

# The Bath and Wells Diocesan Board of Finance

## Annual Report

### For the year ended 31 December 2019

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# The Bath and Wells Diocesan Board of Finance

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The Trustees, who are also directors for the purposes of company law, present their annual report together with the audited financial statements for the year ended 31 December 2019.

In signing this combined report as trustees, they are also signing the Strategic Report section in their capacity as directors.

The combined report satisfies the legal requirements for the following:

- A Directors' Report of a charitable company;
- A Strategic Report under the Companies Act 2006;
- A Trustees' Annual Report under the Charities Act 2011.

## A Legal Framework

### A1 Legal Objects

The objects of the Bath and Wells Diocesan Board of Finance (DBF) cover the Diocese of Bath and Wells which includes the entire county of Somerset and a small area of Dorset.

The DBF's principal object is to promote, assist and advance the work of the Church of England in the Diocese of Bath and Wells by acting as the financial executive of the Bath and Wells Diocesan Synod.

The DBF has the following statutory responsibilities:

- the management of glebe property and investments to generate income to support the cost of stipends arising from the Church Property Measure 2018;
- the repair of benefice houses as the Diocesan Parsonages Board under the Repair of Benefice Buildings Measure 1972;
- the management of investments and the custodian of assets relating to church schools under the Diocesan Board of Education Measure 1991;
- the custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils (PCCs) as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

The strategic priorities of the company are established by the Diocesan Synod in communication with Deanery Synods, PCCs, and the Bishop of Bath and Wells (in respect of his responsibility for the provision of the cure of souls). To this end, significant time and effort is committed to communication between and with these bodies, as well as with the church nationally, including an annual series of consultations on specific matters relating to the priorities for the forthcoming year, taking forward any commitments arising including the DBF Budget.

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#### **A2 Public Benefit**

The Trustees are aware of the Charity Commission's guidance on public benefit in "The Advancement of Religion for the Public Benefit" and have regard to that guidance in their administration of the charity. The DBF believes that this report provides evidence of the public benefit of the charity's work in 2019.

As described more fully throughout the report, the DBF provides funds to support ministers of religion in the diocese, to support education and to support the maintenance of many buildings including parsonages and churches, many of which form an important part of the historic fabric and architectural heritage of the area. The vast majority are available to the public at large and none is restricted to members of the Church of England.

The religious purposes of the Church of England are serious and tend to the moral and spiritual improvement of the public or, in other words, to the cure of souls. The ministers of religion seek to advance and promote the Christian religion amongst the people of the diocese and to sustain their belief in God, in part through the provision of public religious services, open to all, and in part through bearing Christian witness.

#### **B Strategic Report**

##### **B1 Strategic Aims**

In line with its legal and charitable objects, the role of the DBF is to identify and manage the financial aspects of the provision of ministry within the diocese so as to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further the mission and strategic priorities of the diocese.

##### **Diocesan Vision**

The diocesan vision is expressed in the following words:

**"In response to God's immense love for us, we seek to be God's people living and telling the story of Jesus."**

##### **Strategic Priorities**

The strategic plan has three priorities for action:

1. to place mission and evangelism at the heart of everything that we do
2. to align our resources towards mission
3. to identify, develop and release the gifts of all our people

These strategic priorities govern the implementation of the strategy. They provide a framework for decision making and planning, at diocesan level but also for archdeaconries and deaneries. It is intended that all decisions and policies should be consistent with these priorities and any new initiatives should be designed to implement them.

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The strategic plan will continue to be developed and implemented over the period 2020 to 2021.

The trustees hold overall responsibility for the strategy and for decisions about strategic allocation of resources. Bishop's Council takes responsibility for promoting the vision and taking stock of the impact of the strategy across the diocese. The Strategic Planning and Implementation Group (SPIG) is responsible for the implementation of the strategy and ensuring that all strategic projects and activities have appropriate management and governance structures.

#### **B2 Objectives for the Year**

The strategic plan included the following activities to address the strategic objectives during 2019.

##### **Placing ministry and mission at the heart of everything that we do**

The Pioneer Project is on schedule to its original timescale of 2018 - 2025. In 2019 a further four pioneer posts were deployed around the diocese in addition to the first one created in 2018. The project has also started to deliver local pioneer training at a subsidised rate in the form of the Church Mission Society Certificate in Pioneer Mission.

##### **Aligning our resources towards mission**

During 2019 a clear strategic plan to deliver this second strategic priority has been developed. This involved several important activities:

- The Common Fund Committee examining possible changes to the Common Fund methodology to enable further alignment of funds to mission at the local level.
- A Deployment Group examining how clergy and lay ministry deployment (both paid and voluntary) might be realigned to enable ministry and mission at the local level.
- Ministry for Mission developing enhanced parish support and exploring how we might address issues around the ongoing use of our buildings.

In November 2019 Bishop's Council resolved to move to total return accounting on its key endowment funds, the Diocesan Stipends Fund and Stipends Augmentation Trusts. This decision was taken to allow the investment portfolios to be invested more broadly and to smooth income streams by utilising the freedoms of new legislation to recognise both capital gains and natural income (dividends and interest) as income. Further details of the impact of this decision can be found in section B5 and Note 18b.

The DBF continued with plans to relocate its offices within Wells from The Old Deanery on Cathedral Green to a more modern building, Flourish House on Cathedral Park. This will deliver better accessibility, as well as much improved utility of meeting and office spaces, in addition to long-term sustainability of running costs. The purchase was completed during 2019 and after refurbishment, the DBF offices moved at the end of March 2020. Marketing of The Old Deanery to potential purchasers also commenced.

In 2020 the rolling resource plan will be updated from 2021 to 2025.

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#### **Identifying, developing and releasing the gifts of all our people**

In February 2019, Archdeaconry days (one gathering in each of the three archdeaconries of the diocese) were held on the theme of “everyday faith”. These gathered over 200 people at each venue to consider practical ways in which the Christian faith can be lived out. This event is a partnership with the national Church of England project “Setting God’s People Free” and is in line with our diocesan vision and third strategic priority. This was followed by a gathering of all clergy in the Diocese in June 2019. The Archdeaconry days are now part of the annual plans with further days successfully held in February 2020.

#### **B3 Activities and Achievements in the Year**

##### **Common Fund**

In 2019 the DBF increased the Common Fund (sum of Parish Share contributions) by 1.5% compared with the 2018 level. In light of the impact of Covid-19 Common Fund levels will be reviewed over the next three years (2020 to 2022); should increases incur it is planned they will not exceed CPI inflation.

Every effort is made by the DBF to hold down increases in the Common Fund, which is contributed by PCCs towards the ministry and other costs of the diocese. A large part of the costs are stipends, pensions, staff salaries and building maintenance costs, which increase broadly in line with inflation.

The DBF received 98.3% of share requested from parishes (2018 – 99.2%). During the year, the Common Fund Committee continued to consider refinements to the Parish Share methodology to ensure that the allocation is both fair and equitable to parishes both large and small and to parishes whose memberships are either better placed, or less well placed, to meet the share allocation. Proposals for making any significant changes to the allocation methodology are brought to Bishop’s Council and Diocesan Synod for approval before introduction.

##### **Operating Budget**

The planned operating budget for the year was break-even. The actual operating surplus was £101,000. Non-statutory financial information from page 82 provides a breakdown of this actual operating surplus and how it relates to the net incoming resources reported in the Statement of Financial Activities (SOFA) on page 32.

The small operating surplus primarily arose from a higher than expected level of clergy vacancies and staff salary savings from vacancies within the Ministry for Mission function, partially offset by reduced Share collection rate, lower parochial fee income and finance costs on new borrowings.

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#### **Pioneer Project**

The Pioneer Project is a diocesan initiative to create nine new pioneer posts to catalyse pioneering activity across Somerset and to reach out to areas and communities where the church has little impact. These posts are being phased in from 2018 to 2020 and each appointment will be for an initial five years. Those appointed will focus on areas of deprivation, new communities and work with young people. The pioneers will be open to God's missional imagination as they seek to establish new and sustainable worshipping communities and to act as catalysts of further pioneering activity. Alongside this the project is identifying, training, and supporting emerging 'grass roots pioneers': voluntary pioneers who have a vocation to mission in their local context. The DBF is receiving a total of £1.6m support for the project from the Church Commissioners from 2018 to 2023 through its Strategic Development Fund, and is matching this with an allocation of £1.4m from the DBF Mission Development Reserve and £0.1m from General Funds.

During 2019 four new pioneers were appointed, located in the Whiteway area of Bath, the Bournville area of Weston-Super-Mare, in Keynsham and in Tone Deanery, joining the existing Pioneer in the Bathpool area of Taunton; a sixth planned post in Yeovil was appointed following interviews in January 2020. Three further planned posts are expected to be confirmed in 2020.

#### **Increased vocations including stipendiary curacy**

As part of the national initiative to train more clergy the DBF is increasing the number of curate posts available over the period from 2017 to 2021. In addition, following an invitation from the bishops in 2016 for prayer for an increase in vocations, the number of people exploring their callings with the Vocations Team has increased substantially. Fifteen ordinands starting training in 2019 with two ordinands deferred to start in 2020. Around twenty-two people were exploring making an application to train for ordained ministry at the end of 2019.

The DBF has committed to increase the number of stipendiary curate posts. In 2019, 9 posts were filled. The DBF continues to plan to invest in stipendiary curate posts.

#### **Resourcing Diocesan needs**

The DBF holds glebe investments for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. Glebe investments are held in agricultural land, commercial and residential land and buildings and financial investments as described in the Financial Review on page 10 to this report and in note 18.

The diocese is relatively strong financially compared with many other dioceses and expects to bear a proportionately larger share of National Church costs than less well-resourced dioceses.

The DBF and the parishes it serves are resourced with over 600 clergy, either licensed or with permission to officiate, including not only stipendiary parish priests, curates and archdeacons (note 14b) but also self-supporting ministers, chaplains, ministers with a House for Duty and many retired clergy. In addition there are over 350 lay ministers, either licensed or with permission to officiate, including readers, authorised lay ministers and lay chaplains.

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In 2015 the designated Mission Development Fund was created using £1m transferred from accumulated General Fund reserves. A further £1.2m was transferred during 2017 to contribute towards the funding of the Pioneer project.

#### **Volunteers**

The DBF is dependent on the huge number of people involved in church activities both locally and at diocesan level. The service provided to a community through church volunteering also has a significant impact on people's relationship to the church, particularly at times of crisis. Within this context, the DBF greatly values the considerable time given by all committee members and other volunteers across the diocese in pursuit of the mission of the DBF.

#### **Related Parties**

##### **General Synod, Church Commissioners and Archbishops' Council**

The DBF has to comply with Measures passed by the General Synod of the Church of England and also makes certain annual payments to the Archbishops' Council towards the running costs of the National Church. As disclosed in note 13 certain costs of the bishops, including stipends and pension contributions are borne by the Church Commissioners.

#### **PCCs**

The DBF is required by Measure to be custodian trustee in relation to certain PCC property, but has no control over PCCs, which are independent registered or excepted charities. The accounts of PCCs and deaneries do not form part of these financial statements. PCCs are able to influence the decision making within the DBF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

#### **Other**

- **The Church of England Pensions Board** to which the DBF pays retirement benefit contributions for stipendiary clergy and employees. It also offers schemes to provide housing for clergy in retirement.
- **The Chapter of Wells Cathedral** from which the DBF receives modest alms. Some diocesan events held in the Cathedral are paid for by the DBF. The DBF provides HR and Safeguarding services to the Chapter under service level agreements.
- **The Foundation of St Matthias** of which three DBF employees are trustees, from which the DBF receives grants for educational services.
- **The Bath and Wells Multi Academy Trust (BWMAT)**  
BWMAT leases serviced office accommodation from the DBF and the DBF provided educational services to BWMAT during the year. BWMAT occupy school buildings under agreements with the DBF. The DBF does not exercise control over these buildings and therefore they are not recognised as assets in these financial statements. BWMAT's company name and number is The Bath and Wells Diocesan Academies Trust (08207095).

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- **The Palace Trust, Wells**, of which the Bishop of Bath and Wells is a trustee. The DBF provides HR services to the Trust under a service level agreement.
- **Discretionary trust funds** administered by employees of the DBF. DBF trustees of these trusts are as follows:

The Stone Trust (5 DBF trustees, 1 DBF employee); The Herbert Trust (2 DBF Trustees); Bishop's Rib (1 DBF Trustee); Wells Clerical Charity (2 DBF trustees); The Archdeaconry of Taunton Fund for Clergy, their Widows and Dependants (1 DBF trustee); The Wynne Willson Scholarship Fund (2 DBF trustees); and The Bath Clerical Families Fund (2 DBF trustees). Except for the Bath Clerical Families Fund, management charges are paid by the trusts to the DBF and the DBF receives an annual grant from the Bishop's Rib towards the working costs of the three Archdeacons.

Transactions with the main categories of related parties are identified in appropriate places throughout the financial statements. Where materiality of the transactions merits more detailed disclosure this is given in note 13 to the financial statements.

#### B4 Future Plans

In 2020, the implementation of the strategy will be developed through the following strands:

**Pioneer Project:** By the end of 2020 we will have appointed the last of the nine paid pioneer posts funded by the project. This will provide a network across the diocese to resource local pioneer initiatives and fresh expressions of church. A Fresh Expressions Development Adviser will also be appointed by the DBF to support this work. This phase of the project continues until 2025.

**Chaplaincy:** Following a Bishop's Council decision in November 2019 to designate chaplaincy development as a strand within the strategy, a Chaplaincy Strategy Group will be created to develop a strategy for the resourcing and growth of chaplaincy in the diocese.

**Magnificat Parishes:** These are the parishes which represent the most disadvantaged communities in the diocese. Following a Diocesan Synod motion of March 2019 which affirmed the Magnificat Parishes as a resourcing priority within the strategy, a detailed plan will continue to be developed to support and resource the churches in these communities.

**Aligning Resources for Mission:** The Deployment Group brought its initial report to the Bishop's Council in April. This is expected to lead to a further stage of work to develop a detailed plan for implementing its recommendations. This is also expected to inform a decision later in the year, by Diocesan Synod, on the Common Fund model for future years.

**Everyday Faith:** The Archdeaconry days this year will take the theme of "everyday conversations", building on last year's theme to develop the confidence of church members in this area.



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#### B5 Financial Review

##### **Financial Performance – Income and expenditure**

The SOFA for the year on page 32 shows total income and endowments of £14.3m (2018 - £14.4m) and total expenditure of £14.5m (2018 – £14.5m), resulting in net expenditure of £0.2m (2018 - £0.1m).

Income decreased by £0.1m, with the main factors being reduced gains on disposal/transfers of properties (£0.5m) offset by increased parish share contributions (£0.2m) and voluntary income (£0.2m).

Total expenditure remained constant, with an increase in charitable activities spend of £0.3m being offset by an equivalent reduction in property impairment charges.

In addition, unrealised investment gains of £2.9m, realised investment disposal gains of £0.1m and pension remeasurement gains of £2.0m contributed to the net increase in total funds of £4.8m (2018 – net decrease of £2.3m). Total fund balances increased from £98.8m to £103.6m

##### **Financial Performance – Cash flow**

As shown in the reconciliation in the cash flow statement on page 35, the net expenditure of £0.1m included investment income £1.4m, and a number of non-cash items including gains on disposed fixed assets £0.4m.

The net cash expended on operational activities was £2.7m (2018 - £2.2m). In addition £3.7m (net) was spent on purchasing fixed assets, including clergy houses, Flourish House and its fit-out. The DBF funded the cash requirements through investment income of £1.4m, increased borrowings of £4.0m (net) and liquidating of investments, including Glebe land sales, of £1.0m (net).

This resulted in an overall net cash outflow for the year of £0.1m (2018 - £0.3m inflow).

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#### Investment Income

Agricultural, commercial and residential land and buildings (note 18) were valued at £20.6m at 31 December 2019 (2018 - £20.8m). Gross rents receivable amounted to £402,000 (2018 - £384,000), representing a gross income yield of 2.0% (2018 – 1.9%).

The financial investments held and their return during the year are set out as in the following table:

	Funds at 31 Dec 2019 £000	% of portfolio	Income yield in year %	Total return in year %
<b>Charles Stanley Managed</b>				
Listed Equities	14,706	65	4.2	23.1
Listed Fixed Interest funds	1,364	6	5.3	9.6
	16,070	71	4.3	21.7
<b>CCLA Managed</b>				
CCLA Investment Funds	2,270	10	2.7	21.7
CCLA CBF Property Fund	4,428	19	5.1	2.4
CCLA CBF Fixed Interest	3	-	4.5	6.9
	6,701	29	3.9	7.4
<b>Other Investments</b>	15	-		
<b>Total Financial Investments</b>	<b>22,786</b>	<b>100</b>	<b>4.2%</b>	<b>16.1%</b>

The Trustees have set a targeted overall return (income plus capital growth) of 4% plus inflation. This was achieved in 2019.

The Trustees have elected during the year to adopt Total Return accounting on certain permanent endowment funds meaning that £19.8m has been transferred into an Unapplied Total Return portion of permanent endowment funds as at the balance sheet date.

#### Grants received

The DBF gratefully acknowledges grants received from Allchurches Trust of £136,000 (2018 - £141,000) and from The Foundation of St. Matthias totalling £63,000 (2018 - £56,000). The DBF also received the following grants from the Archbishops' Council:

- Enil (2018- £30,000) Strategic Capacity Funding towards the salary of the Head of Strategic Programme.
- £156,000 (2018 - £53,000) Strategic Development Funding towards the Pioneer Project
- £434,000 (2018- £247,000) block grant for ordinands' training fees and expenses under the Resourcing Ministerial Education process.

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### **Significant Property Transactions**

During the year, the DBF sold and acquired a number of properties, the number of properties held increased by two. The DBF policy continues to be:

- to replace unsuitable properties;
- to accommodate the changing geographical deployment of clergy within the diocese and the increased number of curate posts;
- to realise development potential in some properties, thereby using our resources more effectively for the ministry of the church.

The DBF also acquired a long term lease on new office accommodation at Flourish House, which was in the process of being fitted out at the year end.

### **Balance Sheet Position**

The net assets at the balance sheet date totalled £103.6m (2018 - £98.8m). This includes properties totalling £65.9m (2018 - £62.6m), which are mainly used to house the stipendiary clergy. Much of the remainder of the assets shown in the balance sheet are held in restricted and endowment funds and cannot necessarily be used for the general purposes of the DBF. The Trustees consider that note 25 shows that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held, which are explained in note 24.

The Trustees are satisfied that the DBF has adequate resources to continue to operate as a going concern and have prepared the financial statements on that basis.

### **Reserves Policy**

#### **Free reserves**

The Trustees require reserves to:

- meet short term excesses of expenditure over income
- provide funds for expenditure with long life horizons such as clergy housing
- fund recognised future 'infrastructure' and strategic policies which will require resources, such as the changing structure of ministry and the deployment of clergy.

