

The Bath and Wells Diocesan Board of Finance

Annual Report

For the year ended 31 December 2020

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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 2020.

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 2020.

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

2020 has brought challenges that no-one could have anticipated. In January 2020 the coronavirus was something happening in China yet within a short space of time it radically affected life around the globe. Churches were closed, services moved online and the celebrations of life events were for many postponed, scaled down or carried out via Zoom.

In July, Bishop Peter announced that he had leukaemia and commenced a period of extended sick leave, with Bishop Ruth returning from sabbatical to take the role as acting Diocesan Bishop.

The extent to which the pandemic has impacted the diocese's resources is shown clearly in the financial statements, the closure of church buildings led to a reduction not only in collection plate giving but income from hiring out venues such as church halls and parish fee income for weddings and christenings. Additionally annual fund raising events such as fetes, garden parties and other social events had to be cancelled and churches such as Bath Abbey, which have a high number of visitors suffered an immense drop in income.

In order to support the parishes the decision was taken to support all parishes with less than three months reserves by giving them relief of up to 50% of their calculated Parish Share shortfall for the year.

Parishes requiring further assistance were able to apply for loans from the DBF. A facility of £400,000 was made available to Bath Abbey and in 2020 they have called down £200,000.

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The budget set for 2021 assumed a deficit and sought to implement cost savings to ensure a balanced budget in 2022. However, the second and third national lockdowns have further impacted the finances of the parishes and the diocese as a whole and have fast-forwarded the previously slow year-on-year decline in congregations and income and have brought into focus the need for the diocese to focus its expenditure and resources on delivering the diocesan vision in a sustainable way and discerning new ways of achieving this in a post-covid world.

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.

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B2 Objectives for the Year

Covid has impacted all aspects of the delivery of the strategic plan for 2020.

Ongoing objectives include:

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 2020 all pioneer posts were deployed around the diocese. 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

Continue to focus on this second strategic priority.

This involved several important activities:

- The Common Fund Committee continuing to explore 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 Note 18b.

The DBF relocated its offices within Wells from The Old Deanery on Cathedral Green to a more modern building, Flourish House on Cathedral Park. This delivers better accessibility, as well as much improved utility of meeting and office spaces, in addition to long-term sustainability of running costs.

In 2020 the rolling resource plan has been updated from 2021 to 2025.

Identifying, developing and releasing the gifts of all our people

Archdeacons days (one gathering in each of the three archdeaconries of the diocese) were held. 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.

The Archdeacons days are now part of the annual plans with further days being planned.

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B3 Activities and Achievements in the Year

Common Fund

In 2020 the DBF increased the Common Fund (sum of Parish Share contributions) by less than 0.5% compared with the 2019 level. In light of the impact of Covid-19 Common Fund levels will be reviewed over the next five years (2021 to 2026);

Every effort is being made by the DBF to review the costs covered by the Common Fund to ensure the Common Fund is sustainable through contributions 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 all increase broadly in line with inflation.

The DBF received 87.0% of share requested from parishes (2019 – 98.3%). 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.

Financial Operating Outturn

The planned operating outturn for the year was break-even. The actual operating deficit was £2.4m. Included in this year's accounts is a provision against loans given to PCCs for non-recoverability of £0.5m.

The operating deficit primarily arose from lower Common Fund recoverability in the year, a reduction in parochial fees, a lower level of realised gains on parsonage houses, a lower level of clergy vacancies compared to expectation and provisions put in place for doubtful debts, partially offset by job retention grants for furloughing staff and reduced travel and subsistence costs as a result of lockdown restrictions.

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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.

All the outstanding pioneer posts were filled 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.

The DBF has committed to increase the number of stipendiary curate posts. In 2020, 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 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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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.

Despite the challenges of Covid there have been many success stories during 2020.

The pandemic highlighted the need for communications to be front and centre of diocesan strategy and action as never before. As worship and administration went virtual, every participant became a digital communicator, prompting a rush to 'skill up' among diocesan staff, clergy and the wider church community, as in all other sectors. Churches across the diocese saw growth in online communities though not all of these were sustained – early indications show sustained growth among churches who were most prepared, who already had significant digital expertise among their own staff and had a clear strategy for growth online. Diocesan social media channels also saw significant growth in 2020 and the launch of new channels, such as a podcasting channel and Instagram.

