildings</b>		<b>and Office</b>	<b>2010</b>	<b>2009</b>
	<b>Board</b>	<b>Glebe</b>	<b>Equipment</b>		
<b>Cost or Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 January 2010	8,042	4,663	107	12,812	11,970
Additions	2,172	486	-	2,658	616
Disposals	(591)	-	-	(591)	(501)
Revaluations	18	275	-	293	727
<b>Balance at 31 December 2010</b>	<b>9,641</b>	<b>5,424</b>	<b>107</b>	<b>15,172</b>	<b>12,812</b>
<b>Accumulated Depreciation</b>					
Balance at 1 January 2010	-	-	95	95	87
Charge for year	-	-	8	8	8
Disposals	-	-	-	-	-
<b>Balance at 31 December 2010</b>	<b>-</b>	<b>-</b>	<b>103</b>	<b>103</b>	<b>95</b>
<b>Net Book Value at 1 January 2010</b>	<b>8,042</b>	<b>4,663</b>	<b>12</b>	<b>12,717</b>	<b>11,883</b>
<b>Net Book Value at 31 December 2010</b>	<b>9,641</b>	<b>5,424</b>	<b>4</b>	<b>15,069</b>	<b>12,717</b>

Board properties and certain Glebe properties are revalued annually by the Diocesan Surveyor, Mr P D F Gowley MBEng MCIOB. The remaining Glebe Land and buildings were formally valued by Denton Clark & Co at 31 December 2008. These valuations are updated whenever evidence suggests a material change in valuation has taken place. Included within Glebe properties is £2m relating to properties held solely for direct charitable purposes. The remaining £3.4m is largely made up of properties held for long term charitable use, or to protect a charitable asset. They are rented out in a manner consistent with these objectives.

**10 Investments and Investment cash**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Market Value at 1 January 2010	5,690	5,192
Less Disposals at market value	(77)	(31)
Add Acquisitions at cost	-	-
Net gains on revaluation at 31 December 2010	373	529
<b>Market Value at 31 December 2010</b>	<b>5,986</b>	<b>5,690</b>

**Investments at 31 December 2010 comprise**

	<b>2010</b>		<b>2009</b>	
	<b>No of</b>	<b>Market</b>	<b>No of</b>	<b>Market</b>
	<b>shares</b>	<b>Value</b>	<b>shares</b>	<b>Value</b>
		<b>£'000</b>		<b>£'000</b>
CBF Investment Fund	503,606	5,478	503,606	5,110
CBF Fixed Interest Fund	30,414	47	30,414	47
M & G Charfund	5,906	68	5,906	63
CBF Deposit Fund - Investment cash		393		470
		<b>5,986</b>		<b>5,690</b>

The historical cost of the above investments at 31 December 2010 was £2,168,764 (2009 £2,245,927)

**11 Debtors**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Loans to parishes	37	25
Value linked loans to parishes	386	386
Other loans	37	40
Other debtors	412	280
Prepayments and accrued income	364	690
	<b>1,236</b>	<b>1,421</b>

Included in Other loans are amounts totalling £27,372 (2009 £30,888) 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 2010**

<b>12 Cash at bank, on deposit and in hand</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Balances held by Church Commissioners	(1)	-
Cash in hand, at bank and on bank deposit	378	836
Charity Bank Deposit	288	281
CBF Deposit Fund	1,679	2,487
	<b>2,344</b>	<b>3,604</b>

<b>13 Creditors amounts falling due within one year</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Ordinary creditors	391	261
Taxation and other creditors	38	27
Short term interest free loan	646	646
Sundry creditors and accruals	149	223
	<b>1,224</b>	<b>1,157</b>

<b>14 Creditors amounts falling due after more than one year</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Value linked loans for parishes	386	386
	<b>386</b>	<b>386</b>

**15 Endowment Funds**

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

	<b>Balance</b>		<b>(Expenditure)</b>	<b>Balance</b>
	<b>1 January</b>	<b>Incoming</b>	<b>gains/(losses)</b>	<b>31 December</b>
	<b>2010</b>	<b>Resources</b>	<b>and transfers</b>	<b>2010</b>
	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
Capital Reserve Stipends	2,014	-	145	2,159
Diocesan Conference Centre	68	-	4	72
Steel & William Fletcher Rogers Fund - endowment	40	-	4	44
Retired Clergy, Widows and Dependants Fund - endowment	1,376	-	99	1,475
Clergy Sustentation Fund - endowment	89	-	6	95
Glebe Land & Buildings	4,664	-	761	5,425
Birkenhead Curacy Fund	83	-	6	89
Diocesan Stipends Fund Capital Account	1,864	-	23	1,887
	<b>10,198</b>	<b>-</b>	<b>1,048</b>	<b>11,246</b>