It is the DBF's policy to maintain the readily realisable assets in the Unrestricted General Fund at between three and six months' unrestricted expenditure. The aim is to ensure the availability of sufficient liquid funds to enable the DBF to meet its daily commitments.

At 31 December 2019 the General Fund's net assets amounted to £5.9m (2018 - £4.9m).

The 2019 total expenditure from Unrestricted General Funds was £12.6m and the General Fund reserve provides for 5.6 months' expenditure (2018 – 4.8 months), which is within the target range of three to six months noted above.

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#### **Designated reserves**

##### **Tangible Fixed Asset reserve**

The designated tangible fixed asset reserve of £5.9m (2018 - £6.1m) represents the value of unrestricted reserves which are invested in the DBF's operating fixed assets (primarily DBF offices and clergy houses) which are not readily available to be liquidated.

##### **Diocesan Loan Fund**

The designated Diocesan Loan fund of £1m was created in 2014 by transfer from the General Fund reserves. It provides loans to PCCs for major capital projects where other loan funding is not available.

##### **Mission Development Fund**

In 2015 Diocesan Synod approved the creation of a designated Mission Development Fund (MDF) by transfer of £1m from the DBF unrestricted General Fund to resource the developing strategy into the future and enable applications to the National Church's Strategic Development Fund.

In 2017 a further £1.2m was allocated from the unrestricted General Fund to fund the Pioneer Project over the next 5 years. At 31 December 2019 the balance on the fund was £1.0m (2018 - £1.2m).

##### **Fund for Church Growth**

FCG grant funding ceased at the end of 2018. The fund balance at 31 December 2019 was £54k (2018 - £45k) which Bishops Council has agreed to transfer as start-up funding to a new independent Kingdom Growth Community Fund with similar purposes.

##### **Other designated reserves**

The Trustees may designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. At 31 December 2019 these totalled £0.27m (2018 - £0.19m). These designated reserves are reviewed on an annual basis and returned to the general fund in the event that there is no further need to retain them for the purpose of their designation. A description of each reserve together with its intended use is set out in note 24.

#### **Restricted and Endowment Funds**

As set out in note 24 the DBF holds and administers a large number of restricted and endowment funds. As at 31 December 2019 restricted funds totalled £2.8m (2018 - £2.1m) and endowment funds totalled £86.7m (2018 - £83.2m).

Restricted and Endowment funds are not available for the general purposes of the DBF.

#### **Grant making policy**

The Memorandum of Association of the DBF explicitly permits the DBF to make grants in pursuance of its objects, and the nature of grants made in 2019 is indicated in note 12. Grants are made to the National Church to cover a proportion of its central costs and also to cover the cost of training for ministry.

Grants are paid to other connected charities and to other charitable projects which appear to the DBF to support the furtherance of the DBF's objects.

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#### Investment Policy

The DBF is empowered by its Memorandum of Association to invest monies not immediately required for its purposes. In addition, the DBF acts as trustee of a number of trust funds, and these must be invested in accordance with the related trusts. The DBF's policy is to review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles. Note 25 provides details of the assets of each fund, together with the related purposes, and note 18 summarises the movements in investments during the year.

A new Statement of Investment Principles and Long Term Investment Policy was approved by the Trustees in April 2019.

In November 2019 the trustees passed resolutions in accordance with section 104A of the Charities Act 2011 to adopt Total Return in respect the permanent endowments identified as Diocesan Stipends Fund Capital and Stipends Augmentation Trusts, limited to investment assets (Glebe Land holdings and financial investments),

The initial amounts of the trust for investment was identified using historical accounting records to set a base level of investment at 31 December 1995, which was the date these investments were first valued in DBF accounts. The values which have been calculated at 31 December 2019 were as follows:

	Diocesan Stipends Fund	Stipends Augmentation Trusts
	£m	£m
Base value at 31 December 1995	8.6	0.7
Uplift to 31 December 2019 (using CPI indices)	5.1	0.4
<b>Investment Fund at 31 December 2019</b>	<b>13.7</b>	<b>1.1</b>
Unapplied Total Return	19.4	0.3
<b>Total investment assets</b>	<b>33.1</b>	<b>1.4</b>
Other assets	10.4	0.0
<b>Total fund balance at 31 December 2019</b>	<b>43.5</b>	<b>1.4</b>

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The trustees have determined that

- the Investment Fund values will be indexed by the UK Consumer Prices Index (CPI) annually in future years.
- The initial annual withdrawal rate of income will be defined as up to 4% of the total value of investments calculated on a 5 year rolling average to previous year end, using quarterly valuations. This will be allocated to the Income Fund annually.
- Any change in annual withdrawal rate and any use of the Unapplied Total Return Fund over and above the annual withdrawal rate may be approved by Bishop's Council only after a full review by the Investments Committee and recommendation by the Finance Group.

#### **Programme related investments**

The DBF provides loan finance to PCCs and related projects through two loan initiatives:

##### **CCLA backed Diocesan Loan Scheme**

This scheme allows PCCs to obtain loan finance from the DBF at low interest rates for periods from 5-7 years to facilitate building or other projects which further the mission of the church. The DBF has received loan funding from CCLA totalling £1m which is available to provide these loan facilities until May 2026. Loans range from £3,000 to £150,000. At 31 December 2019 the total loans outstanding from parishes was £610,011 (2018 - £758,771).

##### **Diocesan Loan Fund**

The DBF has designated a £1m reserve to allow further loans to be extended to PCCs where CCLA funds are not available. These loans are repayable over variable periods and are at a low interest rate. At 31 December 2019 loan balances were £262,180 and a further £100,000 had been committed to future projects.

The DBF considers that these investments assist PCCs to achieve the mutual charitable objects of furthering the mission of the church within the diocese and complement the PCCs use of grant funding and local fundraising including pledged donations which are received over a number of years.

## **B6 Principal Risks and Uncertainties**

The Trustees have a risk management strategy designed to ensure that the principal risks to the organisation are identified. Systems and procedures have been established to manage those risks.

The Trustees delegate to the Audit and Risk Management Group (ARMG) the task of ensuring that risks are identified, reviewed, managed, and brought to their attention. A risk register is compiled and regularly reviewed and updated by the ARMG which reports to the Trustees. The Trustees are able to review changes to the risk register at all meetings and the full risk register at least annually as part of the corporate risk management strategy.

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The risk register has continued to be developed during 2019 to be a more responsive and optimised tool for decision makers and Trustees in identifying and managing those risks that are fundamental to the Diocesan strategy. The register is divided into two sections, the High Risks and Critical Events Register and the supporting General Risk Register. The latter contains all identified risks each assessed as high, medium or low. For the first time the register includes a new area, Education & MAT. Critical events are those risks which have a low probability of occurring, but which would have a major impact were they to do so.

This year we include a section on 'Post-balance sheet High Risks', to take account of the impact of Covid-19, in addition to the 'High Risks arising from 2019'.

### **Post-balance sheet High Risks**

The principal risk, arising subsequent to the balance sheet date, is the impact of, and uncertainties created by, the Covid-19 pandemic. High risks can be summarised as follows:

#### **Covid-19 Pandemic**

The Covid-19 pandemic, subsequent to the balance sheet date, has meant churches, parishes and the Diocese have been forced to change significantly. Church closures may well have significant effect on income streams, primarily from parish share and parochial fees. Meanwhile the DBF main expenditure (stipends) continue uninterrupted. Additionally, the investment portfolios have reduced in value and glebe land and house disposals are disrupted.

Planning for and managing the risks around the financial resilience of the DBF is a new but key feature of the trustees' risk management work. A number of measures have been put in place to protect the cashflow. These include:

- minimising all non-essential expenditure
- proceeding with sales of houses and land where it remains financially sensible to do so
- ensuring borrowing facilities are available
- careful and regular review of cashflow forecasts and underlying trends
- helping all parishes to manage their affairs to best ensure their capacity to continue and to contribute parish share.
- furloughing employed staff where appropriate
- regular review of a dedicated Covid-19 section of the risk register to monitor the decisions, actions and risk mitigation steps required for the foreseeable future

### **2021 Budget & Five-Year Financial Resourcing Plan**

The short-term situation appears manageable but continued shortfalls in parish share will be problematic and Budget 2021 and future plan years will likely require a more fundamental reassessment of future income and expenditures. Continued reductions in church membership will result in strains on parish share collection, operating budget shortfalls and unsustainability of the financial model. This risk is being mitigated by the Diocesan Strategy of church growth, by active monitoring of parish finances to identify early warnings of problems and by support being available to parishes through parish resource and development advisors.

# **The Bath and Wells Diocesan Board of Finance**

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### **Diocesan Strategy**

Covid-19 has inhibited some strategic activity which will further impact the five-year resourcing plan and it is uncertain when the full strategic programme will resume. The key strategic activity has been the work of the Deployment Group, one of the most important elements of the strategy. The work on the Common Fund model is also important, though changes in methodology are dependent on the outcome of the Deployment Group's work and implementation will be delayed by at least a year because of the lockdown. More generally, Covid-19 might come to be seen as a major discontinuity that requires, and even encourages, a fundamental reassessment of the future shape of the Church.

### **High Risks arising from 2019**

The main risks identified and their impact; steps taken to mitigate these, and further steps that would reduce risk in the coming year are:

Main risks:

- a lack of simple and measurable goals, and of a clear picture of 'What success will look like'. Insufficient data, evidence or benchmarking to measure progress and make effective decisions
- key decisions on priorities, allocation of resources and action, not taken in a timely manner and the Diocesan Strategy failing to the point where there is insufficient resource or risk appetite to carry on or renew the initiative
- continued church membership decline, failure to replace losses from the high age of congregations and to maintain parish share income at budgeted levels
- a lack of clarity in terms of reference for key groups and committees; questions about the effectiveness of different classes of trustees & directors; and incomplete or inadequate information flow from the organisation
- the impact of these risks if not mitigated would be a failure to successfully implement the Diocesan Strategy and sub-optimal decision-making and governance arrangements

Mitigated by:

- the re-structuring of the Strategic Implementation Group (SPIG) now focussed on implementation, timetabling and action
- creating a framework for measuring strategy
- incorporating lessons from the Pioneer Project Strategic Development Fund bid which requires regular reporting of progress against measurable goals
- Strategic Priority 2 (SP2: Aligning our resources towards mission) now has clear leadership, defined workstreams and decision deadlines
- Growing Faith, church planting and chaplaincy initiatives under way. There is increased monitoring of, and support for, parish finances.
- terms of reference for some key groups and committees, and trustee induction, have been updated.



# The Bath and Wells Diocesan Board of Finance

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Steps for the coming year that would further reduce risk:

- implement proposals contained in 'Measuring Diocesan Strategy'
- develop a risk register for each Strategic Priority
- ensure Strategic Priorities SP1 and SP3 have the same clarity of leadership and defined work streams as SP2
- progress SP2 proposals, especially Deployment Strategy and Common Fund review, as a matter of urgency
- success in targeting points of growth that will attract younger congregations. Ensure new people attracted to faith are considered in the Common Fund review
- progressing SP3 (Identify, develop and release the gifts of all our people), with rural parishes in particular relying more on lay people
- a review of the Bishop's Council and related groups and committees. Identify whether, and if so how, governance arrangements and decision-making can be enhanced. Update terms of reference.

Each of these areas will be kept under review to assess whether appropriate actions have been taken over the next 12 months.

#### **Critical Events**

The main risks within the control of the DBF identified as critical events are: failures in safeguarding of children and vulnerable adults; disaster planning; and the move to the new Diocesan Office. They have a low probability of occurring but would have a major impact were they to do so. Safeguarding risks are mitigated by a robust safeguarding policy and procedures adopted by the diocese, by highly skilled safeguarding officers who ensure all staff and volunteers are properly checked and trained, by high quality communication and by a dedicated safeguarding group who review all potential safeguarding issues, including the uncovering of historic allegations, and ensure that the statutory and reporting responsibilities are fulfilled. Disaster planning risks are mitigated through a robust IS recovery plan, data backup procedures and precautions, a building recovery plan, and insurance cover. The office move risks are mitigated by close project monitoring and management, with the appointment of an experienced project manager, and regular reporting to the Diocesan Office Working Group.

## **C Structure and Governance**

### **C1 Summary information about the structure of the Church of England**

The Church of England is organised as two provinces; each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses of which there are 41 in England. Each diocese in England is divided into parishes. Each parish is overseen by a parish priest (usually called a Vicar or Rector). From ancient times through to today, they and their bishop are jointly responsible for the 'cure of souls' in their parish. Her Majesty the Queen, who is the Supreme Governor of the Church of England, appoints archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The two archbishops and 24 senior bishops sit in the House of Lords.

# **The Bath and Wells Diocesan Board of Finance**

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The Church of England is episcopally-led (there are over 100 bishops including diocesan bishops and assistant or suffragan bishops). It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the church.

#### **The Three National Church Institutions**

The Archbishops' Council, the Church Commissioners and the Church of England Pensions Board are sometimes referred to as the three National Church Institutions.

The Archbishops' Council was established in 1999 to co-ordinate, promote, aid and further the mission of the Church of England. Its task is to give a sense of direction to the Church of England nationally and support the Church of England locally in parishes and dioceses. Its goals are: Contributing to the Common Good; Promoting the spiritual and numerical growth of the Church and Seeking to reimagine, reshape and re-energise lay and ordained ministry.

The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. The stipend, housing and office costs of the Bishop of Bath and Wells are met by the Church Commissioners. In the case of the Bishop of Taunton, the stipend and office costs are met by the Church Commissioners with the housing costs being met by the DBF.

The Church of England Pensions Board was established by the Church Assembly in 1926 as the Church of England's pension authority and to administer the pension scheme for the clergy. Subsequently it has been given wider powers, in respect of discretionary benefits and accommodation both for those retired from stipendiary ministry and for widow(er)s of those who have served in that ministry, and to administer pension schemes for lay employees of Church of England organisations. The Pensions Board, which reports to the General Synod, is trustee of several pension funds and charitable funds. Whilst the Church of England has drawn together under the Pensions Board its central responsibilities for retirement welfare, the Pensions Board works in close co-operation both with the Archbishops' Council and with the Church Commissioners.

#### **The Cathedral**

The Cathedral is the mother church of the diocese and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. For Wells Cathedral copies of its trustees' report and financial statements may be obtained from the Cathedral Office, Chain Gate, Cathedral Green, Wells BA5 2UE.

The information about General Synod, the Church Commissioners, the Archbishops' Council and Wells Cathedral is included as background only. The financial transactions of these bodies do not form part of these financial statements.

# **The Bath and Wells Diocesan Board of Finance**

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### **The Diocese**

#### **Diocesan Synod**

The statutory governing body of the diocese is the Diocesan Synod which is elected with representation across the diocese with broadly equal numbers of clergy and lay people meeting together with the two bishops. Elections occurred during 2018 for the 2018 to 2021 triennium.

Its role is to:

- consider matters affecting the Church of England in the diocese;
- act as a forum for debate of Christian opinion on matters of religious or public interest;
- advise the Bishop of Bath and Wells where requested;
- deal with matters referred by General Synod;
- provide for the financing of the diocese.

#### **Deanery Synod**

A Deanery Synod has two houses, laity and clergy, and its role is to:

- respond to requests from General Synod;
- give effect to the decisions made by the Diocesan Synod;
- consider matters affecting the Church of England by drawing together the views of the parishes within the deanery;
- act as a channel of communication to express the views of parishes to Diocesan Synod and thence to General Synod;
- raise with Diocesan Synod such matters as it considers appropriate;
- elect members of the deanery to the Diocesan Synod and of the diocese to General Synod.

#### **The Bishop's Council**

Under the standing orders 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 Bishop of Bath and Wells on any matter;
- subject to the directions of the Synod, to transact the business of the Synod when the Synod is not in session;
- subject to the directions of the Synod, to appoint members of committees or nominate individuals for election to committees;
- to carry out such functions as the Synod may delegate to it.

A further important function of the Council is :

- to review and co-ordinate diocesan policy and strategy and especially "Living the Story, Telling the Story".

# The Bath and Wells Diocesan Board of Finance

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Since 1 April 2008 the members of the Bishop's Council have also acted as:

- the board of directors and trustees of the DBF;
- the membership of the Diocesan Mission and Pastoral Committee, a statutory body reviewing the arrangements for pastoral supervision and advising the Bishop of Bath and Wells accordingly.

Elections occurred during 2018 for the 2019 to 2021 triennium.

#### **Parochial Church Council (PCC)**

The PCC is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. The PCC is made up of the incumbent or priest-in-charge as chair, the churchwardens and a number of elected and ex officio members. Each PCC is a charity, but those with annual income below £100,000 are currently excepted from the need to register with the Charity Commission: all others are now required to register. Except where shown, the transactions of PCCs do not form part of these financial statements.

#### **Pastoral Units**

A benefice is a parish or group of parishes served by an incumbent or priest-in-charge who typically receives a stipend and the benefit of free occupation and use of a parsonage house from the diocese for carrying out spiritual duties.

A deanery is a group of parishes over which an area dean has oversight and an archdeaconry is a group of deaneries for which an archdeacon is responsible. There are nineteen deaneries and three archdeaconries in the diocese.

The diocese is then the principal pastoral, financial and administrative resource of the Church of England, encompassing the various archdeaconries under the spiritual leadership of the Bishop of Bath and Wells.

The Diocese of Bath and Wells was created in 909. It covers an area of 1,610 square miles and has a population of approximately 964,000. There are 560 Anglican churches in 461 parishes and 179 benefices within the diocese served by 185 average full time equivalent stipendiary clergy posts, as well as curates, house-for-duty and non-stipendiary clergy, readers and lay ministers.

# The Bath and Wells Diocesan Board of Finance

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#### Diocesan Board of Education (DBE)

The DBE is constituted under the regulations as set in the Diocesan Board Measure 1991. The governance structure for the DBE was changed from 1 January 2016 to enable more effective and representational governance.

DBE members include current educational practitioners, diocesan clergy and individuals with skills in finance, HR, leadership and public relations:

- The Bishop of Bath and Wells (or a person nominated by him)
- 2 further nominations by the Bishop of Bath and Wells
- The Diocesan Director of Education
- 8 persons appointed with the approval of Diocesan Synod
- Up to 4 co-opted Members appointed by DBE members

The term of office for non ex-officio appointments is three years.

The DBE meets three times a year in February, June and November. An additional meeting with Bishop's Council occurs in November. Four operational sub-groups of the DBE meet more regularly and support the staff of the diocesan education department:

- Executive Support Group
- School Effectiveness Working Group
- School Organisation Working Group
- Children and Young People Working Group

The DBF (incorporating the DBE) supports 181 Church of England designated schools serving approximately 37,500 children and their families.