Video daily prayers

The daily prayers put out on the diocesan social media channels were changed at the beginning of lockdown to be produced as a daily video, to enable people to feel prayed for by others on a more personal level, and also to encourage a sense of the family nature of the diocese, showcasing the individuals who make up our diocesan family, particularly lay people and there has been a huge appreciation for this change in format.

Maximise reach of new channels, including podcast and Instagram:

The diocesan comms team launched two new channels in 2020. The podcast has begun with pioneering as a means of providing long form, discursive content for those interested in pioneering. Instagram has continued to evolve and has been developed by MES Intern, who is experimenting with different content and has developed an Instagram specific comms strategy. New digital channels aim to reach beyond existing audiences, many of whom are already engaged in diocesan structures, to those people who are occasional or infrequent worshippers in our church communities, or otherwise sympathetic to our vision and values.

Listening Project

The listening project was seen as a diocesan conversation and listening exercise and took place between 11th June and 10th July 2020. The aim was: to hear what God is saying, and to discern where God is leading, through the time of Coronavirus, in order to inform thinking about the future shape of mission, ministry and support services in the diocese.

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Seventeen groups were created each with a facilitator – including representatives of deanery chapters (clergy), churchwardens, Magnificat Parishes, lay people, youth workers, young people in different age groups, chaplains, full-time pioneers and people with little or no current engagement with the church.

The results of the exercise were discerned to be - five overarching themes which will be used to guide communications and strategy in the future:

1. A desire not to return to the way things were.
2. Sadness for what has been lost.
3. Online church is here to stay.
4. A call for the church to be authentic.
5. The value of the small, the relational and the unseen.

Following from the initial exercise, A small scale listening project was begun via Facebook at the end of 2020 for four months, using a small advertising budget to recruit people to fill in an introductory survey. This aimed to recruit people beyond the reach of normal diocesan channels and retain them as a part of a focus group. Around 15 people have been retained as a focus group and a final set of questions is due in 2021.

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.
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- **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).
- **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

During the course of 2021 the focus of work will be the renewing, resourcing and reshaping the DBF to create a structure that is sustainable and can achieve a long-term balanced budget. This process will focus on key threads of Growing Faith, Everyday Faith, Discerning Ministries and the Environment and will reflect the vision of the Archbishops for the Church of England to be "Christ centred and Jesus shaped. Simpler, humbler, bolder" as well as ensuring resource availability to implement the Discerning Ministries programme.

The work is being undertaken by a team of senior DBF staff and an Archdeacon.

Discerning Ministries

Discerning Ministries is the working title for the implementation of the Deployment Report which was developed and presented to Diocesan Synod during 2020. The choice of title is to emphasise that deployment is only one aspect of what is being done, Discerning Ministries aims to foster an imaginative approach to ministry and to shift the discourse away from managing with fewer clergy towards discerning the call of God in each community.

Extensive consultation with Bishops Council, Area Deans (ADs) and Lay Deans (LDs) has revealed a broad consensus and "cautious optimism" around the direction of travel. The extent to which

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ADs/LDs have consulted in their own deaneries varies. The optimism is around a more imaginative approach to ministry and the potential of focal ministry to release vocations. There is caution around the inevitable restrictions of resources and clergy numbers, and some doubts about the pool of candidates for focal ministry.

The model being developed for Discerning Ministries is based on three principles:

1. To work with the focal ministry approach, taking account of the shift from “one vicar per benefice” to “a focal minister in every community”. It therefore avoids a percentage-based formula, based as that is on a clergy workload calculation (which takes no account of focal ministry). The intention is to allow the discernment and growth of focal ministries to continue in a natural way alongside the ministry of stipendiary clergy, who are deployed according to this model.
2. To ensure a robust framework for deployment of ministry resource (allowing financial planning) without losing the creativity and theological vision which is implicit in the focal ministry approach.
3. To provide a rigorous framework for deployment decisions, ensuring consistency and fairness across the diocese.

Common Fund Review

The impacts of Covid have substantially affected the income of many if not all parishes and has raised questions around the calculation of Parish Share. The Common Fund Committee has been considering approaches to the calculation of Parish Share and this work will continue during 2021, incorporating the levels and distribution of stipendiary clergy identified through the discerning ministries work and incorporating the following principles:

- Based on concept of mutual support
- Simple to understand and give parishes an understanding of how their contributions are deployed
- Support and reflect the mission priorities of the diocese
- Incentivise, and not penalise, congregational growth.