**Permanent Endowment**

Capital Reserve Stipends	Held to generate income for stipends
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 In certain circumstances meeting 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 2010**

**16 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 2010 £'000	Incoming Resources £'000	(Expenditure), Gains, (Losses) & Transfers £'000	Balance 31 December 2010 £'000
Bishops Office equipment and IT	9	10	(10)	9
Clergy Sustentation	34	4	(7)	31
UPA Projects	38	4	(15)	27
Canon White Trust	26	-	-	26
Jane Hannah Graham Trust	321	2	-	323
Retired Clergy Widows and Dependants	418	69	(48)	439
Steel & William Fletcher Rogers Fund - income	10	2	-	12
Parish Mission and Ministry	160	272	(253)	179
Diocesan Pastoral Account	2,694	2,237	(2,176)	2,755
Birkenhead Curacy Fund	58	2	-	60
Foxhill Retreat Fund and Friends of Foxhill	155	4	(9)	150
Restricted Committee income*	-	1,401	(1,401)	-
	<b>3,923</b>	<b>4,007</b>	<b>(3,919)</b>	<b>4,011</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

Bishops Office equipment and IT	Grants from the Central church towards the cost of providing and supporting IT and office equipment
Clergy Sustentation	The charity is endowed (see note 15) 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 15) 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 15) Making of grants for women and girls in need on the Wirral
Parish Mission and Ministry	From Archbishops Council Can be spent on parish mission and ministry activities, or stipends
Diocesan Stipends Income Fund	Applied towards the payment of stipends
Birkenhead Curacy Fund	Fund for clerical or lay assistance at Birkenhead Priory Parish
Foxhill Retreat Fund	The fund arose from a donation from Chester Retreat House and is to be used to fund Retreats
Diocesan Pastoral Account	The account is governed by the section 78 of the Pastoral Measure 1983 It must initially be used in meeting the costs incurred for the purposes of the measure, or in meeting the costs of disposing of or maintaining houses or churches vested in the DBF or Commissioners If the DBF is satisfied the fund is not required or likely to be required for the above, it may be applied to other purposes of the diocese or any benefice or parish in the diocese

The board is also trustee to the Twemlow Trust The trust is endowed and has a total value with accumulated income of £61,626  
The trust arose to pay grants to Honorary Canons of Chester Cathedral with a wish that they preach at Balterley Memorial Chapel  
The board has transferred the majority of the accumulated income to Barthomley PCC, and started the process of transferring the endowment

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2010**

**17 Analysis of net assets between funds**

					2010	2009
	<b>Tangible Fixed Assets</b>	<b>Investments</b>	<b>Net Current Assets</b>	<b>Long term Liabilities</b>	<b>Total Net Assets</b>	<b>Total Net Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Unrestricted Funds</b>						
General Funds	4,747	-	1,338	386	5,699	5690
<b>Designated</b>						
EIG Reserve	-	-	1	-	1	15
Lay Training	-	-	23	-	23	23
Fryer trust	-	68	-	-	68	63
Diocesan Conference Centre	1,977	-	-	-	1,977	1977
<b>Total Unrestricted Funds</b>	<b>6,724</b>	<b>68</b>	<b>1,362</b>	<b>386</b>	<b>7,768</b>	<b>7,768</b>
<b>Restricted Funds</b>						
Bishops Office equipment and IT	-	-	9	-	9	9
Clergy Sustentation	-	-	31	-	31	34
UPA Projects	-	-	27	-	27	38
Canon White Trust	-	-	26	-	26	26
Jane Hannah Graham Trust	-	-	323	-	323	321
Clergy Widows and Dependants	135	-	304	-	439	418
Pastoral Account	2,785	-	90	-	2,875	2,694
Parish Mission and Ministry	-	-	59	-	59	160
Birkenhead Curacy Fund	-	40	20	-	60	58
Foxhill Retreat Fund	-	66	84	-	150	155
Steel & William Fletcher Rogers	-	-	12	-	12	10
<b>Total Restricted Funds</b>	<b>2,920</b>	<b>106</b>	<b>985</b>	<b>-</b>	<b>4,011</b>	<b>3,923</b>
<b>Endowment Funds</b>						
Capital Reserve Stipends	-	2,159	-	-	2,159	2,014
Diocesan Conference Centre	-	71	1	-	72	68
Steel & William Fletcher Rogers	-	44	-	-	44	40
Retired Clergy, Widows	-	1,475	-	-	1,475	1,376
Clergy Sustentation Fund	-	87	8	-	95	89
Glebe Land & Buildings	5,425	-	-	-	5,425	4,664
Birkenhead Curacy Fund	-	89	-	-	89	83
Diocesan Stipends Fund Capital	-	1,887	-	-	1,887	1,864
<b>Total Endowment Funds</b>	<b>5,425</b>	<b>5,812</b>	<b>9</b>	<b>-</b>	<b>11,246</b>	<b>10,198</b>
<b>Total Funds</b>	<b>15,069</b>	<b>5,986</b>	<b>2,356</b>	<b>386</b>	<b>23,025</b>	<b>21,889</b>