	<b>Total</b>	<b>VC</b>	<b>VA</b>	<b>BW MAT</b>	<b>Other MATs / Academies</b>
Primary (infant, junior and first schools)	<b>172</b>	57	25	30	60
Secondary (middle and high schools)	<b>9</b>	1	1	-	7
<b>Total – 2019</b>	<b>181</b>	<b>58</b>	<b>26</b>	<b>30</b>	<b>67</b>
Total – 2018	181	64	28	29	60

There are an increasing number of different models of school organisation, reflecting the move to more collaborative working between schools. In the diocese, as well as Voluntary Aided (VA) and Voluntary Controlled (VC) schools, there are now 19 Multi Academy Trusts (MATs) with church schools in them (2018 - 13) , including the Bath and Wells Diocesan Academies Trust (a separate corporate legal entity), operating as the Bath and Wells Multi Academy Trust (BWMAT).

BWMAT was originally set up to support underperforming church schools in economically disadvantaged areas but is expanding to include good and outstanding schools in order to better facilitate school to school support. It currently serves approximately 7,400 pupils.

# The Bath and Wells Diocesan Board of Finance

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#### C2 Organisational and decision making structure

The company, The Bath and Wells Diocesan Board of Finance (DBF), was incorporated on 6 March 1915 as a company limited by guarantee (No. 139557) and its governing documents are its Memorandum and Articles of Association. The DBF is registered with the Charity Commission (No. 249398).

The company was formed to manage the financial affairs and hold the assets of the diocese. Its principal activity is to promote, assist and advance the work of the Church of England within the Diocese of Bath and Wells.

Governance and policy of the DBF is the responsibility of the Trustees, who are directors of the company and trustees for the purposes of charity law.

Since 1 April 2008 the members of the Bishop's Council (which is the standing committee of the Diocesan Synod) have been the Board of Directors (the Board) of the DBF, and the members of the Diocesan Synod have been the members of the DBF. Additionally, there is the Finance Group of the Bishop's Council, acting for and assisting the Board in its more detailed work. The Board has delegated responsibility for the day-to-day management of the company to the Diocesan Secretary who is supported by an Assistant Diocesan Secretary, Head of Finance and Operations, HR Manager, Head of Communications and their respective staff. The Diocesan Secretary also meets regularly with the three archdeacons, and with heads of the main functions (Ministry for Mission and Education).

The statutory governing body of the diocese is the Diocesan Synod, which is an elected body with representation from all parts of the diocese. Its legal basis is the Synodical Government Measure 1969. Membership consists of ex-officio members, including the bishops and archdeacons, clergy members elected by the houses of clergy in deanery synods, lay persons elected by the houses of laity in deanery synods, up to five persons who may be co-opted by the house of clergy or the house of laity and a maximum of ten members nominated by the Bishop of Bath and Wells. The Diocesan Synod normally meets three times a year during March, July and October.

#### C3 Trustee recruitment, selection and induction

The Board includes:

- Ex-officio Trustees
- Trustees who have been elected by Synod to serve for three years, and
- Trustees appointed by the Bishop of Bath and Wells for the same term.

All new Trustees are given an induction pack with key information about the DBF, their role as Trustees and their role as company directors. All Trustees receive induction training when first appointed and receive ongoing training, as appropriate.

# **The Bath and Wells Diocesan Board of Finance**

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#### **C4 Remuneration of key management personnel**

Emoluments of higher paid employees are determined by the Conditions of Service Group. Remuneration is set following a remuneration policy which includes regular appraisals, and remuneration and salary benchmarking. The policy has been approved by the Board. Details of the aggregate remuneration of key management personnel is shown in note 14 to the accounts.

#### **C5 Funds held as custodian trustee**

The DBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are PCCs and others. These assets are not aggregated in the financial statements as the DBF does not control them, and they are segregated from the DBF's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £11.5m at 31 December 2019 (2018 - £10.4m), are available from the DBF on request, and are summarised in note 30. Where properties are held as custodian trustee, the deeds are identified as such and held in safe custody by the DBF.

#### **C6 Funds held on behalf of schools and Zambian dioceses**

The DBE is incorporated within the DBF and receives contributions from governors of church schools within the diocese and government grants in connection with major repair and capital projects to church schools. The DBE administers these monies as managing agent and makes appropriate payments to contractors for work carried out. The monies do not belong to the DBE and as such do not form part of these financial statements. The amount held at 31 December 2019 was £398,126 (2018 - £341,273).

The DBF manages UK bank accounts for the link dioceses in Zambia as managing agents. The monies do not belong to the DBF and as such do not form part of these financial statements. The amount held at 31 December 2019 was £51,617 (2018 - £68,108).

### **D Trustees' Responsibilities**

#### **D1 Trustees' Responsibilities for Annual Reports and Accounts**

The Trustees are responsible for preparing the Trustees' Report, incorporating the Strategic Report, in accordance with applicable law and regulations.

Company law requires the Trustees (in their capacity as directors) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the net income or expenditure of the company for that year.

In preparing those financial statements the trustees are required to:

- select the most suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;

# The Bath and Wells Diocesan Board of Finance

## Annual Report

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- follow applicable accounting standards and the Charities SORP (FRS102), subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the corporate and trust assets of the company and ensuring their proper application under charity law and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### D2 Statement of disclosure to the auditors

The trustees have taken all the necessary steps to ensure that they are aware, as trustees, of any relevant audit information and to establish that the auditors are aware of that information.

As far as the trustees are aware, there is no relevant audit information of which the company's auditors are unaware.

### D3 Appointment of auditors

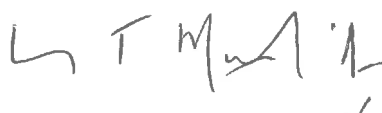
A resolution to reappoint Haysmacintyre LLP as auditors to the company and to authorise the Trustees to fix their remuneration will be proposed at the Annual General Meeting.

No trustee had any beneficial interest in the company during 2019. The names of the Trustees (who also act as directors) who served during the period 1 January 2019 to 16 June 2020 are shown in section F. Trustees' remuneration and expenses are detailed in note 13 to the accounts.

On behalf of the Board  
16 June 2020



**N G May**  
Diocesan Secretary



**H T Musselwhite**  
Chair



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**E Legal and Administrative Details**

Registered Office	Flourish House 2 Cathedral Avenue Wells Somerset BA5 1FD
Telephone	01749 670777
E-mail	general@bathwells.anglican.org
Website	www.bathandwells.org.uk
<b>Chairs</b>	
DBF Chair and Chair of the Finance Group	Preb H T Musselwhite BA FKC
DBF Vice-Chair and Chair of the Houses Committee	Dr A A Palmer LLM PhD FCIB
DBF Vice-Chair and Chair of the Conditions of Service Group	Mrs M Lee
Chair of Investments Committee	Mr I Theodoresen FCA
Chair of Common Fund Committee	The Venerable Dr A Youings
Chair of the Audit and Risk Management Group	Mr J Allday FCA
<b>Officers</b>	
Diocesan Secretary	Preb N May MBA FCA
Assistant Diocesan Secretary	Mr P Evans BA ACIS
Head of Finance and Operations	Mrs I Taylor MA FCA DChA (to 30 April 2020) Mr M Pinnock BSc FCA (from 1 May 2020)
Head of Property Services	Mrs J Long BSc MRICS
Head of Communications	Ms G Buzzard (to 26 July 2019) Ms R Paveley (from 7 October 2019)
HR Manager	Miss M Webber (to 9 August 2019) Ms E Andrews (from 2 September 2019)
Safeguarding Adviser	Ms G Armstrong
Head of Strategic Programme	Revd C Peer
<b>Agents</b>	
Solicitor and Diocesan Registrar	Preb R Callaby LLB 14 Market Place Wells Somerset BA5 2RE
Consultant Land Agents	Greenslade Taylor Hunt 1 High Street Chard Somerset TA20 1QF
Auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG
Bankers	National Westminster Bank PLC 7 High Street Wells Somerset BA5 2AD

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**Investment Managers**

Charles Stanley and Company Ltd  
55 Bishopsgate London EC2N 3AS

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

Brewin Dolphin  
Pynes Hill Woodwater Park Exeter EX2 5FD

**Insurance Advisers**

Arthur J Gallagher  
Station Square 1 Gloucester St  
Swindon SN1 1GW

# The Bath and Wells Diocesan Board of Finance

## Annual Report

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### F Members and Trustees

The members of the Bath and Wells Diocesan Synod are members of the DBF. Similarly, members of the Bishop's Council are directors and trustees of the DBF.

The Bishop's Council consists of the following members:

- Ex-officio – the Bishop of Bath and Wells (the President), the Bishop of Taunton, the Archdeacons, the Dean of Wells, the Vice-Presidents (Chairs of Diocesan Synod House of Clergy and Laity)
- Nominated – Up to five lay members nominated by the president, including the Chairs of the DBF and DBE
- Elected – five members (two clergy and three lay) of the three archdeaconries

The Bishop's Council appoints the Finance Group with delegated powers to manage the operational financial affairs of the DBF.

**The following served as Directors and Trustees for the period from 1 January 2019 to 16 June 2020**

#### **Ex officio**

The Rt Revd P Hancock  
The Rt Revd R Worsley  
The Venerable A Gell  
The Venerable S Hill  
The Venerable Dr A Youings  
The Very Revd J Davies  
The Revd Preb J Haslam  
Mrs M Masters

#### **Bishop of Bath and Wells' nominees**

Mr A Blackshaw  
Mrs M Lee  
Preb H T Musselwhite  
Dr A A Palmer

#### **Elected**

##### **Bath Archdeaconry**

The Revd S Buddle  
The Revd R Driver  
Mr P Edge  
Mr J Loring  
Dr C Mason

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**Elected (continued)**

**Wells Archdeaconry**

The Revd B Faulkner  
The Revd D Greenfield (until 7 November 2019)  
The Revd D MacGeoch (elected 16 January 2020)  
Mr T Hind  
Mr C Jenkins  
Dr R Sage (elected 4 February 2019)

**Taunton Archdeaconry**

The Revd M Andrews (elected 20 May 2020)  
The Revd C Ralph  
The Revd A Thomas (until 29 March 2020)  
Mrs K Cannell  
Mr S Grimshaw  
Mrs K Tucker

# Independent Auditor's Report to the Members of The Bath and Wells Diocesan Board of Finance

For the year ended 31 December 2019

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## Opinion

We have audited the financial statements of the Diocese of Bath and Wells for the year ended 31 December 2019, which comprise the Statement of Financial Activities, the Income and Expenditure Accounts, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2019 and of the charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Responsibilities of trustees for the financial statements

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

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

# Independent Auditor's Report to the Members of The Bath and Wells Diocesan Board of Finance

For the year ended 31 December 2019

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## **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Conclusions relating to going concern**

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

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

## **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

- the information given in the Annual Report (which includes the strategic report and the directors' report prepared for the purposes of company law) for the financial year for

# Independent Auditor's Report to the Members of The Bath and Wells Diocesan Board of Finance

For the year ended 31 December 2019

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- which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Annual Report have been prepared in accordance with applicable legal requirements

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

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Annual Report (which incorporates the strategic report and the directors' report).

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

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

## **Use of our report**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Halsey (Senior Statutory Auditor)  
For and on behalf of Haysmacintyre LLP, Statutory Auditors  
16 June 2020

10 Queen Street Place  
London  
EC4R 1AG

The Bath and Wells Diocesan Board of Finance  
Statement of Financial Activities  
For the year ended 31 December 2019

		Unrestricted Funds	Restric- ted Funds	Endow- ment Funds	Total Funds 2019	Total Funds 2018
	Note	General £'000	Desig- nated £'000	£'000	£'000	£'000
<b>Income and endowments from</b>						
<b>Donations</b>						
Parish Contributions	2a	10,359	-	-	10,359	10,201
Archbishops' Council		-	-	-	-	30
Other donations	2b	123	17	753	893	702
Charitable activities	3	727	-	2	729	713
Other activities	4	313	-	25	338	327
Investments	5	1,256	7	152	1,415	1,429
Other Income	6	152	-	2	558	1,010
<b>Total income and endowments</b>		<b>12,930</b>	<b>24</b>	<b>934</b>	<b>14,292</b>	<b>14,412</b>
<b>Expenditure on</b>						
Raising funds	7	199	-	5	274	261
Charitable activities	8	12,378	205	1,600	14,183	13,931
Impairment of properties	17	-	-	-	41	314
<b>Total expenditure</b>		<b>12,577</b>	<b>205</b>	<b>1,605</b>	<b>14,498</b>	<b>14,506</b>
<b>Net income / (expenditure) before investment gains / (losses)</b>		<b>353</b>	<b>(181)</b>	<b>(671)</b>	<b>293</b>	<b>(94)</b>
Net gains / (losses) on investments	9	524	32	138	2,347	3,041
<b>Net income / (expenditure)</b>		<b>877</b>	<b>(149)</b>	<b>(533)</b>	<b>2,640</b>	<b>(2,504)</b>
<b>Transfers between funds</b>	15	109	(301)	1,288	(1,096)	-
<b>Other recognised gains</b>						
Remeasurement gains on defined benefit pension schemes	28	(5)	-	-	1,987	1,982
<b>Net movement in funds</b>		<b>981</b>	<b>(450)</b>	<b>755</b>	<b>3,531</b>	<b>(2,339)</b>
<b>Total funds brought forward</b>		<b>4,934</b>	<b>8,610</b>	<b>2,062</b>	<b>98,818</b>	<b>101,157</b>
<b>Total funds carried forward</b>	24	<b>5,915</b>	<b>8,160</b>	<b>2,817</b>	<b>86,743</b>	<b>103,635</b>

All activities derive from continuing activities. The notes on pages 36 to 81 form part of the financial statements.



The Bath and Wells Diocesan Board of Finance  
Income and Expenditure Account  
For the year ended 31 December 2019

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	<b>Total 2019 £'000</b>	<b>Total 2018 £'000</b>
<b>Total income</b>	13,888	13,673
<b>Total expenditure</b>	14,387	14,137
<b>Net operating expenditure for the year</b>	<b>(499)</b>	<b>(464)</b>
Net (losses)/gains on investments	694	(908)
<b>Net income/(expenditure) for the year</b>	<b>195</b>	<b>(1,372)</b>
<b>Other comprehensive income:</b>		
Remeasurement gains on defined benefit pension schemes	(5)	-
<b>Total comprehensive income/(expenditure)</b>	<b>190</b>	<b>(1,372)</b>


The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

The Bath and Wells Diocesan Board of Finance  
Balance Sheet  
For the year ended 31 December 2019

		2019	2018
	Note	£'000	£'000
<b>Balance Sheet - Company No. 139557</b>			
<b>Fixed Assets</b>			
Intangible assets	16	2	1
Tangible assets	17	67,163	63,126
Investments	18	43,367	41,231
		<b>110,532</b>	<b>104,358</b>
<b>Current Assets</b>			
Stock		5	4
Debtors	19	2,878	2,641
Assets held for resale	20	150	150
Cash on deposit	21	1,171	774
Cash at bank and in hand	21	1,541	2,022
		<b>5,745</b>	<b>5,591</b>
Creditors: amounts falling due within one year	22	(5,093)	(4,925)
		<b>652</b>	<b>666</b>
<b>Net Current Assets</b>		<b>111,184</b>	<b>105,024</b>
<b>Total Assets Less Current Liabilities</b>			
Creditors: amounts falling due after more than one year	22	(6,091)	(2,223)
Pension scheme liabilities	28	(1,458)	(3,983)
		<b>103,635</b>	<b>98,818</b>
<b>Net Assets</b>			
<b>Funds</b>			
<b>Endowment funds</b>		86,743	83,212
Including revaluation reserve of £20,383k (2018 - £16,941k)			
<b>Restricted income funds</b>		2,817	2,062
Including revaluation reserve of £376k (2018 - £42k)			
<b>Unrestricted income funds:</b>			
General funds		5,915	4,934
Including revaluation reserve of £771k (2018 - £20k)			
Designated funds		8,160	8,610
Including revaluation reserve of £22k (2018 - £nil)			
<b>Total Funds</b>	24	<b>103,635</b>	<b>98,818</b>

The Cash Flow Statement and the Notes form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 16 June 2020 and signed on behalf of the Board by:

+   
Rt Revd P Hancock  
Trustee

  
Preb H T Musselwhite  
Trustee

The Bath and Wells Diocesan Board of Finance  
Cash Flow Statement  
For the year ended 31 December 2019

	2019 £'000	2018 £'000
<b>Net cash outflow from operating activities</b>	<b>(2,716)</b>	<b>(2,178)</b>
<b>Cash flows from investing activities</b>		
Dividends, interest and rent from investments	1,422	1,444
Proceeds from the sale of:		
Tangible fixed assets	2,095	2,931
Fixed asset investments	1,552	1,957
Purchase of:		
Tangible fixed assets for the use of the DBF	(5,815)	(3,152)
Fixed asset investments	(650)	(1,491)
<b>Net cash provided by investing activities</b>	<b>(1,396)</b>	<b>1,689</b>
<b>Cash flows from financing activities</b>		
Loans repaid by the DBF	(80)	(477)
New loans received by the DBF	4,108	1,301
<b>Net cash provided by financing activities</b>	<b>4,028</b>	<b>824</b>
<b>Change in cash and cash equivalents in the year</b>	<b>(84)</b>	<b>335</b>
<b>Cash and cash equivalents at 1 January</b>	<b>2,796</b>	<b>2,461</b>
<b>Cash and cash equivalents at 31 December</b>	<b>2,712</b>	<b>2,796</b>

**Reconciliation of net income to net cash flow from operating activities**

<b>Net expenditure before investment gains</b>	<b>(206)</b>	<b>(94)</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	60	57
Investment income	(1,422)	(1,444)
Fixed asset impairment charge	41	314
Notional interest in present value calculation	7	15
Repayment of loans advanced	203	250
Advancement of loans	(326)	(103)
Repayment of pension schemes net of remeasurement costs	(543)	(543)
Gain on disposal of fixed assets	(427)	(887)
(Increase)/ decrease in debtors	(110)	107
Increase in creditors	154	130
(Decrease)/ increase / in grants approved but not made	(174)	20
Increase in provisions	27	-
<b>Net cash outflow from operating activities</b>	<b>(2,716)</b>	<b>(2,178)</b>

# The Bath and Wells Diocesan Board of Finance

## Notes to the Financial Statements

### For the year ended 31 December 2019

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## Notes to the Financial Statements

### 1 Accounting Policies

The financial statements have been prepared under the historical cost accounting rules modified to include the revaluation of investments, and in accordance with SORP 2015, the FRS102 accounting standard and the Companies Act 2006. The DBF is a Public Benefit Entity as defined by FRS102.

- i. Investment properties are externally revalued every five years. Any permanent diminution is taken to the income and expenditure account for the year; and
- ii. No depreciation or amortisation is provided in respect of freehold investment properties.