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B5 Financial Review

Financial Performance – Income and expenditure

The Statement of Financial Activities (SOFA) for the year on page 35 shows total income and endowments of £13.7m (2019 - £14.3m) and total expenditure of £15.9m (2019 – £14.5m), resulting in net expenditure of £2.2m (2019 - £0.2m).

Income decreased by £0.6m, with the main factor being reduced parish share contributions offset by gains received on sale of Board properties in the period.

Total expenditure increased by 1.4m with an increase in charitable activities spend of £1.4m on support for ministry. This is mainly due to making provision for non-recovery of parish loans, a full ministry for mission team being in place for the 2020 and the Pioneer programme having all posts filled.

In addition, unrealised investment losses of £0.2m, contributed to the net decrease in total funds of £2.4m (2019 – net increase of £4.8m). Total fund balances decreased from £103.6m to £101.2m

Financial Performance – Cash flow

As shown in the reconciliation in the cash flow statement on page 38, the net expenditure of £0.4m included repayments of loan facilities, and a reorganisation of financial investment portfolio upon the handover from Charles Stanley to Brewin Dolphin as Investment Managers.

The net cash expended on operational activities was £3.2m (2019 - £2.1m). The DBF funded the cash requirements through realisation of Investment gains and sales of houses and Glebe land.

This resulted in an overall net cash outflow for the year of £0.4m (2019 - £0.1m outflow).

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Investment Income

Agricultural, commercial and residential land and buildings are detailed in note 18.

The Trustees have set a targeted overall return (income plus capital growth) of 4% plus inflation.

The Trustees have elected to adopt Total Return accounting on certain permanent endowment funds meaning that there is a drawdown of 4% against the balance held as 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 £131,000 (2019 - £136,000) and from The Foundation of St. Matthias totalling £57,000 (2019 - £63,000). The DBF also received the following grants from the Archbishops' Council:

- £257,000 (2019 - £156,000) Strategic Development Funding towards the Pioneer Project
- £511,000 (2019- £434,000) 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 reduced by four. The DBF policy continues to be:

- to replace unsuitable clergy 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.

Balance Sheet Position

The net assets at the balance sheet date totalled £101.2m (2019 - £103.6m). This includes properties totalling £65.7m (2019 - £65.9m), 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 2020 the General Fund's net assets amounted to £4.3m (2019 - £5.9m).

The 2020 total expenditure from Unrestricted General Funds was £14m and the General Fund reserve provides for 3.7 months' expenditure (2019 – 5.9 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 £5.1m (2019 - £5.9m) 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 2020 the balance on the fund was £0.8m (2019 - £1.0m).

Fund for Church Growth

FCG grant funding ceased at the end of 2018. The fund balance at 31 December 2020 was £45k (2019 - £54k) 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 2020 these totalled £0.2m (2019 - £0.27m). 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 2020 restricted funds totalled £1.9m (2019 - £2.8m) and endowment funds totalled £87.8m (2019 - £86.7m).

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 2020 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.

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 trustees have determined that

- the historic Endowment 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 2020 the total loans outstanding from parishes was £490,951 (2019 - £610,011).

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 2020 loan balances were £411,076 and a further £300,000 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

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funding and local fundraising including pledged donations which are received over a number of years. Provision is made in the accounts for any assessed non-recoverability issues.

B6 Principal Risks and Uncertainties

The Trustees have overall responsibility for risk management and internal controls. Consequently, they have put in place a risk management strategy designed to ensure that the principal risks to the organisation are identified and managed.

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 updated by ARMG. The Trustees are able to review changes to the risk register at all meetings and the full risk register is presented at least annually as part of the corporate risk management strategy.

The risk register is continuously refined to provide a responsive tool to assist the trustees in securing Diocesan strategic goals. The register is divided into two main sections, the High Risk and Critical Events register and a supporting General Risk Register. Additionally, for 2020, and into 2021, a specific COVID-19 Pandemic Risk Implications Register has been constructed and reviewed.