**Unrealised gains/losses included above**

**2010**

**2009**

**£'000**

**£'000**

**On Investment Assets**

**3,818**

**3,445**

**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

**18 Transfers between funds**

There was a transfer from the Pastoral Account (restricted) to the Diocesan Stipends Fund Capital (expendable endowment) of £408,797 in respect of the sale proceeds of the former vicarage at Tushingham

There were also transfers totalling of £235,494 from the Pastoral Account, Parish Mission and Ministry Fund, and the Friends of Foxhill Fund (all restricted) to unrestricted funds in support of work within the objects of those funds

**Chester Diocesan Board of Finance**  
**Notes to the accounts for the year ended 31 December 2010**

**19 Staff Pensions Scheme**

Chester DBF participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund. Chester DBF is unable to identify its share of the underlying assets and liabilities as each employer is exposed to the actuarial risks associated with the current and former employees of other entities participating in the DBS. A valuation of the Fund was carried out as at 31st December 2007 and Chester DBF's contribution rate was revised (to 22.2% of pensionable salary for contributory members and 27.2% for non contributory members) with effect from 1st January 2009. At 31 December 2010 Chester DBF had 29 active members (of which 2 were non contributory) and 14 deferred pensioner members in the Fund.

**20 Clergy Pensions Scheme**

Chester Diocesan Board of Finance participates in the Church of England Funded Pensions Scheme and employs 248 members of the Scheme out of a total membership of approximately 9,000 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but Chester Diocesan Board of Finance is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31st December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

- An investment strategy of a nil allocation to gilts for the next 10 years, increasing linearly to reach 30% after 20 years, and balance of the assets in equities
  - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking assets, and
  - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets
- Investment returns of 4.4% pa on gilts and 5.9% on equities,
- RPI inflation of 3.8% pa (and pension increases consistent with this),
- Increase in pensionable stipends 3.8% pa, and
- Post-retirement mortality in accordance with 80% of the S1NA tables, with allowance for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires Chester Diocesan Board of Finance to account for pension costs on the basis of contributions actually payable to the scheme in the year.

Following the results of the 2006 valuation, Chester DBF's contribution rate decreased and was set at 39.7% of pensionable stipends with effect from 1st April 2008. The contribution rate was subsequently increased to 45% of pensionable stipends with effect from 1 January 2010, reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the scheme as at 31 December 2009, and some agreed changes to benefits, the contribution rate has been set at 38.2% with effect from 1 January 2011.

The next valuation of the scheme will be due as at 31 December 2012.

**21 Voluntary Savings**

In accordance with FRS5, "Reporting the substance of transactions", Voluntary Savings are not shown in the balance sheet as they give rise to no additional assets or liabilities. The amount held on behalf of parishes at the end of the year was £29,234 (2009: £29,087).

**22 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.

Below is a reconciliation of the internal management accounts representing budgeted diocesan activity and the SOFA.

	Management Accounts £'000	EIG Reserve £'000	Pastoral Account £'000	Other items & transfers £'000	SOFA £'000
Incoming Resources	11,616	68	2,357	497	14,538
Resources Expended	12,013	82	1,686	287	14,068
Net Incoming/(Outgoing) Resources	(397)	(14)	671	210	470

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

**23 Parish Share development fund**

The Diocesan Board of Finance invites parishes to pay more than the requested amount of parish share if they are in a position to do so. The DBF is then in a position to reduce the parish share requested of those most in need.

This year the DBF received contributions from Heswall, New Brighton St James with Emmanuel, and Sale St Paul. In addition there were many examples of parishes helping out other parishes in their deanery by paying part of their parish share. The DBF warmly welcomes such local support and will continue to act in whatever way it can to assist in such initiatives.

**24 Lease commitments falling due within one year**

	2010 £'000	2009 £'000
In respect of the rental of Church House - expiring over 5 years	35	35