This treatment, as regards the DBF's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the trustees consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any principal uncertainties, related events or conditions that may cast significant doubt on the ability of the DBF to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the DBF has adequate resources to continue in operational existence for the foreseeable future. The financial statements are prepared on a going concern basis.

The principal accounting policies and estimation techniques are as follows.

#### (a) Income

All income is included in the SOFA when the DBF is legally entitled to them as income or capital respectively, ultimate receipt is probable and the amount to be recognised can be quantified with reasonable accuracy.

- i. **Parish Share** is recognised as income of the year in respect of which it is receivable. Amounts undertaken to be paid by the parishes are only accrued if either payment is received by 28 February in the following year or there has been a definite commitment to pay.
- ii. **Rent receivable and parochial fees** are recognised as income of the year to which they relate.
- iii. **Interest and dividends** are recognised as income when receivable, in the case of dividends that is when the DBF's right to receive the dividends has been established (i.e. when the distribution has been declared).
- iv. **Donations, grants and legacies** are recognised when receivable (except in the case of any grants with pre-conditions of entitlement specified by the donor which have not been

# The Bath and Wells Diocesan Board of Finance

## Notes to the Financial Statements

### For the year ended 31 December 2019

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met at the year end. These are included as creditors to be carried forward to the following year).

- v. **Gains on disposal of fixed assets** for the DBF's own use (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.
- vi. **Stipends fund income.** The Stipends Fund Capital account is governed by the Diocesan Stipends Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and related expenditure are both included in the unrestricted column of the SOFA for the sake of greater clarity and simplicity in financial reporting.

#### (b) Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to that category.

- i. **Costs of raising funds** are costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii. **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese and expenditure on education and Church of England schools in the diocese.
- iii. **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the DBF, such grants being recognised as expenditure when the related conditions are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- iv. **Support costs** consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated primarily on the basis of head count.
- v. **Pension contributions.** The DBF's staff are members of the Church Workers' Pension Fund (CWPF) and Clergy are members of the Church of England Funded Pensions Scheme (CEFPS). The pension costs charged as resources expended represent the DBF's contributions payable in respect of the year, in accordance with FRS102. Deficit funding for the pension schemes to which the DBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year. Further details are given in note 28.

The Bath and Wells Diocesan Board of Finance  
Notes to the Financial Statements  
For the year ended 31 December 2019

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**(c) Intangible fixed assets**

Computer software which is separable from the operation of computer hardware is classified as intangible assets in accordance with FRS102 and is amortised to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of other software over their expected useful economic lives on a straight line basis at a rate of 25% per annum.

**(d) Tangible fixed assets and depreciation**

**i. Investment properties**

Any properties which are held for investment purposes and rented out have been included at their fair value. A desktop valuation is carried out annually by Greenslade Taylor Hunt, with a full valuation carried out every five years.

**ii. Parsonage houses**

The DBF has followed the requirements of FRS102, in its accounting treatment for benefice houses (parsonages). FRS102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The DBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees therefore consider the most suitable accounting policy is to capitalise such properties at their cost or estimated market value at time of acquisition if received by gift or transfer.

Depreciation is not provided on the foregoing properties listed in (i) and (ii) above for the following reasons:

Any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value.

Buildings are maintained in a sound condition by a continual repairs and improvements programme, the cost of which is charged to the income and expenditure account. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Trustees perform annual impairment reviews in accordance with the requirements of FRS102 to ensure that the carrying value is not more than the recoverable amount and any movements on the impairment are reflected in the SOFA.

**iii. Houses financed by Value Linked Loans**

The DBF holds an equity interest in a number of houses provided for separated clergy spouses financed by value linked loans from the Church Commissioners. FRS 102 requires the revaluation of loans annually to reflect the current market value of the equity interest. Accordingly these houses are included at estimated market value matched by the loan value (included in long term liabilities).

# The Bath and Wells Diocesan Board of Finance

## Notes to the Financial Statements

### For the year ended 31 December 2019

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#### iv. **Other tangible fixed assets**

Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of other fixed assets over their expected useful economic lives on a straight line basis at the following rates:

Solar PV Panels	4% and 5% per annum
Office Equipment	20% per annum
Computer Equipment	25% per annum

#### **(e) Fixed Asset Investments**

Fixed Asset Investments have been included on the following bases:

- i. Listed investments at their quoted bid price at the balance sheet date.
- ii. Unlisted investments at their market value at the balance sheet date, as provided by the CCLA Investment Management Limited.
- iii. Investment land and property is included at market value based on its existing use.

It is the policy of the DBF to carry out a valuation of the investment properties every five years to establish market value. In the intervening period the DBF adjusts the market value in the light of information available if this is material. The DBF's professional agents valued 30% of the DBF's Glebe investment land assets at 31 December 2019 and the proportionate change in value from 2018 was then applied across the whole of the DBF's Glebe portfolio to give a value for the whole portfolio at 31 December 2019.

Gains and losses on disposal and revaluation of investments are credited or charged to the appropriate fund in the SOFA.

The Diocesan Stipends Fund (DSF) and Stipends Capital Fund permanent endowments comprise assets including Glebe land, listed financial investments and unlisted financial investments which must be held as capital. The Stipends Capital Fund incorporates the Stipends Augmentation Trusts (SAT) fund. From 31 December 2019 the charity has operated a total return approach to the management of the Glebe land and listed and unlisted financial investments representing the DSF and SAT permanent endowment funds. Using this approach the charity is required to analyse the funds between the amount held for investment and the unapplied total return. The charity is permitted to allocated, from the unapplied total return element to income funds, such sums as the Directors see appropriate provided the Directors exercise their statutory duty to be even handed between present and future beneficiaries and that they maintain the unapplied total return at such a level as to ensure it remains positive after having due consideration to the volatility of the investment markets.

Investments held by the DBF as Custodian Trustee are not included in these financial statements as assets of the DBF but are listed in note 30.

#### **(f) Stocks**

Stocks are stated at the lower of cost and net realisable value.

# The Bath and Wells Diocesan Board of Finance

## Notes to the Financial Statements

### For the year ended 31 December 2019

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#### **(g) Financial Instruments**

All loans and borrowings which are basic financial instruments and; i) which are due for repayment in more than one year, and ii) bear interest at a rate lower than equivalent market rate, are recognised at the present value of cash receivable / payable (including interest). The DBF discount rate of 4% is used which is the rate of return which can reasonably be expected from DBF long term investments and the effective interest rate amortisation is included in finance revenue / expenditure in the SOFA.

Equity Loans are included at market value.

#### **(h) Funds**

The DBF's funds have been grouped under the following headings:

##### **i. Unrestricted Funds**

Unrestricted funds are available for any charitable purpose of the DBF. Designated funds are a type of unrestricted fund which the DBF has earmarked for a particular purpose. There are no legally binding restrictions and the DBF is free to re-designate should this be appropriate.

##### **ii. Restricted Funds**

Restricted funds are subject to specific conditions imposed by the donor, these conditions being legally binding upon the DBF.

##### **iii. Endowment Funds**

Permanent endowment funds are a particular type of Restricted Fund which must be held on trust to be retained for the benefit of the DBF as a capital fund. Where the DBF must permanently maintain the whole of the fund it is known as a permanent endowment. Where there is discretion to convert endowed capital into income it is known as expendable endowment.

#### **(i) Key areas of estimates and judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

##### **i. Useful economic lives of fixed assets**

Other than investment properties and houses provided for clergy, fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed depending on a number of factors including product life cycles and maintenance programmes. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

##### **ii. Basis of non-depreciation of fixed assets**

Depreciation is not provided on Investment properties and houses held for clergy use for the reasons stated above (note 1d).



The Bath and Wells Diocesan Board of Finance  
Notes to the Financial Statements  
For the year ended 31 December 2019

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iii. **Revaluation of agricultural (glebe) and other land**

The DBF carries its agricultural (glebe) and other land at valuation with changes in value being recognised in the SOFA. A full revaluation of agricultural land is completed every five years. In intervening years approximately 30% of the land is valued annually and the average adjustment percentage is then applied to the full land portfolio, excluding land under offer which is valued at the offered sales value.

iv. **Assumptions underlying the pension liabilities**

The DBF has recognised liabilities in respect of deficit contributions to the two Church of England pension schemes in which it participates. The measurement of both liabilities is affected by a number of assumptions which are set out in detail in note 28, including discount rates, future contribution rates and the duration of the deficit recovery period.

v. **Discount rates used in NPV calculations**

The Board considers an appropriate discount rate to be used in NPV calculations is based on the opportunity cost of income foregone from investments.

The Bath and Wells Diocesan Board of Finance  
Notes to the Financial Statements  
For the year ended 31 December 2019

	Unrestricted Funds	Restrict-	Endow-	Total	Total
	General	Desig-	ted	Funds	Funds
	£'000	nated	Funds	2019	2018
	£'000	£'000	£'000	£'000	£'000
<b>2a Parish Contributions</b>					
Parish Share					
Current year's allocation	10,539	-	-	10,539	10,282
Additional Payments	19	-	-	19	16
Arrears for previous years	-	-	-	-	3
Shortfall in contributions	(199)	-	-	(199)	(100)
	<b>10,359</b>	<b>-</b>	<b>-</b>	<b>10,359</b>	<b>10,201</b>
Total Parish Share receipts represent 98.3% of the allocation (2018 – 99.2%)					
<b>2b Other Donations</b>					
Allchurches Trust	119	17	-	136	141
Foundation of St Matthias	-	-	63	63	56
RME Ordinands Grant	-	-	434	434	247
Donations, Grants, Sponsorships & Legacies	4	-	256	260	258
	<b>123</b>	<b>17</b>	<b>753</b>	<b>893</b>	<b>702</b>
<b>3 Charitable Activities</b>					
Statutory fees and chaplaincy income	589	-	-	589	602
Course fees and other	138	-	2	140	111
	<b>727</b>	<b>-</b>	<b>2</b>	<b>729</b>	<b>713</b>
<b>4 Other Activities</b>					
Rental income from clergy houses, schools and the Old Deanery	299	-	5	304	286
Support services	14	-	20	34	41
	<b>313</b>	<b>-</b>	<b>25</b>	<b>338</b>	<b>327</b>
<b>5 Investment Income</b>					
Dividends receivable	759	7	140	906	956
Interest receivable	95	-	12	107	98
Notional Interest re net present value	(7)	-	-	(7)	(15)
Rents receivable	409	-	-	409	390
	<b>1,256</b>	<b>7</b>	<b>152</b>	<b>1,415</b>	<b>1,429</b>
<b>6 Other Income</b>					
Gain on disposal of properties	23	-	-	404	886
Solar PV Panel FiT Income	121	-	-	121	113
Other	8	-	2	10	11
	<b>152</b>	<b>-</b>	<b>2</b>	<b>558</b>	<b>1,010</b>

The Bath and Wells Diocesan Board of Finance  
Notes to the Financial Statements  
For the year ended 31 December 2019

	Unrestricted General £'000	Funds Desig- nated £'000	Restr- icted Funds £'000	Endow- ment Funds £'000	Total Funds 2019 £'000	Total Funds 2018 £'000
<b>7 Costs of raising funds</b>						
Stockbroker's fees	39	-	5	-	44	67
Value Linked loans interest	13	-	-	-	13	13
Interest cost & expenses: pension schemes	16	-	-	70	86	64
Glebe Land & Clergy Houses letting costs	131	-	-	-	131	117
	<b>199</b>	<b>-</b>	<b>5</b>	<b>70</b>	<b>274</b>	<b>261</b>
<b>8 Charitable activities</b>						
<b>Contribution to Archbishops' Council</b>						
Training for Ministry	393	-	-	-	393	382
National Church Responsibilities	312	-	-	-	312	304
Grants and provisions	33	-	-	-	33	33
Mission Agency pension contributions	4	-	-	-	4	4
Retired Clergy Housing (CHARM) & Grants	134	-	-	-	134	128
Pooling of ordinand candidates' costs	-	-	-	-	-	12
	<b>876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>876</b>	<b>863</b>
<b>Resourcing Ministry and Mission</b>						
<b>Parish Ministry:</b>						
Stipends and Social Security	5,136	-	60	-	5,196	5,240
Pension contributions	1,218	-	-	-	1,218	1,242
Housing costs	1,336	-	646	-	1,982	1,743
Removal, resettlement and other grants	208	-	7	-	215	251
Other expenses	90	-	47	-	137	132
	<b>7,988</b>	<b>-</b>	<b>760</b>	<b>-</b>	<b>8,748</b>	<b>8,608</b>
Support for ministry	3,099	215	767	-	4,081	3,707
Fund for Church Growth	-	(10)	-	-	(10)	236
	<b>11,087</b>	<b>205</b>	<b>1,527</b>	<b>-</b>	<b>12,819</b>	<b>12,551</b>
<b>Expenditure on Education</b>						
Church Schools: Administration	415	-	73	-	488	517
	<b>12,378</b>	<b>205</b>	<b>1,600</b>	<b>-</b>	<b>14,183</b>	<b>13,931</b>

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	Unrestricted Funds	Restr-	Endow-	Total	Total
	General	Desig-	icted	Funds	Funds
	£'000	nated	Funds	2019	2018
	£'000	£'000	£'000	£'000	£'000
<b>9 Gains/(losses) on Investment Assets</b>					
Unrealised gains/(losses) after revaluation (*)	544	33	140	2,185	2,902
Realised gains/(losses) on disposal	(20)	(1)	(2)	162	139
	<b>524</b>	<b>32</b>	<b>138</b>	<b>2,347</b>	<b>3,041</b>
					<b>(2,410)</b>

(\*) includes £0.1m gain in relation to the revaluation of Glebe Agricultural Land (2018 - £0.4m).

**10 Analysis Of Resources Expended Including Allocation Of Support Costs**

	Activities undertaken	Grant		Total	Total
	Directly	funding of	Support	2019	2018
	£'000	activities	Costs	£'000	£'000
Raising Funds	274	-	-	274	261
Charitable Activities:					
Contributions to Archbishops' Council	393	483	-	876	862
Resourcing ministry and mission	11,175	616	1,028	12,819	12,552
Education	443	-	45	488	517
Fixed Asset Impairment	41	-	-	41	314
	<b>12,326</b>	<b>1,099</b>	<b>1,073</b>	<b>14,498</b>	<b>14,506</b>

	Unrestricted Funds	Restr-	Endow-	Total	Total
	General	Desig-	icted	Funds	Funds
	£'000	nated	Funds	2019	2018
	£'000	£'000	£'000	£'000	£'000
<b>11 Analysis Of Support Costs</b>					
Central Administration	984	-	-	984	954
Support for Schools	-	-	45	45	43
Governance:					
External Audit	18	-	2	20	17
Professional Fees	6	-	-	6	4
Diocesan and General Synod Expenses	18	-	-	18	11
	<b>1,026</b>	<b>-</b>	<b>47</b>	<b>1,073</b>	<b>1,029</b>

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**12 Analysis of Grants Made**

		<b>Total Grants to Total Institutional Grants</b>		<b>2019</b>	<b>2018</b>
	<b>No. of Grants</b>	<b>individuals</b>	<b>institutional</b>	<b>£'000</b>	<b>£'000</b>
<b>a) National Church Responsibilities</b>					
<b>From Unrestricted General funds to:-</b>					
Archbishops' Council, General Synod, etc.	1	-	313	<b>313</b>	304
Training Ordinands	1	-	394	<b>394</b>	382
Grants and Provisions	1	-	33	<b>33</b>	33
Inter-diocesan support of Mission Agency clergy pension contributions	1	-	4	<b>4</b>	4
CHARM	1	-	134	<b>134</b>	128
National Pooling adjustment	-	-	-	-	12
	<b>5</b>	-	<b>878</b>	<b>878</b>	863
<b>b) General Grants</b>					
<b>From Unrestricted General Funds to:-</b>					
Ordinands in training	18	207	-	<b>207</b>	175
Somerset Churches Together	1	-	12	<b>12</b>	12
Bath and West Show Tent	1	-	2	<b>2</b>	2
Other Miscellaneous Grants	1	2	-	<b>2</b>	11
Less grants no longer required	(1)	-	(5)	<b>(5)</b>	-
	<b>20</b>	<b>209</b>	<b>9</b>	<b>218</b>	200
<b>From Designated Funds to:-</b>					
PCCs and Deaneries from the Fund for Church Growth					
Youth Work	-	-	-	-	47
Other Staff	-	-	-	-	53
Building and re-ordering	-	-	-	-	58
Other projects	-	-	-	-	79
Less grants no longer required	(3)	-	(7)	<b>(7)</b>	-
	<b>(3)</b>	-	<b>(7)</b>	<b>(7)</b>	237
<b>From Restricted Funds to:</b>					
Clergy (including retired and clergy widows)	<b>10</b>	<b>10</b>	-	<b>10</b>	10
<b>Total Grants Payable</b>	<b>32</b>	<b>219</b>	<b>880</b>	<b>1,099</b>	1,310

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**13 Trustees And Related Parties**

In 2019 the trusts which are administered from the DBF's registered office paid management charges of £4,378 to the DBF (2018 - £4,163).

The Rib Trust made a grant of £37,000 to the Board (2018 - £37,000) towards the Archdeacons' working costs. The Foundation of St Matthias made a grant to the Diocesan Board of Education of £57,333 (2018 - £56,000) towards the work of School RE Advisers, Resource Centre and Further Education development. There were no amounts outstanding at the current or prior year end.

**Trustees' Emoluments**

No trustee received any remuneration for services as trustee, 15 (2018 -14) were reimbursed with a total of £18,370 (2018 - £18,623) for the cost of travel and subsistence incurred in the course of services performed as a trustee in respect of General Synod duties, duties as archdeacon or area dean, and other duties as trustees.

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**13 Trustees and Related Parties (continued)**

Stipends and other benefits received by trustees in respect of their capacities other than trusteeship, serving as ecclesiastical office holders through the Church Commissioners (at the expense of the DBF unless indicated) were:

Office Holder	Individual	Stipendiary package
The Bishop of Bath And Wells	The Rt Revd P Hancock	<b>Funded by the Church Commissioners:</b> £45,730 stipend & defined benefit pension scheme Living accommodation & car for official use
The Bishop of Taunton	The Rt Revd R Worsley	<b>Funded by the Church Commissioners:</b> £37,710 stipend, car for official use Defined benefit pension scheme <b>Funded by the DBF:</b> Living accommodation
Archdeacons	The Ven S Hill The Ven A Gell The Ven Dr A Youings	) £35,924 stipend ) Defined benefit pension scheme ) Living accommodation
	Revd A Thomas Revd C Ralph Revd B Faulkner Revd D Greenfield Revd J Haslam Revd S Buddle Revd R Driver	) ) ) £26,555 stipend ) Defined benefit pension scheme ) Living accommodation ) )

In total 10 (2018 - 10) trustees received stipends and pension contributions as follows:

	2019	2018
	£	£
Stipends	295,300	287,905
Pension Contributions	103,628	101,699
	<b>398,928</b>	<b>389,604</b>

The value of church provided housing in 2019 to the clergy and bishops cannot be estimated.