COVID-19 Pandemic

The Covid-19 Pandemic has meant churches, parishes and the Diocese have been forced to adapt significantly. Income streams into churches from irregular giving, rental, fundraising and parochial fees have been severely interrupted and that in turn challenges payment of the DBF main income stream of parish share as well as the DBF share of parochial fees.

At the same time investment portfolios have reduced in value and sales of glebe land and house disposals have been disrupted. The DBF main expenditure (Stipends) continues uninterrupted.

Planning for and securing the financial resilience of the DBF is a key risk for the Trustees to manage. Risk mitigation measures have been discussed and put in place, the most significant of which are:

- Focussing expenditure on essential and strategically important items
- Sharpened budget and cashflow management reviews and challenge
- Push through house and land sales where financially prudent to do so
- Regular two-way engagement and communications with PCCs
- Financial and other support for PCC's as necessary
- Policies and procedures adapted to accommodate staff sickness, absence and skill loss.
- Assist in the development of multi-modal approaches to worship and community

2022 Budget and five-year financial resourcing plan

Having weathered 2020 and set a manageable budget for 2021, future years require that the DBF achieve financial viability with a balanced budget supporting the strategic activities and needs

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identified. Continued reductions in church membership will result in strains on parish share collection and operating budgets.

The Risk mitigations include: -

- Diocesan strategy for church growth
- Active two-way engagement with PCC's on their finances.
- Major review of DBF costs and expenditure imperatives

Diocesan Strategy

The consequences of the COVID-19 pandemic through-out 2020 slowed down progress on the implementation of the strategy. A new Chief Executive was appointed and created a dedicated group to work on pursuing the strategic plan. In addition, a key strategic activity has been the work of the Deployment Group seeking the most effective and efficient use of the manpower resources available. 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 has been delayed significantly 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 2020

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

Main risks:

- Over-complex structures and processes undermine effective decision-making, and the structure of the Bishop's Council impedes Board effectiveness.
- Key decisions that ensure future viability will not be made or actioned in a timely manner.
- That there is a failure to become more outward-looking, to find and develop role models, clergy and lay, and to serve and strengthen relationships with the 98.5% in the wider community not part of the church.
- That there are too many generic and unmeasurable goals, and failure to set a clear purpose.
- That there is a lack of leadership capacity and significant leadership skills at a critical time.
- Trustees lack the relevant experience, expertise, training or confidence
- The information flow from the organisation is incomplete and/or the terms of reference of key committees/groups are inadequate

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Mitigated by:

- The New CEO is leading a team dedicated to pursuing a restructuring process to deliver outcomes-oriented, action-oriented and timely decision making, with responsibilities and authority made clearer.
- A review of Governance that focusses on effectiveness, how to make best use of the resources available and contribute actively.
- Recognition of need to clarify Archdeacon and Deanery roles and their relationship with the staff support provided from DBF.
- Committing to a balanced budget for 2022 and to financial viability as a strategic priority.
- Reviews/restructuring and cost saving decisions completed by mid- 2021.
- Employ project management techniques to key change elements to monitor and ensure successful implementation and outcomes.
- Identify and develop role models, both clergy and lay, who can re-build and strengthen the relationship with the 98.5% who are not part of the Anglican community.
- Prioritise serving the community (not just the church or congregations). DBF to prioritise its role as serving parishes and deaneries.
- Strengthen the scrutiny role of Trustees, supporting with skills analysis and training as appropriate.

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

Education – MAT

A major risk identified is the lack of resources and capacity within the education department leading to the department being potentially unable to meet its academisation programme, its duties to VA/VC schools and support for smaller schools around the Diocese.

Mitigated by:

- Filling some additional posts on a fixed term basis
- Re-organising the department to focus on new duties and responsibilities
- Appointment of further Chaplaincy Advisors in schools
- Continuous training initiatives across the local educational panorama.
- Development of a small school's strategy

Critical Events

The main risks within the control of the DBF identified as critical events are failures in safeguarding of children and vulnerable adults and disaster planning. 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 together with parishes, 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.

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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 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

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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 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;

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- 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”.

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.

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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.

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 Multi Academy Trusts (MATs) with church schools in them, 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.

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.

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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.

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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 £11.8m at 31 December 2020 (2019 - £11.5m), 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 2020 was £352,023 (2019 - £398,126).

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 2020 was £52,342 (2019 - £51,617).

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;

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For the year ended 31 December 2020

- 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.

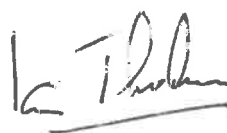
No trustee had any beneficial interest in the company during 2020. The names of the Trustees (who also act as directors) who served during the period 1 January 2020 to 16 June 2021 are shown in section F. Trustees' remuneration and expenses are detailed in note 13 to the accounts.

On behalf of the Board

~~18~~
19 June 2021



Rt Revd R Worsley
Trustee



I Theodoreson
Chair

The Bath and Wells Diocesan Board of Finance

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For the year ended 31 December 2020

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
Chairs	
DBF Chair and Chair of the Finance Group	Preb H T Musselwhite BA FKC (resigned 31 December 2020) Mr I Theodoreson FCA (Appointed 1 January 2021)
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 Theodoreson FCA
Chair of Common Fund Committee	The Venerable Dr A Youings
Chair of the Audit and Risk Management Group	Mr K Beecham
Officers	
Diocesan Secretary	Preb N May MBA FCA (to 29 August 2020) Ms S Kindleysides (from 1 September 2020)
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 (to 31 January 2021) Mr J Millard BSc MRICS (from 1 March 2021)
Head of Communications	Ms R Paveley
HR Manager	Ms E Andrews
Safeguarding Adviser	Ms G Armstrong
Head of Strategic Programme	Revd C Peer
Agents	
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

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

Brewin Dolphin
Pynes Hill Woodwater Park Exeter EX2 5FD

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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 2020 to 16 June 2021

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 (to 31 December 2020)
Mr I Theodoreson (from 1 January 2021)
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 MacGeoch (elected 16 January 2020)

Mr T Hind

Mr C Jenkins

Dr R Sage

Taunton Archdeaconry

The Revd M Andrews (elected 19 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 2020

Opinion

We have audited the financial statements of The Bath and Wells Diocesan Board of Finance for the year ended 31 December 2020 which comprise the Statement of Financial Activities, the Income and Expenditure Account, 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 2020 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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

For the year ended 31 December 2020

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 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

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

For the year ended 31 December 2020

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 25, 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the charitable company and the environment in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and the Charities Act 2011 and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered other factors such as income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and concluded that the risk was low. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and

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

For the year ended 31 December 2020

- Challenging assumptions and judgements made by management in their critical accounting estimates

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. This description forms part of our auditor's report.

Use of our report

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



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

10 Queen Street Place
London
EC4R 1AG

Date: 29 June 2021

The Bath and Wells Diocesan Board of Finance
Statement of Financial Activities
For the year ended 31 December 2020

	Note	Unrestricted Funds General	Desig- nated	Restric- ted Funds	Endow- ment Funds	Total Funds 2020	Total Funds 2019
		£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from							
Parish Contributions	2a	9,208	-	-	-	9,208	10,359
Other donations	2b	252	8	942	-	1,202	893
Charitable activities	3	430	-	2	-	432	729
Other activities	4	427	-	20	-	447	338
Investments	5	420	6	89	594	1,109	1,415
Other Income	6	124	-	2	1,188	1,314	558
Total income and endowments		10,861	14	1,055	1,782	13,712	14,292
Expenditure on							
Raising funds	7	211	-	-	37	248	274
Charitable activities	8	13,832	141	1,688	-	15,661	14,183
Other Expenditure		-	-	-	-	-	41
Impairment of properties	17	-	-	-	-	-	-
Total expenditure		14,043	141	1,688	37	15,909	14,498
Net (expenditure) / income before investment gains / (losses)		(3,182)	(127)	(633)	1,745	(2,197)	(206)
Net gains / (losses) on investments	9	31	5	26	(269)	(207)	3,041
Net (expenditure) / income		(3,151)	(122)	(607)	1,476	(2,404)	2,835
Transfers between funds	15	1,528	(872)	(336)	(320)	-	-
Other recognised gains							
Remeasurement gains on defined benefit pension schemes	28	(4)	-	-	(64)	(68)	1,982
Net movement in funds		(1,627)	(994)	(943)	1,092	(2,472)	4,817
Total funds brought forward		5,915	8,160	2,817	86,743	103,635	98,818
Total funds carried forward	24	4,288	7,166	1,874	87,835	101,163	103,635

All activities derive from continuing activities. The notes on pages 39 to 85 form part of the financial statements.