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**14 Staff And Office holders**

	<b>2019</b>	<b>2018</b>
<b>14a Staff Costs</b>	<b>£'000</b>	<b>£'000</b>
Staff costs during the year were as follows:		
Wages and salaries	2,081	1,939
Stipends of ordained staff members	5	5
National insurance contributions	186	174
Pension costs	231	215
	<b>2,503</b>	<b>2,333</b>

During the year, the DBF made no staff termination payments (2018 - one payment totalling £30,268). This amount is included in staff costs above.

The average number of employees during the year was:	<b>No.</b>	<b>No.</b>
Lay Workers	5.6	6.0
Ministry for Mission	26.8	21.1
Central Services	33.7	31.9
Education	16.3	16.3
	<b>82.4</b>	<b>75.3</b>

The average number of employees during the year, based upon full-time equivalents, was: (*)	<b>No.</b>	<b>No.</b>
Lay Workers	3.7	4.0
Ministry for Mission	21.7	16.0
Central Services	26.8	25.6
Education	14.3	14.7
	<b>66.5</b>	<b>60.3</b>

(\*) Including 1.7 (2018 - 1.7) staff whose time was recharged or funded by external organisations

Of the average number of employees, 62 were based in the Diocesan office (2018 - 60), 9 were based in other locations (2018 - 7) and 11 were based in Parishes and Deaneries (2018 - 8).

Ministry for Mission is made up of five teams: Discipleship, Evangelism, Mission, Training and Vocations. Central Services is made up of nine teams: Archdeacons' PAs, Communications, Facilities, Finance, HR, Property, Safeguarding, Secretariat and Strategic Programme Management. Education is made up of three teams: Schools Organisation, Schools Effectiveness and Youth & Children.

The numbers of staff whose emoluments (including benefits in kind but excluding pension contributions) amounted to more than £60,000 were as follows:

	<b>2019</b>	<b>2018</b>
£60,001 - £70,000	1	-
£70,001 - £80,000	1	1

Pension contributions of £14,059 (2018: £7,835) were made for these employees.



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**14a Staff Costs (continued)**

**Remuneration of Key Management Personnel**

Key management personnel are those deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2019 they were:

Head of Function	Role	Office Holder
Central Services	Diocesan Secretary and Company Secretary Head of Strategic Programme	Preb Nicholas May  Revd Charlie Peer
Education	Director of Education	Edward Gregory (from 07/01/19)
Ministry for Mission	Head of Ministry for Mission	Revd Jane Chamberlain

Remuneration, pension contributions and expenses for 4 (2018 – 5 (4 FTE)) key management personnel were as follows:

	2019	2018
	£'000	£'000
Salaries/ Stipends	205	179
National Insurance contributions	23	21
Pension Contributions	20	18
	<b>248</b>	<b>219</b>
Expenses	<b>4</b>	<b>3</b>

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<b>14b Office holders</b>	<b>2019 FTE No.</b>	<b>2018 FTE No.</b>
Office holders not employees		
The average number of stipendiary clergy holding parochial, deanery or archidiaconal posts in the diocese was:	<b>185</b>	<b>191</b>
At a cost of:	<b>£'000</b>	<b>£'000</b>
Stipends & Housing Allowances	4,833	4,888
National Insurance Contributions	383	390
Apprenticeship Levy	22	22
Pensions contributions	1,208	1,233
	<b>6,446</b>	<b>6,533</b>

The changes between 2019 and 2018 of FTE stipendiary clergy is primarily due to an average increase in vacant posts offset by an increase in curates. The average level of vacancies in 2019 was estimated at 26.9 (2018 - 16.9), being 14.8% of all posts (2018 - 9.3% of all posts).

	<b>Unrestricted Funds General £'000</b>	<b>Designated £'000</b>	<b>Restricted Funds £'000</b>	<b>Endowment Funds £'000</b>
<b>15 Analysis Of Transfers Between Funds</b>				
Parsonage houses buy/sell - net proceeds/costs	(290)	-	1,342	(1,052)
Restricted transfers	75	-	(75)	-
<b>Transfer from unrestricted to designated funds:</b>				
Transfer from Tangible Fixed Assets fund	273	(273)	-	-
Transfer from Academies Conversion reserve	1	(1)	-	-
Transfer from Refugees reserve	1	(1)	-	-
Transfer from Quinquennial reserve	1	(1)	-	-
Transfer to Ordinands training reserve	(10)	10	-	-
Transfer to Other Designated reserves	(64)	64	-	-
Mission Development Fund	45	(98)	53	-
Fund for Church Growth	-	2	(2)	-
Management charges (FCG, Schools, etc.)	33	(3)	(30)	-
Management charges on house sales	33	-	-	(33)
Management charges on Glebe land sales	11	-	-	(11)
	<b>109</b>	<b>(301)</b>	<b>1,288</b>	<b>(1,096)</b>

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	Computer Software £'000
<b>16 Intangible Fixed Assets</b>	
<b>Cost</b>	
At 1 January 2019	165
Additions	1
<b>At 31 December 2019</b>	<b>166</b>
<b>Amortisation</b>	
At 1 January 2019	164
Charge for the year	-
<b>At 31 December 2019</b>	<b>164</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>2</b>
At 31 December 2018	1

	Freehold/ Leasehold Land and Buildings £'000	Solar PV Panels £'000	Office Assets Under Equip't Construction £'000	£'000	Total £'000
<b>17 Tangible Fixed Assets</b>					
<b>Cost</b>					
At 1 January 2019	63,293	690	330	-	64,313
Additions	5,054	82	94	585	5,815
Revaluation	-	-	-	-	-
Disposals	(1,702)	(13)	-	-	(1,715)
<b>At 31 December 2019</b>	<b>66,645</b>	<b>759</b>	<b>424</b>	<b>585</b>	<b>68,413</b>
<b>Depreciation and Impairment</b>					
Depreciation at 1 January 2019	-	191	280	-	471
Impairment at 1 January 2019	716	-	-	-	716
Impairment charge for the year	41	-	-	-	41
Depreciation charge for year	-	28	32	-	60
Disposals	(34)	(4)	-	-	(38)
<b>At 31 December 2019</b>	<b>723</b>	<b>215</b>	<b>312</b>	<b>-</b>	<b>1,250</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	<b>65,922</b>	<b>544</b>	<b>112</b>	<b>585</b>	<b>67,163</b>
At 31 December 2018	62,577	499	50	-	63,126

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	2019	2019	2018	2018
	No.	£'000	No.	£'000
<b>Freehold / Leasehold Land and Buildings</b>				
<b>Freehold</b>				
Benefice property: Parsonage houses	169	40,171	169	40,116
Glebe property: Curates' houses	29	8,144	27	7,626
Other houses	30	7,755	31	7,922
	59	15,899	58	15,548
Corporate property: Curates' houses	2	563	2	563
Other houses	22	5,534	21	5,278
Houses bought with val. linked loans (at valuation)	4	756	4	756
Edginton house	1	281	1	281
	29	7,134	28	6,878
<b>Leasehold</b>				
Long leasehold	2	2,718	1	35
<b>Total Freehold / Leasehold Land and Buildings</b>	<b>259</b>	<b>65,922</b>	<b>256</b>	<b>62,577</b>
<b>School Land &amp; Buildings</b>				
School Land & Buildings	121	-	121	-

All of the properties in the balance sheet are vested in the Board, except for benefice houses which are vested in the incumbent.

Some properties have been purchased with the help of a value-linked loan from the Church Commissioners; when disposed of, the appropriate share of the net sale proceeds will be remitted to the Commissioners, and the related loan liability extinguished. These are stated at valuation, as is the related loan liability (note 22).

Of the total land and buildings at 31 December 2019, 255 properties (£65,166k) are valued at cost or deemed cost (2018 - 252), and four properties (£756k) at valuation (2018 - four).

Properties are subject to a five-year cycle of survey and consequent repairs are charged as expenditure.

During the year three buildings were impaired where their market value was estimated to be below their cost.

The balance in Assets Under Construction relates to improvements made to long-term leasehold buildings purchased in the year but which were not yet complete at the balance sheet date.

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	<b>Agricultural Land</b>	<b>Other Land &amp; Property</b>	<b>Unlisted Invest- ments</b>	<b>Listed Invest- ments</b>	<b>Total 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed Assets Investments</b>					
<b>At 1 January 2019</b>	20,143	639	6,479	13,970	<b>41,231</b>
Additions	-	-	-	650	<b>650</b>
Disposals	(293)	-	-	(1,121)	<b>(1,414)</b>
Revaluation	92	-	237	2,571	<b>2,900</b>
<b>At 31 December 2019</b>	<b>19,942</b>	<b>639</b>	<b>6,716</b>	<b>16,070</b>	<b>43,367</b>
<b>Cost at 31 December 2019</b>	Not known	Not known	<b>4,146</b>	<b>13,493</b>	
Cost at 31 December 2018	Not known	Not known	4,146	14,489	
<b>Investments comprise:-</b>				<b>2019</b>	<b>2018</b>
<b>Listed Investments (Equities)</b>				<b>£'000</b>	<b>£'000</b>
UK Investments				12,557	10,457
Non-UK Investments				2,149	2,022
				<b>14,706</b>	<b>12,479</b>
<b>Listed Investments (Unit Trusts)</b>					
UK Investments				<b>169</b>	<b>158</b>
<b>Listed Investments (Fixed Interest)</b>					
UK Investments				<b>1,195</b>	<b>1,333</b>
<b>Listed Investments Total</b>				<b>16,070</b>	<b>13,970</b>
<b>Unlisted Investments</b>				<b>£'000</b>	<b>£'000</b>
3,251,223 Central Board of Finance of the Church of England Property Fund Shares (2018 - 3,251,223)				4,428	4,547
115,727 Central Board of Finance of the Church of England Investment Fund Share (2018 - 115,727)				2,217	1,869
3,139 COIF Charity Investment Fund Income Shares (2018 - 3,139)				53	45
2,000 Central Board of Finance of the Church of England Fixed Interest Fund Shares (2018 - 2,000)				3	3
Somerset Savings and Loans Ltd				15	15
				<b>6,716</b>	<b>6,479</b>
<b>Other Land and Property</b>				<b>2019</b>	<b>2018</b>
				<b>£'000</b>	<b>£'000</b>
Glebe Property				610	610
Other Land				29	29
				<b>639</b>	<b>639</b>

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**18b Application of the Power of Total Return on Investments**

As disclosed in the Investment policy of the Trustees report from 31 December 2019 the DBF adopted a total return approach to investments with regard to the Glebe land, listed financial investments and unlisted financial investments portfolios of the DSF and SAT permanent endowments. The investment power of total return permits the DBF to invest the permanent endowment of the Diocesan Stipends Fund (DSF) and Stipends Augmentation Trusts (SAT) element of the Stipends Capital Fund in order to maximise total return and apply an appropriate portion of the unapplied total return (UTR) each year. Until the power is exercised to transfer a portion of the UTR to income funds, the UTR remains part of the permanent endowment.

The initial value for implementing total return for investments was determined at 31 December 1995 and valued at £8.571m and £0.688m for the DSF and SAT funds, respectively. This was the amount held in Glebe property and listed and unlisted financial investments at this date. The UTR was calculated as at 31 December 2019 and valued at £19.457m and £0.331m for the DSF and SAT funds, respectively. This represents the increase above inflation of the value of these investments since the initial valuation, adjusted for the introduction of any new investment in the portfolios since initial valuation.

	Trust for investment £'000	UTR £'000	Total Endowmen £'000
<b>(i) Diocesan Stipends Fund (DSF)</b>			
<b>At 1st January 2019</b>			
Base value of permanent endowment	-	-	-
Unapplied Total Return	-	-	-
<b>Total</b>	-	-	-
<b>Movements in the reporting period</b>			
Initial measurement of Trust for Investment and UTR	13,676	19,457	33,133
<b>Total</b>	<b>13,676</b>	<b>19,457</b>	<b>33,133</b>
<b>At 31st December 2019</b>			
Base of the permanent endowment	13,676	-	13,676
Unapplied Total Return	-	19,457	19,457
<b>Total</b>	<b>13,676</b>	<b>19,457</b>	<b>33,133</b>

There was no transfer from UTR to income funds during the year as the Trust for investment and UTR were only initially recorded on the balance sheet date.

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	Trust for investment £'000	UTR £'000	Total Endowmen £'000
<b>(ii) Stipends Augmentation Trusts (SAT)</b>			
<b>At 1st January 2019</b>			
Base value of permanent endowment	-	-	-
Unapplied Total Return	-	-	-
<b>Total</b>	-	-	-
<b>Movements in the reporting period</b>			
Initial measurement of Trust for Investment and UTR	1,098	331	1,429
<b>Total</b>	<b>1,098</b>	<b>331</b>	<b>1,429</b>
<b>At 31st December 2019</b>			
Base of the permanent endowment	1,098	-	1,098
Unapplied Total Return	-	331	331
<b>Total</b>	<b>1,098</b>	<b>331</b>	<b>1,429</b>

There was no transfer from UTR to income funds during the year as the Trust for investment and UTR were only initially recorded on the balance sheet date.

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	2019 £'000	2018 £'000
<b>19 Debtors</b>		
<b>Due within one year</b>		
a) Parish Share	206	288
b) Central Board of Finance Deposit Fund Loans	131	140
c) Loans to PCCs from Designated Fund or FCG	30	-
d) School Loans	71	72
e) Other Loans	10	8
d) Closed School Expenses and other School debtors	26	28
f) Other Debtors and Prepayments	953	767
g) Equity Loans	485	485
	<b>1,912</b>	<b>1,788</b>
<b>Due after one year</b>		
b) Central Board of Finance Deposit Fund Loans (*)	426	558
c) Loans to PCCs from Designated Fund or FCG (*)	501	263
d) School Loans (*)	32	25
e) Other Loans	7	7
	<b>966</b>	<b>853</b>
<b>Total debtors</b>	<b>2,878</b>	<b>2,641</b>

(\*) these amounts are stated at net present value using a discount rate of 4%

**Debtors Notes:**

**(a) Parish Share**

Parish Share debtors comprise balances of requested contributions outstanding which have been paid in full after the year end or where an arrangement to pay has been agreed.

**(b) Central Board of Finance Deposit Fund loans**

These are loans made by the DBF from the CBF Deposit Fund under the Church Funds Investment Measure 1958 for forward lending to parishes and are therefore shown both in Debtors and Creditors. Loans are normally provided for a period of five or ten years and are repayable by equal annual instalments. The rate of interest is equivalent to the monthly average rate declared by the CCLA CBF Deposit Fund plus 0.55%.

**(c) Loans to PCCs from Diocesan Loan Fund**

These are loans advanced from the £1m designated Diocesan Loan Fund repayable over various terms up to 20 years and at various interest rates.



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At 31 December 2019 the total present value of balances outstanding was £247,263 and the total non-discounted value £262,180. The significant balances were:

- i. A £400,000 loan was provided to Nailsea Holy Trinity PCC on 28 October 2010 for the purchase of the former rectory at 2 Church Lane Nailsea upon its sale by the DBF. The rate of interest on the loan is 1% above the Bank of England base rate, payable annually in arrears. The term of the loan was extended in 2015 to October 2024. The loan is repayable in variable annual instalments and the present value of the balance at 31 December 2019 was £134,247. The DBF holds a legal charge on the property, discharged upon repayment of the loan capital and accrued interest by the PCC.
- ii. A £225,000 loan was provided to Keynsham PCC on 23 November 2010 for the purchase of the former rectory at 1 The Park, Keynsham upon its sale by the DBF. The term of the loan was extended in 2017 to the end of 2034. The rate of interest on the loan is 2% above the Bank of England base rate, payable annually in arrears and the present value of the balance outstanding at 31 December 2019 was £65,597. The DBF holds a legal charge on the property, discharged upon repayment of the loan capital and accrued interest by the PCC.

A loan of £290,000 to the PCC of Heathfield with Cotford St Luke, provided through a back-to-back arrangement with NatWest bank, and as such there is a corresponding creditor (see note 22). The rate of interest is 1% above base rate and the term of the loan is five years. The loan is secured using a second charge on land at Cotford St Luke and its associated assets. This loan had an outstanding balance of £283,733 at the year end.

#### **(d) School Loans**

The DBF acts as 'banker' to school governors for capital and repair works at voluntary aided schools. The accounts are paid by the DBF and the costs are recovered from the Department for Education, the Local Education Authority and the governors themselves for their respective liabilities.

#### **(e) Other Loans**

This amount includes loans to individuals from restricted charitable funds and staff car loans.

#### **(f) Other Debtors and Prepayments**

This figure is made up of sundry debtors, prepayments, accrued interest and dividends, rents recoverable and expenses on closed schools to be recovered upon sale, and accrued bond interest.

#### **(g) Equity Loans**

Equity loans are made to retired clergy and clergy spouses to enable them to purchase property on a shared equity basis. At 31 December 2019 the value of loans advanced amounted to £485,007 in respect of three properties.

	2019	2018
<b>20 Assets held for resale</b>	<b>£'000</b>	<b>£'000</b>
Closed churches awaiting disposal	<u>150</u>	<u>150</u>

The value represents an estimate of expected sales proceeds receivable.

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<b>21 Cash at bank and on deposit</b>	<b>Unrestr- icted Funds £'000</b>	<b>Restr- icted Funds £'000</b>	<b>Endow- ment Funds £'000</b>	<b>2019 Total £'000</b>	<b>2018 Total £'000</b>
Cash on deposit	14	550	11	575	651
Cash at bank and in hand	504	1,037	-	1,541	2,022
Cash held by broker for investment	35	34	4	73	123
Cash held in solicitors' client account	-	523	-	523	-
	<b>553</b>	<b>2,144</b>	<b>15</b>	<b>2,712</b>	<b>2,796</b>

<b>22 Creditors</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Due within one year</b>		
a) Bank loans	160	93
Fund for Church Growth grants approved not yet paid	73	228
Closed Church Schools	740	420
Bank revolving credit facility	3,000	2,900
Provisions	27	-
Other Creditors and Accruals	1,093	1,284
	<b>5,093</b>	<b>4,925</b>
<b>Due after one year</b>		
a) Bank loans	4,503	642
b) Central Board of Finance Deposit Fund Loans (*)	830	805
c) Value Linked Loans	756	756
Fund for Church Growth grants approved not yet paid (*)	2	20
	<b>6,091</b>	<b>2,223</b>

(\*) these amounts are stated at net present value using a discount rate of 4%

**Creditors Notes**

**(a) Bank Loans**

The DBF took two separate loans with NatWest to fund the investments in PV panels in April and June 2013. Interest on the first loan of £240,000 was charged at 2.75% above base rate. The second loan of £445,000 was a refinancing loan for a Central Board of Finance Deposit Fund loan. Interest on this loan was charged at 2.67% above base rate. Both of these loans were refinanced during the prior year into one loan of £440,800. Interest is charged 1.5% above base rate.

## The Bath and Wells Diocesan Board of Finance

### Notes to the Financial Statements

#### For the year ended 31 December 2019

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A £200,000 loan was taken out with NatWest bank in 2016 to finance a house purchase. The term of the loan is 10 years, at a fixed interest rate of 2.67%. A further £170,000 loan was taken out with NatWest bank in 2016 to finance a house purchase. The term of the loan is 10 years, at a fixed interest rate of 3.73%.

During the year a number of new loan agreements were entered into with NatWest bank;

- **Pioneer House mortgages.** Three loan agreements for £122,500, £213,500 and £332,500 were entered into in order to finance the purchase of houses for Pioneer Ministers. The terms of these agreements are each five years and the interest rates are each 1.72% above base rate. These loans are secured on the pioneer houses.
- **Flourish House purchase.** A loan of £2,575,000 was agreed to fund the purchase of Flourish House, the new Diocesan office building. The terms of this agreement is seven years and the interest rate is 1.53% above base rate. This loan is secured on the Old Deanery and Flourish House.
- **Flourish House development.** A further loan facility of £1,400,000 was agreed to fund the internal fit-out of Flourish House, with a term of two years and an interest rate of 1.8% above base rate. At the year end £492,000 of this facility had been drawn down. This loan facility is partly secured on the Old Deanery and partly unsecured.
- **Parish loans.** A loan of £290,000 was agreed in order to provide an onward loan to the PCC of Heathfield with Cotford St Luke (see debtors note 19). The term of this loan is five years and the interest rate is 1.65% above base rate. This loan is secured by way of a third party charge on St Luke's Centre on land at Cotford St Luke.

#### **(b) Central Board of Finance Deposit Fund Loan**

This loan was made to the DBF from the Deposit Fund under the Church Funds Investment Measure 1958 for forward lending to parishes. In 2016 £1m was loaned to the DBF for 10 years on an interest only basis to allow loan funds to be committed and available to be drawn by parishes when required. The present value of this loan was £829,864 at 31 December 2019. The rate of interest is equivalent to the monthly average rate declared by the CCLA CBF Deposit Fund plus 0.55%.

#### **(c) Church Commissioners' Value Linked Loans**

The loans are repayable either when the houses concerned are sold or cease to be occupied by a licensed lay worker or clergy spouse whose marriage has broken down. Interest is charged by the Commissioners on the amount loaned initially and borne by the DBF, the rate rising annually by the increase in the Retail Price Index. In 2019 the interest rates charged on the loans ranged between 6.9% and 8.4% (2018 - 6.9% and 8.4%) The loans are represented by Freehold land and buildings (note 17).

The Diocesan Annual Report and Financial Statements Guide recommends that the loans should be revalued annually in line with the basis adopted by the Church Commissioners. The recommendation has now been adopted by the DBF and the corresponding fixed assets (see note 17) have been revalued as a separate identifiable asset class.

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	2019	2018
	£'000	£'000
<b>23 Financial Instruments</b>		
Financial assets measured at fair value	<b>23,271</b>	20,934
Financial assets measured at amortised cost	<b>1,607</b>	1,398
Financial liabilities measured at fair value	<b>756</b>	756
Financial liabilities measured at amortised cost	<b>7,184</b>	4,015

Financial assets measured at fair value comprise listed and unlisted investments and equity loans.

Financial assets measured at amortised cost comprise trade debtors, other debtors, other loans to parishes and other receivables.

Financial liabilities measured at fair value comprise value linked loans

Financial liabilities measured at amortised cost comprise trade creditors, loans, other creditors and amounts held for other bodies.

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	At 01/01/19 £'000	Income £'000	Expend- iture £'000	Transfers £'000	Reval- uation £'000	At 31/12/19 £'000
<b>24 Summary Of Fund Movements</b>						
<b>Unrestricted Funds</b>						
(a) General	4,934	11,943	(11,590)	109	519	5,915
(b) Diocesan Stipends Fund Income	-	987	(987)	-	-	-
	<b>4,934</b>	<b>12,930</b>	<b>(12,577)</b>	<b>109</b>	<b>519</b>	<b>5,915</b>
<b>Designated Funds</b>						
(c) Tangible Fixed Assets Fund	6,122	-	-	(273)	-	5,849
(d) Loan Fund	1,000	-	-	-	-	1,000
(e) Fund for Church Growth	45	-	10	(1)	-	54
(f) Pastoral Care & Counselling Scheme	143	7	(6)	-	32	176
(g) Mission Development Fund	1,250	17	(209)	(98)	-	960
(h) Other Designated	50	-	-	71	-	121
	<b>8,610</b>	<b>24</b>	<b>(205)</b>	<b>(301)</b>	<b>32</b>	<b>8,160</b>
<b>Total Unrestricted Funds</b>	<b>13,544</b>	<b>12,954</b>	<b>(12,782)</b>	<b>(192)</b>	<b>551</b>	<b>14,075</b>

**Notes on Unrestricted funds**

**(a) General Fund**

The General Fund reserve represents those assets held by the DBF for carrying out its general activities. It provides the assets and liquidity for the DBF to carry out its objectives, including statutory compliance, administration of funds and some housing.

**(b) Diocesan Stipends Fund (DSF) Income Account** is governed by the Diocesan Stipends Fund Measure 1953. Income is derived from cash and investments (including glebe) representing the Diocesan Stipends Fund Capital Account. It is used to augment the stipends of incumbents.

**(c) Tangible Fixed Assets Fund** represents the value in the Balance Sheet of: Board houses kept for the purpose of housing current and future clergy; solar PV panels on clergy houses and office equipment; less creditors held for the specific purposes of financing these assets.

**(d) Diocesan Loan Fund** £1m was transferred to this fund in 2014 to allow parishes the possibility of applying for loans to assist with their capital projects and other initiatives.

**(e) The Fund for Church Growth (FCG)** exists to support local mission and outreach in the diocese.

**(f) The Pastoral Care and Counselling Scheme** was set up in 1993 to provide trained therapists and counsellors to support clergy and their family in the diocese.

**(g) The Mission Development Fund** exists to resource the developing strategy into the future and to enable applications to the National Church's Strategic Development Fund.

**(h) Other designated funds** consisting of amounts designated from the General Fund to be spent on specific projects by departments. At 31 December 2019 these comprise:

- **Education:** £3,000 for resourcing of future Pilgrim Days.

The Bath and Wells Diocesan Board of Finance  
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- **Ministry for Mission:** £58,000 for Partners in Missional Church project, Pioneer / Seedcorn funding, Evangelism training courses, Discipleship resources, Eco church and other mission initiatives.
- **Ordinands' Training:** £23,500 for training costs not recoverable from Archbishops' Council.
- **Other Diocesan Expenditure:** £10,000 towards office move costs and other diocesan expenditure.
- **Safeguarding:** £26,000 towards the future cost of Past Cases Review 2 (PCR2).

	At 01/01/19	Income	Expend- iture	Transfers	Reval- uation	At 31/12/19
	£'000	£'000	£'000	£'000	£'000	£'000
<b>24 Summary Of Fund Movements</b>						
<b>(continued)</b>						
<b>Restricted Funds</b>						
(a) Schools Income Fund	386	64	(130)	(30)	55	<b>345</b>
(b) Diocesan Pastoral Account	482	-	(621)	438	-	<b>299</b>
(c) Support of clergy and dependants	177	9	(2)	-	21	<b>205</b>
(d) Retired clergy funds	60	10	(13)	-	-	<b>57</b>
(e) Porlock Wyld Trust	51	5	-	-	5	<b>61</b>
(f) Edginton Trust	159	7	(4)	-	-	<b>162</b>
(g) Zambia Link	265	13	-	(11)	-	<b>267</b>
(h) Smith Bequest	303	12	(2)	-	57	<b>370</b>
(i) DBE Restricted Grants	73	175	(210)	-	-	<b>38</b>
(j) Abbey House Fund	66	-	-	-	-	<b>66</b>
(k) Strategic Development Fund	-	156	(167)	11	-	<b>-</b>
(l) Benefice Houses	-	-	-	901	-	<b>901</b>
(m) Other Restricted	40	483	(456)	(21)	-	<b>46</b>
<b>Total Restricted Funds</b>	<b>2,062</b>	<b>934</b>	<b>(1,605)</b>	<b>1,288</b>	<b>138</b>	<b>2,817</b>

**Notes on Restricted Funds:**

The income funds of the DBF include restricted funds comprising the above unexpended balances of donations, grants and investment income held on trusts to be applied for specific purposes.

**(a) Schools Income Fund** which may be used for the same purposes as the Schools Capital Fund (see Expendable Endowments) and may also be used for any of the following:

- The provision of advice, guidance and resources for the management of or education in any relevant school in the diocese.
- The provision of services for the carrying out of any inspection of a school in the diocese required by Part 1 of the School Inspection Act 1996
- To defray the cost of employing staff in connection with
  - the application of income of the relevant trust assets for the above purposes

# The Bath and Wells Diocesan Board of Finance

## Notes to the Financial Statements

### For the year ended 31 December 2019

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- The application of capital or income of the relevant trust assets for any purpose referred to in paragraph 1 of Schedule 36.

By virtue of section 557(10) of the Education Act 1996 a relevant school includes an Academy

**(b) Diocesan Pastoral Account (DPA)** made up from the sales or transfers of churches and parsonage houses which have become redundant under pastoral re-organisation. The purposes of the fund are laid down in Sections 93 and 94 of the Mission and Pastoral Measures 2011; the main ones being

- Costs incurred for the purpose of the Measure except for salaries of regular diocesan employees.
- Costs of disposing or maintaining houses or churches vested in the DBF or Commissioners.
- For the benefit of another diocese or transfer to the DSF Capital or Income Fund.

**(c) Support of Clergy and Dependants Funds** are revenue funds made up of trust income and donations specifically given for the relief of clergy, their widows and dependants.

**(d) Retired Clergy Funds** to be used to provide assistance generally to retired clergy.

**(e) Porlock Wyld Trust** being accumulated income to be used for the same purposes as the trust capital — see Endowment Funds

**(f) Edginton Trust** being accumulated income to be used in the maintenance of a residence for retired clergy.

**(g) Zambia Link** including the Coppen bequest, which was given to strengthen the link between the diocese and the five dioceses in Zambia.

**(h) Smith Bequest** to be used for lay ministry (excluding training for the Ministry) and in-service clergy training.

**(i) DBE Restricted Grants** consisting of the balance of restricted grants and donations to the DBE.

**(j) The Abbey House Fund** to be used to give support to both laity and clergy to enable them to attend retreats and quiet days.

**(k) Strategic Development Funding** being funding received from the national church.

**(l) Benefice Houses** being funds set aside for the purchase of replacement benefice houses in Othery (£333k) and Bath Weston (£571k). These houses have been purchased or will be purchased in 2020.

**(m) Other Restricted** consisting of the balance of restricted legacies, grants and donations to the DBF.

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<b>24 Summary Of Fund Movements (continued)</b>	<b>At 01/01/19 £'000</b>	<b>Income £'000</b>	<b>Expend- iture £'000</b>	<b>Transfers £'000</b>	<b>Reval- uations £'000</b>	<b>At 31/12/19 £'000</b>
<b>Endowment Funds</b>						
<b>Expendable Endowment</b>						
(a) Parsonage Houses Fund	39,989	326	(7)	(1,059)	-	<b>39,249</b>
(b) Schools Capital Fund	661	-	-	-	-	<b>661</b>
(c) Porlock Wyld Trust	103	-	-	-	19	<b>122</b>
(d) Retired Clergy Funds	277	-	-	-	30	<b>307</b>
	<b>41,030</b>	<b>326</b>	<b>(7)</b>	<b>(1,059)</b>	<b>49</b>	<b>40,339</b>
<b>Permanent Endowment</b>						
(e) Diocesan Stipends Fund Capital	39,704	78	(104)	(37)	3,855	<b>43,496</b>
(f) Stipends Capital	1,294	-	-	-	268	<b>1,562</b>
(f) General Capital	616	-	-	-	115	<b>731</b>
(f) Support of Ordinands	33	-	-	-	6	<b>39</b>
(g) Crockat and Cowley Trusts	168	-	-	-	(4)	<b>164</b>
(h) Edginton Trust	317	-	-	-	37	<b>354</b>
(i) Other Permanent Endowment	50	-	-	-	8	<b>58</b>
	<b>42,182</b>	<b>78</b>	<b>(104)</b>	<b>(37)</b>	<b>4,285</b>	<b>46,404</b>
<b>Total Endowment Funds</b>	<b>83,212</b>	<b>404</b>	<b>(111)</b>	<b>(1,096)</b>	<b>4,334</b>	<b>86,743</b>
<b>All Funds</b>	<b>98,818</b>	<b>14,292</b>	<b>(14,498)</b>	<b>-</b>	<b>5,023</b>	<b>103,635</b>

**Notes on Endowment Funds:**

Endowment funds are held on trust to be retained for the benefit of the charity as a capital fund. Where the whole of the fund must be permanently maintained it is known as permanent endowment. Where there is power of discretion to convert endowed funds into income, the fund is classified as expendable endowment.

**Expendable Endowments**

**(a) Parsonage Houses Fund** represents the value of benefice houses at the Balance Sheet date, together with the Parsonages Building funds held by the Church Commissioners. The houses are used to provide accommodation for the parochial clergy. The diocese is not free to dispose of the houses except in accordance with the appropriate measures. There is provision for the net proceeds of sale to be applied to either the DPA or DSF capital once a disposal has been effected.

**(b) Schools Capital Fund** comprises redundant Church of England school premises, teachers' houses and associated endowments which have been vested in the DBF by Orders under the Education Acts 1944 and 1973. The use of the fund is restricted under Section 17 of the Education Act 1993. The uses include the purchase, erection, maintenance and improvement of any school or teacher's house in the relevant area.



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**(c) Porlock Wyld Trust** relates to the Parsons Hill Estate (since sold) was left to the DBF, as sole trustee, “upon trust for such charitable purposes connected with the ecclesiastical parish of Porlock as the Lord Bishop of Bath and Wells in his absolute discretion thinks fit”. There is no restriction on expenditure of capital.

**(d) Retired Clergy Funds:**

- **Thatcher Trust** is to be used for purchase (or repair/ maintenance) of accommodation for retired clergy or the widows or augmentation of income for such persons. Balance £35,405 as at 31 December 2019 (2018 - £29,826).
- **Elwell Trust** is to be used for the grant or augmentation of pensions to retired clergy at any time beneficed in the diocese. Balance £11,133 as at 31 December 2019 (2018 - £11,133).
- **Edwards Trust** relates to a property which was given to the DBF in 1977, as sole trustee, to be used for the accommodation of retired clergy in the diocese. The property was sold in 2002. A resolution was made by the DBF in April 2000 to modify the purpose of the Trust to provide for clergy housing generally. Balance £260,074 as at 31 December 2019 (2018 - £236,012).

**Permanent Endowments**

**(e) Diocesan Stipends Fund (DSF) Capital Account** represents the value of glebe property and investments at the balance sheet date, less any inter-fund debtor or creditor. The account is governed by the Diocesan Stipends Fund Measure 1953 as amended by the Endowments and Glebe Measure 1976, the National Institutions Measure 1998, and the Miscellaneous Provisions Measure 1992. Income arises from the sale of glebe assets, the transfer of parsonage sale money, transfers from the DSF Income Account, as well as gifts, bequests and donations. The main function of the fund is to produce income for the stipends, but it may also be used for other purposes including: acquiring glebe property; investing in a subsidiary; developing and protecting glebe amenities; investment; discharging loans and levies on glebe; improving parsonage houses and discharging any loans made by the Church Commissioners under the Endowments and Glebe Measure 1976.

**(f) Stipends Capital, General Capital and Support of Ordinands**

These funds are made up of the capital of a number of trusts which are represented by fixed asset investments.

- **Stipends Capital** income is restricted and can be used only to augment clergy stipends.
- **General Capital** income is unrestricted and is credited to the General Fund.
- **Support of Ordinands Fund** income is restricted and can be used only to train candidates for Church of England ministry.

**(g) Crockat and Cowley Trusts** comprised two properties which were left to the DBF for the purposes of providing accommodation for retired clergy of the Church of England. One property was sold in 1997 and the other in 2001. A resolution was made by the DBF in 2001 to modify the purposes of the trusts so as to make provision instead for assistance generally to retired clergy.

**(h) Edginton Trust** comprised a property for use as a residence for retired clergy. This was sold in 2001 and a replacement house was purchased in 2004 at Friary Close, Clevedon.

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(i) Other:

- **Miss S M Osborne Trust** — £1,000 was left to the DBF, as sole trustee, to apply the income “by way of grant in or towards the repair of fabric of any ancient parish church of historic interest and beauty in the diocese”. Balance £1,638 as at 31 December 2019 (2018 - £1,603)
- **Dorothy Stuckey Trust** — £2,000 was left to the DBF, as sole trustee, to apply the income for upkeep of fabric of the parish church at Yatton or toward the maintenance of an assistant clergyman or both. Balance £19,342 as at 31 December 2019 (2018 - £16,294)
- **Miss M A Rees-Mogg Legacy** — The legacy dates from 1935 and the income only can be used for the assistance of necessitous clergy and their widows and orphans. Balance £38,453 as at 31 December 2019 (2018 - £32,394).