The Bath and Wells Diocesan Board of Finance
Income and Expenditure Account
For the year ended 31 December 2020

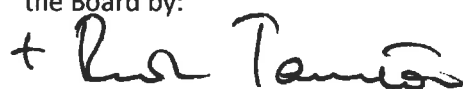
	Total 2020 £'000	Total 2019 £'000
Total income	11,930	13,888
Total expenditure	15,872	14,387
Net operating expenditure for the year	(3,942)	(499)
Net (losses)/gains on investments	62	694
Net income/(expenditure) for the year	(3,880)	195
Other comprehensive income:		
Remeasurement gains on defined benefit pension schemes	(4)	(5)
Total comprehensive income/(expenditure)	(3,884)	190

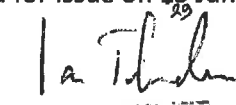
The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

The Bath and Wells Diocesan Board of Finance
Balance Sheet
For the year ended 31 December 2020

Balance Sheet - Company No. 139557	Note	2020 £'000	2019 £'000
Fixed Assets			
Intangible assets	16	1	2
Tangible assets	17	67,201	67,163
Investments	18	41,941	43,367
		109,143	110,532
Current Assets			
Stock		5	5
Debtors	19	2,325	2,878
Assets held for resale	20	150	150
Cash on deposit	21	1,006	1,171
Cash at bank and in hand	21	1,279	1,541
		4,765	5,745
Creditors: amounts falling due within one year	22	(5,030)	(5,093)
Net Current Assets		(265)	652
Total Assets Less Current Liabilities		108,878	111,184
Creditors: amounts falling due after more than one year	22	(6,808)	(6,091)
Pension scheme liabilities	28	(907)	(1,458)
Net Assets		101,163	103,635
Funds			
Endowment funds		87,835	86,743
Including revaluation reserve of £18,542k (2019 - £20.383k)			
Restricted income funds		1,874	2,817
Including revaluation reserve of £513k (2019 - £376k)			
Unrestricted income funds:			
General funds		4,288	5,915
Including revaluation reserve of £204k (2019 - £771k)			
Designated funds		7,166	8,160
Including revaluation reserve of £22k (2019 - £22k)			
Total Funds	24	101,163	103,635

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 18 June 2021 and signed on behalf of the Board by:


Rt Revd R Worsley
Trustee


Mr I Theodoreson
Trustee

The Bath and Wells Diocesan Board of Finance
Cash Flow Statement
For the year ended 31 December 2020

	2020 £'000	2019 £'000
Net cash outflow from operating activities	(3,211)	(2,178)
Cash flows from investing activities		
Dividends, interest and rent from investments	1,070	1,422
Proceeds from the sale of:		
Tangible fixed assets	4,267	2,095
Fixed asset investments	13,079	1,552
Purchase of:		
Tangible fixed assets for the use of the DBF	(3,511)	(5,815)
Fixed asset investments	(11,859)	(650)
Net cash provided by investing activities	3,046	(1,396)
Cash flows from financing activities		
Loans repaid by the DBF	(1,349)	(80)
New loans received by the DBF	1,087	4,108
Net cash provided by financing activities	(262)	4,028
Change in cash and cash equivalents in the year	(427)	(84)
Cash and cash equivalents at 1 January	2,712	2,796
Cash and cash equivalents at 31 December	2,285	2,712

Reconciliation of net income to net cash flow from operating activities

Net expenditure before investment gains	(2,197)	(206)
Adjustments for:		
Depreciation and amortisation	223	60
Investment income	(1,070)	(1,422)
Fixed asset impairment charge	-	41
Notional interest in present value calculation	(39)	7
Repayment of loans advanced	398	203
Advancement of loans	(200)	(326)
Repayment of pension schemes net of remeasurement costs	(619)	(543)
Gain on disposal of fixed assets	(1,017)	(427)
Increase in debtors	(194)	(110)
Increase in creditors	1,028	154
Decrease in grants approved but not made	(24)	(174)
Increase in provisions	500	27
Net cash outflow from operating activities	(3,211)	(2,178)

The Bath and Wells Diocesan Board of Finance

Notes to the Financial Statements

For the year ended 31 December 2020

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 2020

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 2020

(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 2020

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:

Leasehold Office buildings	1% per annum
Solar PV Panels	4% and 5% per annum
Fixtures and Fittings	10% 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 2020 and the proportionate change in value from 2019 was then applied across the whole of the DBF's Glebe portfolio to give a value for the whole portfolio at 31 December 2020.