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	Tang. & Intang. Fixed Assets	Invest- ments	Other Assets	Credit- Interfund ors DR / (CR)	Net Assets
25 Summary Of Assets By Fund	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted General Funds</b>	-	3,546	3,591	(2,178)	956
<b>Designated</b>					
Tangible Fixed Assets Fund	10,813	-	-	(4,964)	-
Loan Fund	-	754	-	-	246
Fund For Church Growth	-	-	129	(75)	-
Pastoral Care & Counselling Scheme	-	174	-	-	2
Mission Development Fund	-	1,460	-	-	(500)
Other Designated	-	-	-	-	121
<b>Total Designated Funds</b>	<b>10,813</b>	<b>2,388</b>	<b>129</b>	<b>(5,039)</b>	<b>(131)</b>
<b>Restricted Funds</b>					
Schools Income Fund	-	704	484	(843)	-
Diocesan Pastoral Account	-	-	248	-	51
Support Of Clergy And Dependants	-	141	39	-	25
Retired Clergy Funds	-	-	87	-	(30)
Porlock Wyld Trust	-	30	31	-	-
Edginton Trust	124	36	22	-	(20)
Zambia Link	-	-	276	(9)	-
Abbey House	-	-	-	-	66
Smith Bequest	-	311	1	-	58
DBE Restricted Grants	-	-	-	-	38
Other Restricted	-	-	28	(12)	931
<b>Total Restricted Funds</b>	<b>124</b>	<b>1,222</b>	<b>1,216</b>	<b>(864)</b>	<b>1,119</b>
<b>Endowment Funds</b>					
<b>Expendable Endowment</b>					
Parsonage Houses Fund	40,171	-	20	-	(942)
Schools Capital Fund	-	-	661	-	-
Porlock Wyld Trust	-	122	-	-	-
Retired Clergy Funds	-	295	12	-	-
<b>Permanent Endowment</b>					
Diocesan Stipends Fund Capital	15,900	33,108	112	(4,561)	(1,063)
Stipends Capital	-	1,497	4	-	61
General Capital	-	731	-	-	-
Support Of Ordinands	-	39	-	-	-
Crokat And Cowley Trusts	-	164	-	-	-
Edginton Trust	157	197	-	-	-
Other Permanent Endowment	-	58	-	-	-
<b>Total Endowment Funds</b>	<b>56,228</b>	<b>36,211</b>	<b>809</b>	<b>(4,561)</b>	<b>(1,944)</b>
<b>All Funds</b>	<b>67,165</b>	<b>43,367</b>	<b>5,745</b>	<b>(12,642)</b>	<b>-</b>

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**26 Commitments**

**(a) Capital Expenditure**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Contracted for, not yet completed	1,161	12
Authorised, not yet contracted for	1,327	-
<b>Total Capital Commitments</b>	<b>2,488</b>	<b>12</b>

Capital expenditure contracted for, not yet completed comprises amounts contracted for the remaining refurbishment of Flourish House, the Diocesan office (£638k) plus the purchase of a clergy house for which contracts were exchanged prior to year end (£523k).

Capital expenditure authorised, not yet contracted for comprises the purchase of three clergy houses (£1,292k) plus authorised spend on the refurbishment of Flourish House (£35k).

**(b) Loans**

At 31 December 2019 the DBF had commitments to zero parishes (2018 - 2) to provide loans totalling £nil (2018 - £70,000) in relation to the CCLA Diocesan Loan Scheme.

In March 2016 the DBF approved a loan of £340,000 to Bath Abbey PCC from the Diocesan Loan Fund. The loan is contingent upon the remaining loan funding required for the Abbey Footprint Project to be in place. This loan offer was extended until March 2019. In January 2019 the loan commitment was revised to a maximum of £100,000 with an extension to March 2022. The loan would be repayable over 20 years with an initial 5 year interest only period, funded from the CCLA Diocesan Loan Scheme at an annual interest rate of 1% above variable bank base rate.

**(c) Operating Leases**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Payable not more than one year	3	3
Payable more than one but not more than five years	8	11
<b>Total Operating Lease Commitments</b>	<b>11</b>	<b>14</b>

**27 Post Balance Sheet Events and Contingent Liabilities**

During the year the DBF purchased and refurbished Flourish House, located in Wells at Cathedral Park. After the balance sheet date the DBF offices relocated to Flourish House.

The Covid-19 pandemic, subsequent to the balance sheet date, has meant temporary church closures which are having a significant effect on income streams, primarily from parish share and parochial fees. Additionally, the investment portfolios have reduced in value as a result of Covid-19 and glebe land and house disposals are disrupted.

There were no other post balance sheet events or contingent liabilities at the balance sheet date.

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#### **28 Pension Costs**

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

##### **(a) The Church Workers' Pension Fund (Lay Staff) – Pension Builder Scheme**

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

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

Pension Builder Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the Church of England Pensions Board from time to time. Bonuses may also be declared, depending upon the investment returns and other factors.

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOFA in the year are contributions payable (2019: £219,945, 2018: £190,825).

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

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

## The Bath and Wells Diocesan Board of Finance

### Notes to the Financial Statements

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

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

#### **(b) The Church Workers' Pension Fund (Lay Staff) - Defined Benefits Scheme**

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

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

#### **Defined Benefits Scheme**

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

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

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

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Section, is exposed to actuarial risks associated with the current and former employees of other entities participating in DBS. This means that contributions are accounted for as if DBS were a defined contribution scheme. The pensions costs charged to the SOFA during the year are contributions payable towards benefits and expenses accrued in that year (2019: £12,000, 2018: £9,400) plus the figures in relation to the DBS deficit highlighted in the table below as being recognised in the SOFA, giving a total charge of £12,000 for 2019 (2018: £9,400).

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

# The Bath and Wells Diocesan Board of Finance

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A valuation of DBS is carried out once every three years. The most recent was carried out as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m was notionally transferred from the employers' sub-pools to the Life Risk Section. This increased the Employer contributions that would otherwise have been payable. The overall deficit in DBS was £26.2m.

Following the valuation, the Employer has entered into an agreement with the Church Workers' Pension Fund to pay expenses of £8,600 per year. In addition deficit payments of £102,259 per year have been agreed for 5 years from 1 April 2018 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within the Employer's financial statements.

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

	2019 - £	2018 - £
Balance sheet liability at 1 January	414,000	481,600
Deficit contribution paid	(101,000)	(77,000)
Interest cost (recognised in SOFA)	7,000	9,400
Remaining change to the balance sheet liability*(recognised in SOFA)	5,000	-
Balance sheet liability at 31 December	<b>325,000</b>	<b>414,000</b>

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

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

	December 2019	December 2018	December 2017
Discount rate	1.20%	1.90%	0.00%

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

The next valuation of the scheme is currently being carried out as at 31 December 2019.

#### (c) The Church of England Funded Pensions Scheme for Clergy

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

## The Bath and Wells Diocesan Board of Finance

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to each specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year (2019: £1,218k, 2018: £1,149k), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total credit of £709k for 2019 (2018: charge £1,259k).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at as 31 December 2018. The 2018 valuation revealed a deficit of £50m, based on assets of £1,818m and a funding target of £1,868m, assessed using the following assumption

- An average discount rate of 3.2% p.a.;
- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a.;
- Mortality in accordance with 95% of the S3NA\_VL tables, with allowance for improvements in mortality rates in line with the CMI2018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter" of 7 and an initial addition to mortality improvements of 0.5% pa.

Following the 31 December 2018 valuation, a recovery plan was put in place until 31 December 2022 and the deficit recovery contributions (as a percentage of pensionable stipends) are as set out in the table below.

% of pensionable stipends	January 2018 to December 2020	January 2021 to December 2022
Deficit repair contributions	11.9%	7.1%

As at 31 December 2017 and 31 December 2018 the deficit recovery contributions under the recovery plan in force at that time were 11.9% of pensionable stipends until December 2025.

As at 31 December 2019 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

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



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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Balance sheet liability at 1 January	<b>3,569</b>	4,209
Deficit contribution paid	<b>(519)</b>	(530)
Interest cost (recognised in SOFA)	<b>70</b>	55
Remaining change to the balance sheet liability* (recognised in SOFA)	<b>(1,987)</b>	(165)
Balance sheet liability at 31 December	<b>1,133</b>	<b>3,569</b>

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

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

<b>December</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Discount rate	1.1% pa	2.1% pa	1.4% pa
Price inflation	2.8% pa	3.1% pa	3.0% pa
Increase to total pensionable payroll	1.3% pa	1.6% pa	1.5% pa

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

**(d) Pension Liability Reconciliation - all schemes**

	<b>Unrestricted</b>	<b>Funds</b>	<b>Restr-</b>	<b>Endow-</b>	<b>2019</b>	<b>2018</b>
	<b>General</b>	<b>Desig-</b>	<b>icted</b>	<b>ment</b>		
	<b>£'000</b>	<b>nated</b>	<b>Funds</b>	<b>Funds</b>	<b>Total</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Liability at 1 January</b>	414	-	-	3,569	<b>3,983</b>	4,691
Deficit Contributions paid	(101)	-	-	(519)	<b>(620)</b>	(607)
Interest cost	7	-	-	79	<b>86</b>	64
Remeasurement Gains	5	-	-	(1,996)	<b>(1,991)</b>	(165)
<b>Liability at 31 December</b>	<b>325</b>	-	-	<b>1,133</b>	<b>1,458</b>	3,983

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**29a Prior Year Comparative Notes – Statement of Financial Activities**

	Unrestricted Funds	Desig- nated	Restric- ted Funds	Endow- ment Funds	Total Funds 2018	Total Funds 2017
	General £'000	£'000	£'000	£'000	£'000	£'000
<b>Income and endowments from</b>						
Donations						
Parish Contributions	10,201	-	-	-	10,201	9,760
Archbishops' Council	-	-	30	-	30	30
Other donations	126	16	560	-	702	384
Charitable activities	713	-	-	-	713	791
Other activities	301	-	26	-	327	353
Investments	1,272	7	150	-	1,429	1,356
Other Income	268	-	3	739	1,010	1,912
<b>Total income and endowments</b>	<b>12,881</b>	<b>23</b>	<b>769</b>	<b>739</b>	<b>14,412</b>	<b>14,586</b>
<b>Expenditure on</b>						
Raising funds	198	1	7	55	261	242
Charitable activities	12,243	495	1,193	-	13,931	13,853
Impairment of properties	-	-	-	314	314	8
<b>Total expenditure</b>	<b>12,441</b>	<b>496</b>	<b>1,200</b>	<b>369</b>	<b>14,506</b>	<b>14,103</b>
<b>Net income / (expenditure) before investment gains / (losses)</b>	<b>440</b>	<b>(473)</b>	<b>(431)</b>	<b>370</b>	<b>(94)</b>	<b>483</b>
Net (losses) / gains on investments	(811)	(35)	(62)	(1,502)	(2,410)	2,352
<b>Net (expenditure) / income</b>	<b>(371)</b>	<b>(508)</b>	<b>(493)</b>	<b>(1,132)</b>	<b>(2,504)</b>	<b>2,835</b>
<b>Transfers between funds</b>	<b>1,249</b>	<b>(790)</b>	<b>(35)</b>	<b>(424)</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains</b>						
Remeasurement gains on defined benefit pension schemes	-	-	-	165	165	135
<b>Net movement in funds</b>	<b>878</b>	<b>(1,298)</b>	<b>(528)</b>	<b>(1,391)</b>	<b>(2,339)</b>	<b>2,970</b>
<b>Total funds brought forward</b>	<b>4,056</b>	<b>9,908</b>	<b>2,590</b>	<b>84,603</b>	<b>101,157</b>	<b>98,187</b>
<b>Total funds carried forward</b>	<b>4,934</b>	<b>8,610</b>	<b>2,062</b>	<b>83,212</b>	<b>98,818</b>	<b>101,157</b>

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**29b Prior Year Comparative Notes – Notes 2 to 6**

	Unrestricted Funds General £'000	Desig- nated £'000	Restric- ted Funds £'000	Endow- ment Funds £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
<b>Parish Contributions</b>						
<b>Parish Share</b>						
Current year's allocation	10,282	-	-	-	<b>10,282</b>	9,840
Additional Payments	16	-	-	-	<b>16</b>	15
Arrears for previous years	3	-	-	-	<b>3</b>	15
Shortfall in contributions	(100)	-	-	-	<b>(100)</b>	(110)
	<b>10,201</b>	-	-	-	<b>10,201</b>	9,760
Total Parish Share receipts represent 99.2% of the allocation (2017 – 99.2%)						
<b>Other Donations</b>						
Allchurches Trust	125	16	-	-	<b>141</b>	141
Foundation of St Matthias	-	-	56	-	<b>56</b>	56
RME Ordinands Grant	-	-	247	-	<b>247</b>	-
Donations, Grants, Sponsorships & Legacies	1	-	257	-	<b>258</b>	187
	<b>126</b>	<b>16</b>	<b>560</b>	-	<b>702</b>	384
<b>Charitable Activities</b>						
Statutory fees and chaplaincy income	602	-	-	-	<b>602</b>	654
Course fees and other	111	-	-	-	<b>111</b>	137
	<b>713</b>	-	-	-	<b>713</b>	791
<b>Other Activities</b>						
Rental income from clergy houses, schools and the Old Deanery	278	-	8	-	<b>286</b>	289
Support services	23	-	18	-	<b>41</b>	64
	<b>301</b>	-	<b>26</b>	-	<b>327</b>	353
<b>Investment Income</b>						
Dividends receivable	806	7	143	-	<b>956</b>	960
Interest receivable	91	-	7	-	<b>98</b>	110
Notional Interest re net present value	(15)	-	-	-	<b>(15)</b>	(77)
Rents receivable	390	-	-	-	<b>390</b>	363
	<b>1,272</b>	<b>7</b>	<b>150</b>	-	<b>1,429</b>	1,356
<b>Other Income</b>						
Gain on disposal of properties	147	-	-	739	<b>886</b>	1,772
Solar PV Panel FiT Income	113	-	-	-	<b>113</b>	109
Other	8	-	3	-	<b>11</b>	31
	<b>268</b>	-	<b>3</b>	<b>739</b>	<b>1,010</b>	1,912

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**29c Prior Year Comparative Notes – Notes 7 to 8**

	Unrestricted General £'000	Funds Desig- nated £'000	Restr- icted Funds £'000	Endow- ment Funds £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
<b>Costs of raising funds</b>						
Stockbroker's fees	59	1	7	-	67	56
Value Linked loans interest	13	-	-	-	13	13
Interest cost & expenses: pension schemes	9	-	-	55	64	79
Glebe Land & Clergy Houses letting costs	117	-	-	-	117	94
	<b>198</b>	<b>1</b>	<b>7</b>	<b>55</b>	<b>261</b>	<b>242</b>
<b>Charitable activities</b>						
<b>Contribution to Archbishops' Council</b>						
Training for Ministry	382	-	-	-	382	372
National Church Responsibilities	304	-	-	-	304	296
Grants and provisions	33	-	-	-	33	33
Mission Agency pension contributions	4	-	-	-	4	3
Retired Clergy Housing (CHARM) & Grants	128	-	-	-	128	122
Pooling of ordinand candidates' costs	12	-	-	-	12	(10)
	<b>863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>863</b>	<b>816</b>
<b>Resourcing Ministry and Mission</b>						
<b>Parish Ministry:</b>						
Stipends and Social Security	5,177	-	63	-	5,240	5,307
Pension contributions	1,242	-	-	-	1,242	1,157
Housing costs	1,331	-	412	-	1,743	1,808
Removal, resettlement and other grants	249	-	2	-	251	240
Other expenses	95	-	37	-	132	106
	<b>8,094</b>	<b>-</b>	<b>514</b>	<b>-</b>	<b>8,608</b>	<b>8,618</b>
Support for ministry	2,833	267	607	-	3,707	3,663
Fund for Church Growth	-	228	8	-	236	219
	<b>10,927</b>	<b>495</b>	<b>1,129</b>	<b>-</b>	<b>12,551</b>	<b>12,500</b>
<b>Expenditure on Education</b>						
Church Schools: Administration	453	-	64	-	517	537
	<b>12,243</b>	<b>495</b>	<b>1,193</b>	<b>-</b>	<b>13,931</b>	<b>13,853</b>

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**29d Prior Year Comparative Notes – Notes 9 to 11**

	Unrestricted Funds General £'000	Designated £'000	Restr- icted Funds £'000	Endow- ment Funds £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
<b>(Losses)/gains on Investment Assets</b>						
Unrealised (losses)/gains after revaluation (*)	(847)	(38)	(66)	(1,766)	<b>(2,717)</b>	2,048
Realised gains on disposal	36	3	4	264	<b>307</b>	304
	<b>(811)</b>	<b>(35)</b>	<b>(62)</b>	<b>(1,502)</b>	<b>(2,410)</b>	2,352

(\*) includes £0.4m in relation to the revaluation of Glebe Agricultural Land (2017 - £0.9m).

**Analysis Of Resources Expended Including Allocation Of Support Costs**

	Activities undertaken Directly £'000	Grant funding of activities £'000	Support Costs £'000	Total 2018 £'000	Total 2017 £'000
Raising Funds	261	-	-	<b>261</b>	242
Charitable Activities:					
Contributions to Archbishops' Council	382	480	-	<b>862</b>	816
Resourcing ministry and mission	10,736	829	986	<b>12,552</b>	12,500
Education	474	-	43	<b>517</b>	537
Fixed Asset Impairment	314	-	-	<b>314</b>	8
	<b>12,168</b>	<b>1,309</b>	<b>1,029</b>	<b>14,506</b>	14,103

	Unrestricted General £'000	Funds Designated £'000	Restr- icted Funds £'000	Endow- ment Funds £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
<b>Analysis Of Support Costs</b>						
Central Administration	954	-	-	-	<b>954</b>	908
Support for Schools	-	-	43	-	<b>43</b>	41
Governance:						
External Audit	15	-	2	-	<b>17</b>	17
Professional Fees	4	-	-	-	<b>4</b>	4
Diocesan and General Synod Expenses	11	-	-	-	<b>11</b>	13
	<b>984</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>1,029</b>	983

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**29e Prior Year Comparative Notes – Note 24**

Summary of Fund movements	At 01/01/18 £'000	Income £'000	Expend- iture £'000	Transfers £'000	Reval- uation £'000	At 31/12/18 £'000
<b>Unrestricted Funds</b>						
General	4,056	11,884	(11,444)	1,249	(811)	<b>4,934</b>
Diocesan Stipends Fund Income	-	997	(997)	-	-	-
	<b>4,056</b>	<b>12,881</b>	<b>(12,441)</b>	<b>1,249</b>	<b>(811)</b>	<b>4,934</b>
<b>Designated Funds</b>						
Tangible Fixed Assets Fund	7,018	-	-	(896)	-	<b>6,122</b>
Loan Fund	1,000	-	-	-	-	<b>1,000</b>
Fund for Church Growth	79	-	(228)	194	-	<b>45</b>
Pastoral Care & Counselling Scheme	179	7	(8)	-	(35)	<b>143</b>
Mission Development Fund	1,577	16	(260)	(83)	-	<b>1,250</b>
Other Designated	55	-	-	(5)	-	<b>50</b>
	<b>9,908</b>	<b>23</b>	<b>(496)</b>	<b>(790)</b>	<b>(35)</b>	<b>8,610</b>
<b>Total Unrestricted Funds</b>	<b>13,964</b>	<b>12,904</b>	<b>(12,937)</b>	<b>459</b>	<b>(846)</b>	<b>13,544</b>
<b>Restricted Funds</b>						
Schools Income Fund	488	62	(138)	(30)	4	<b>386</b>
Diocesan Pastoral Account	867	-	(400)	15	-	<b>482</b>
Support of clergy and dependants	173	9	(2)	-	(3)	<b>177</b>
Retired clergy funds	65	9	(14)	-	-	<b>60</b>
Porlock Wyld Trust	47	4	-	-	-	<b>51</b>
Edginton Trust	153	7	(1)	-	-	<b>159</b>
Zambia Link	319	54	(108)	-	-	<b>265</b>
Smith Bequest	354	13	(1)	-	(63)	<b>303</b>
DBE Restricted Grants	75	6	(8)	-	-	<b>73</b>
Abbey House Fund	-	66	-	-	-	<b>66</b>
Strategic Development Fund	-	-	(61)	61	-	-
Other Restricted	49	539	(467)	(81)	-	<b>40</b>
<b>Total Restricted Funds</b>	<b>2,590</b>	<b>769</b>	<b>(1,200)</b>	<b>(35)</b>	<b>(62)</b>	<b>2,062</b>

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**29e Prior Year Comparative Notes – Note 24 (continued)**

<b>Summary Of Fund Movements (continued)</b>	<b>At 01/01/18 £'000</b>	<b>Income £'000</b>	<b>Expend- iture £'000</b>	<b>Transfers £'000</b>	<b>Reval- uations £'000</b>	<b>At 31/12/18 £'000</b>
<b>Endowment Funds</b>						
<b>Expendable Endowment</b>						
Parsonage Houses Fund	39,919	227	(294)	137	-	<b>39,989</b>
Schools Capital Fund	661	-	-	-	-	<b>661</b>
Porlock Wyld Trust	105	-	-	-	(2)	<b>103</b>
Retired Clergy Funds	277	-	-	-	-	<b>277</b>
	<b>40,962</b>	<b>227</b>	<b>(294)</b>	<b>137</b>	<b>(2)</b>	<b>41,030</b>
<b>Permanent Endowment</b>						
Diocesan Stipends Fund Capital	40,891	512	(240)	(561)	(898)	<b>39,704</b>
Stipends Capital	1,556	-	-	-	(262)	<b>1,294</b>
General Capital	626	-	-	-	(10)	<b>616</b>
Support of Ordinands	34	-	-	-	(1)	<b>33</b>
Crokat and Cowley Trusts	163	-	-	-	5	<b>168</b>
Edginton Trust	320	-	-	-	(3)	<b>317</b>
Other Permanent Endowment	51	-	-	-	(1)	<b>50</b>
	<b>43,641</b>	<b>512</b>	<b>(240)</b>	<b>(561)</b>	<b>(1,170)</b>	<b>42,182</b>
<b>Total Endowment Funds</b>	<b>84,603</b>	<b>739</b>	<b>(534)</b>	<b>(424)</b>	<b>(1,172)</b>	<b>83,212</b>
<b>All Funds</b>	<b>101,157</b>	<b>14,412</b>	<b>(14,671)</b>	<b>-</b>	<b>(2,080)</b>	<b>98,818</b>

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29f Prior Year Comparative Notes – Note 25

	Tang. & Intang. Fixed Assets	Invest- ments	Other Assets	Credit- ors	Interfund DR / (CR)	Net Assets
Summary Of Assets By Fund	£'000	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted General Funds</b>	-	3,210	4,096	(2,882)	510	4,934
<b>Designated</b>						
Tangible Fixed Assets Fund	6,499	-	-	(757)	380	6,122
Loan Fund	-	754	-	-	246	1,000
Fund For Church Growth	-	-	5	(250)	290	45
Pastoral Care & Counselling Scheme	-	144	1	-	(2)	143
Mission Development Fund	-	1,460	-	-	(210)	1,250
Other Designated	-	-	-	-	50	50
<b>Total Designated Funds</b>	<b>6,499</b>	<b>2,358</b>	<b>6</b>	<b>(1,007)</b>	<b>754</b>	<b>8,610</b>
<b>Restricted Funds</b>						
Schools Income Fund	-	649	429	(692)	-	386
Diocesan Pastoral Account	-	-	(275)	-	757	482
Support Of Clergy And Dependants	-	120	32	-	25	177
Retired Clergy Funds	-	-	80	-	(20)	60
Porlock Wyld Trust	-	26	25	-	-	51
Edginton Trust	124	35	21	-	(21)	159
Zambia Link	-	-	345	(80)	-	265
Abbey House	-	-	-	-	66	66
Smith Bequest	-	260	2	-	41	303
DBE Restricted Grants	-	-	-	-	73	73
Other Restricted	-	-	5	-	35	40
<b>Total Restricted Funds</b>	<b>124</b>	<b>1,090</b>	<b>664</b>	<b>(772)</b>	<b>956</b>	<b>2,062</b>
<b>Endowment Funds</b>						
<b>Expendable Endowment</b>						
Parsonage Houses Fund	40,798	-	20	-	(829)	39,989
Schools Capital Fund	-	-	661	-	-	661
Porlock Wyld Trust	-	103	-	-	-	103
Retired Clergy Funds	-	266	11	-	-	277
<b>Permanent Endowment</b>						
Diocesan Stipends Fund Capital	15,549	31,923	125	(6,470)	(1,423)	39,704
Stipends Capital	-	1,254	8	-	32	1,294
General Capital	-	616	-	-	-	616
Support Of Ordinands	-	33	-	-	-	33
Croat And Cowley Trusts	-	168	-	-	-	168
Edginton Trust	157	160	-	-	-	317
Other Permanent Endowment	-	50	-	-	-	50
<b>Total Endowment Funds</b>	<b>56,504</b>	<b>34,573</b>	<b>825</b>	<b>(6,470)</b>	<b>(2,220)</b>	<b>83,212</b>
<b>All Funds</b>	<b>63,127</b>	<b>41,231</b>	<b>5,591</b>	<b>(11,131)</b>	<b>-</b>	<b>98,818</b>



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**30 Funds held as Custodian Trustee**

The DBF acts as Diocesan Authority or custodian trustee for many trust funds by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. Assets held in this way, which consist of both property and financial assets, are not aggregated in these financial statements as the DBF does not control them. The financial assets held in this way, which are shown at valuation, may be summarised as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
CBF Church of England Investment Fund income shares	<b>7,965</b>	6,805
CBF Church of England Fixed Interest Securities Fund shares	<b>257</b>	251
Charles Stanley - Equities	<b>361</b>	304
Unit Trust Shares	<b>174</b>	148
Direct holdings in UK equities	<b>72</b>	55
Direct holdings in UK gilts	<b>2</b>	2
Other fixed interest stocks	<b>345</b>	329
CBF Church of England Property Fund shares	<b>10</b>	10
Loan	<b>165</b>	173
Cash on Deposit	<b>2,087</b>	2,293
Cash at Bank	<b>34</b>	62
<b>Total net assets held as custodian trustee</b>	<b>11,472</b>	<b>10,432</b>

**The Bath and Wells Diocesan Board of Finance**  
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**Appendices**

The following accounts and reports do not form part of the audited statutory financial statements and are included for information only.

A Consolidated Management Accounts Summary

B        i Management to Statutory Accounts Reconciliation (Unrestricted Funds)  
          ii Management to Statutory Accounts Reconciliation (Total Funds)

C Consolidated Financial Trusts

D 5 Year Actuals

E Glossary of terms

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Appendix A Consolidated Management Accounts Summary

	Actual £000	Budget £000	Variance	
			£000	%
<b>INCOME</b>				
Common Fund less Discounts	10,540	10,540	0	0%
Provision for unpaid	(199)	(106)	(93)	88%
Prior year recoveries & additional payments	19	-	19	N/A
<b>Net Common Fund</b>	<b>10,360</b>	<b>10,434</b>	<b>(74)</b>	<b>(1%)</b>
General Fund - Investment Income	283	260	23	9%
General Fund - Solar (PV) Panels	75	70	5	7%
General Fund - Interest	15	15	0	0%
Parochial Fees, Grants and Chaplaincy	627	720	(93)	(13%)
Stipends Fund - Investment Income	927	975	(48)	(5%)
Management Charge (2%) - House Sales	43	50	(7)	(14%)
Management Charge (2%) - Glebe Land Sales	11	20	(9)	(45%)
<b>TOTAL INCOME</b>	<b>12,341</b>	<b>12,544</b>	<b>(203)</b>	<b>(2%)</b>
<b>EXPENDITURE (net)</b>				
Clergy Stipends	7,302	7,644	342	4%
Clergy Housing	1,108	1,015	(93)	(9%)
Ministry for Mission	847	913	66	7%
Ordinands' Training and Support	595	612	17	3%
National Church	496	495	(1)	(0%)
Diocesan Board of Education (Schools)	314	366	52	14%
Youth and Children	178	190	12	6%
Central Services	1,283	1,227	(56)	(5%)
Strategic Programme Management	37	35	(2)	(6%)
Net Finance Costs	80	47	(33)	(70%)
<b>TOTAL EXPENDITURE (net)</b>	<b>12,240</b>	<b>12,544</b>	<b>304</b>	<b>2%</b>
<b>OPERATING SURPLUS</b>	<b>101</b>	<b>-</b>	<b>101</b>	

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**Appendix Bi Management to Statutory Accounts Reconciliation (Unrestricted Funds)**

	£'000	
<b>Management Accounts Operating Surplus</b>	<b>101</b>	
<b>Realised Gain on Disposal of Fixed Assets</b>	<b>23</b>	
<b>Other items on Statutory accounts not management accounts</b>		
Notional interest re NPV	(7)	
Locking Castle income	3	
Non-capital costs of office move project	(40)	
Flourish House pre-occupation operating costs	(16)	
Mission Development Fund net expenditure	(192)	
Depreciation & Amortisation on office & computer equipment	(31)	
Reversal of provision for Ordinands grant shortfall	20	
Fund for Church growth net income / (expenditure)	<u>10</u>	
		(253)
<b>Pension schemes:</b>		
Payments made in respect of clergy scheme shortfall	519	
SOFA charges relating to the lay scheme	<u>(12)</u>	
		507
<b>Income on Management accounts shown as transfers or restricted expenditure on statutory accounts</b>		
Transfers Shown as Management Accounts Income - MDF / SDF	(112)	
Transfers Shown as Management Accounts Income - Other Funds	(11)	
Management charges - Schools Income Fund	(29)	
Management charges - Glebe and House sales	(54)	
		(206)
<b>Unrestricted income before investment gains on SOFA (page 32)</b>	<b>172</b>	

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<b>Appendix Bii Management to Statutory Accounts Reconciliation (Total Funds)</b>		
	<b>£'000</b>	<b>£'000</b>
<b>Management Accounts Operating Surplus</b>		<b>101</b>
<b>Funds transfers recognised as Management Accounts Income</b>		
Transfers Shown as Management Accounts Income - MDF / SDF	(112)	
Transfers Shown as Management Accounts Income - Other Funds	(11)	
Management charges - Schools Income Fund	(29)	(152)
<b>Glebe and fixed assets disposals</b>		
Management charge on property and glebe land disposals	(54)	
Realised Gain on Fixed assets disposals	427	373
<b>Pension Schemes</b>		
Payments made in respect of shortfalls	519	
Interest costs and expenses	(77)	442
<b>Diocesan Pastoral Account</b>		
Parsonage improvements and development fees	(621)	(621)
<b>Other Restricted Funds net income (expenditure)</b>		
Schools Income Fund	(66)	
Support of clergy and dependants	7	
Retired clergy funds	(3)	
Porlock Wyld Trust	5	
Edginton Trust	3	
Zambia Link	13	
Smith Bequest	10	
DBE Restricted Grants	(35)	
SDF	(11)	
Other Restricted	27	(50)
<b>Designated Funds net expenditure</b>		
Mission Development Fund	(192)	
Fund for Church Growth	10	(182)
<b>Other in Statutory not Management Accounts</b>		
Notional interest re NPV	(7)	
Locking Castle income	3	
Non-capital costs of office move project	(40)	
Flourish House pre-occupation operating costs	(16)	
Depreciation & Amortisation on office & computer equipment	(31)	
Fixed Asset Impairment	(41)	
Reversal of provision for Ordinands grant shortfall	20	
Other adjustments	(5)	(117)
<b>Net income before investment gains per SOFA (Page 32)</b>		<b>(206)</b>
Unrealised gains on investment assets		2,902
Realised gain on disposal investment assets		139
Remeasurement gains on pension schemes		1,982
<b>Net movement in funds</b>		<b>4,817</b>
<b>Total Funds brought forward</b>		<b>98,818</b>
<b>Total Funds carried forward</b>		<b>103,635</b>

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**Appendix C Consolidated Financial Trusts**

	<b>2019</b>		<b>2018</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed Assets</b>				
Equities		8,398		7,165
Government Securities		2		2
Other Fixed Interest securities		602		580
Unit Trust shares		174		148
CBF Property Fund		10		9
		<u>9,186</u>		<u>7,904</u>
<b>Current Assets</b>				
Deposit Fund	2,087		2,293	
Bank Accounts	34		62	
Loan - Hensman	165		173	
	<u>2,286</u>		<u>2,528</u>	
<b>Current Liabilities</b>				
Creditors	-		-	
<b>Net Current Assets</b>		<u>2,286</u>		<u>2,528</u>
<b>Net Assets</b>		<u>11,472</u>		<u>10,432</u>
Total capital balances		11,249		10,197
Total accumulated income balances		223		235
<b>Total Funds</b>		<u>11,472</u>		<u>10,432</u>
<b>Total funds analysed as;</b>		<b>2019</b>		<b>2018</b>
		<b>£'000</b>		<b>£'000</b>
Parishes		6,042		5,511
Closed Schools		1,228		1,277
Schools		430		383
Other		3,549		3,026
Total accumulated income balances		223		235
		<u>11,472</u>		<u>10,432</u>

Signed on behalf of the DBF on 16 June 2020 by

+ Peter Bath & Wells

**Rt Revd P Hancock**  
**Trustee**

Preb H Musselwhite

**Preb H Musselwhite**  
**Trustee**

**The Bath and Wells Diocesan Board of Finance**  
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**Financial Trusts as at 31 December 2019**

The Financial Trusts comprise 321 Trusts which are required to be held by the DBF as custodian trustee although they are administered by various parishes, schools or other bodies named as beneficiaries in the relevant trust deeds. The investments relating to the trusts are held by the DBF and the income derived is paid to the beneficiaries. In addition to the trusts listed, the DBF also acts as custodian trustee for land and buildings.

**Report of the Accountants**

We have examined the figures set out on page 86 comprising the Balance Sheet for the Financial Trusts held as custodian trustee by the Bath and Wells Diocesan Board of Finance as at 31 December 2019.

**Basis of opinion**

The scope of our work was limited to checking whether the figures have been correctly extracted from the amounts recorded in the accounting records.

**Opinion**

In our opinion the information detailed on the attached schedule has been accurately extracted from the accounting records of the Bath and Wells Diocesan Board of Finance as at 31 December 2019.

Signed: Haysmacintyre LLP

Date: 16 June 2020

10 Queen Street Place  
London  
EC4R 1AG

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**Appendix D 5 Year Actuals**

		2019	2018	2017	2016	2015
Common Fund Increases (budgeted)	%	1.5%	4.5%	1.5%	1.0%	1.5%
Parish Share Contributions	£000	10,359	10,201	9,760	9,600	9,460
Parish Share Collected	%	98.3%	99.2%	99.2%	99.0%	98.7%
Stipendiary parochial clergy funded	Avg FTE	185.0	191.0	192.0	187.0	183.2
Annual Stipend increase (April)	%	2.0	2.0	1.0	0.5	1.5
Vacancies at year end	No.	36.0	25.0	18.5	18.0	19.5
Total office holder costs	£000	6,965	7,063	7,124	6,953	6,732
Cost per clergy post	£000	37.6	37.0	37.1	37.2	36.7
Diocesan employed staff	Avg FTE	66.5	60.2	57.3	55.3	57.7
Annual Salary increase (July)	%	2.0	2.0	1.0	0.5	1.5
Total employee costs	£000	2,503	2,333	2,218	2,115	2,188
Employee costs funded externally/recharged	£000	(82)	(82)	(80)	(127)	(126)
Net cost per employed post	£000	36.4	37.4	37.3	35.9	35.7
National Church Responsibilities	£000	876	862	816	918	857
Less: Archbishops' Council mission & SDF grant	£000	(128)	(83)	(30)	(101)	(66)
Net payable to National Church	£000	748	779	786	817	791
General Grants Payable (incl. FCG)	£000	351	530	472	447	383
Income (management accounts)	£000	12,341	12,212	11,816	11,746	11,747
Expenditure (management accounts)	£000	12,240	12,167	11,924	11,695	11,593
Operating Surplus/ (Deficit)	£000	101	45	(108)	51	154
Balance Sheet Net Assets	£m	103.6	98.8	101.2	98.2	92.8
Unrestricted Funds (General/Designated)	£m	14.0	13.5	14.0	14.4	13.1
Unrestricted General Expenditure Cover	Months	5.6	4.8	3.9	6.0	5.3
Tangible Fixed Assets	£m	67.1	63.1	62.4	58.5	54.8
Properties held	No.	259	256	256	250	248
Property Sales	No.	7	8	7	7	10
Property Purchases	No.	10	9	13	9	6
Investments	£m	43.3	41.2	44.1	43.5	40.1
Investment Income	£000	1,415	1,429	1,433	1,415	1,383
Average Investment income yield - land & buildings	%	2.0%	1.9%	1.8%	1.8%	1.7%
Average Investment income yield - listed/unlisted	%	4.2%	4.2%	4.2%	4.5%	4.5%
Glebe land acreage (end of year)	No.	2,936	2,974	2,985	3,028	3,055
Net current assets (general/designated)	£000	2,369	2,365	1,889	1,817	2,221
Declared (Adult) Survey Membership	No.	19,946	20,545	21,197	21,463	21,843
Year-on-year percentage decrease	%	(2.9%)	(3.1%)	(1.2%)	(1.7%)	(1.1%)
Unrestricted Cash (General/Designated)	£000	553	1,265	983	458	1,172



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Appendix E Glossary of terms

ALM	Authorised Lay Minister
BWMAT	Bath and Wells Multi Academy Trust
CBF	Central Board of Finance (of the Church of England)
CCLA	Providers of CBF Investment products
CEPB	Church of England Pensions Board
CHARM	Church Housing Assistance for Retired Ministry
CWPF	Church Workers' Pension Fund
DAC	Diocesan Advisory Committee
DBE	Diocesan Board of Education
DBF	Diocesan Board of Finance
DBS	Defined Benefits Scheme
DPA	Diocesan Pastoral Account
DSF	Diocesan Stipends Fund
FCG	Fund for Church Growth
FRS	Financial Reporting Standard
MAT	Multi Academy Trust
MDF	Mission Development Fund
NPV	Net Present Value
PB	Pension Builder
PCC	Parochial Church Council
PCR	Past Cases Review
RME	Resources Ministerial Education
SAT	Stipends Augmentation Trusts
SDF/SMF	Strategic Development Fund/Strategic Ministry Fund
SOFA	Statement of Financial Activities
SORP	Statement of Recommended Practice
UTR	Unapplied Total Return
VA/VC	Voluntary Aided/Voluntary Controlled