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 2020

(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 2020

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.

vi. **Recoverability of parish loans**

The Board has considered an appropriate level of provision for non-recoverability of loans given to parishes, estimating the potential shortfall in loan receipts or on-going Common Fund payments.

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total Funds	Total Funds
	General	Designated			2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
2a Parish Contributions						
Parish Share						
Current year's allocation	10,586	-	-	-	10,586	10,539
Additional Payments	20	-	-	-	20	19
Arrears for previous years	-	-	-	-	-	-
Discretionary Parish Share relief	(689)	-	-	-	(689)	-
Shortfall in contributions	(709)	-	-	-	(709)	(199)
	9,208	-	-	-	9,208	10,359
Total Parish Share receipts represent 87.0% of the allocation (2019 – 98.3%)						
2b Other Donations						
Allchurches Trust	122	8	-	-	130	136
Foundation of St Matthias	-	-	57	-	57	63
RME Ordinands Grant	-	-	511	-	511	434
Donations, Grants, Sponsorships & Legacies	130	-	374	-	504	260
	252	8	942	-	1,202	893
3 Charitable Activities						
Statutory fees and chaplaincy income	369	-	-	-	369	589
Course fees and other	61	-	2	-	63	140
	430	-	2	-	432	729
4 Other Activities						
Rental income from clergy houses, schools and the Old Deanery	407	-	5	-	412	304
Support services	20	-	15	-	35	34
	427	-	20	-	447	338
5 Investment Income						
Dividends receivable	372	6	78	216	672	906
Interest receivable	3	-	11	-	14	107
Revaluation of Equity Loans	-	-	-	-	-	-
Notional Interest re net present value	39	-	-	-	39	(7)
Rents receivable	6	-	-	378	384	409
	420	6	89	594	1,109	1,415
6 Other Income						
Gain on disposal of properties	13	-	-	1,188	1,201	427
Solar PV Panel FiT Income	110	-	-	-	110	121
Other	1	-	2	-	3	10
	124	-	2	1,188	1,314	558

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

	Unrestricted General £'000	Funds Desig- nated £'000	Restr- icted Funds £'000	Endow- ment Funds £'000	Total Funds 2020 £'000	Total Funds 2019 £'000
7 Costs of raising funds						
Stockbroker's fees	16	-	-	28	44	44
Value Linked loans interest	12	-	-	-	12	13
Interest cost & expenses: pension schemes	12	-	-	9	21	86
Glebe Land & Clergy Houses letting costs	171	-	-	-	171	131
	211	-	-	37	248	274
8 Charitable activities						
Contribution to Archbishops' Council						
Training for Ministry	393	-	-	-	393	393
National Church Responsibilities	271	-	-	-	271	312
Grants and provisions	58	-	-	-	58	33
Mission Agency pension contributions	15	-	-	-	15	4
Retired Clergy Housing (CHARM) & Grants	141	-	-	-	141	134
Pooling of ordinand candidates' costs	4	-	-	-	4	-
	882	-	-	-	882	876
Resourcing Ministry and Mission						
Parish Ministry:						
Stipends and Social Security	5,250	-	36	-	5,286	5,196
Pension contributions	1,246	-	-	-	1,246	1,218
Housing costs	1,337	-	604	-	1,941	1,982
Removal, resettlement and other grants	230	-	7	-	237	215
Other expenses	58	-	38	-	96	137
	8,121	-	685	-	8,806	8,748
Support for ministry	4,442	132	923	-	5,497	4,081
 Fund for Church Growth	 -	 9	 1	 -	 10	 (10)
	12,563	141	1,609	-	14,313	12,819
Expenditure on Education						
Church Schools: Administration	387	-	79	-	466	488
	13,832	141	1,688	-	15,661	14,183

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

	Unrestricted Funds		Restr-	Endow-	Total	Total
	General	Desig-	icted	ment	Funds	Funds
	£'000	nated	Funds	Funds	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
9 Gains/(losses) on Investment Assets						
Unrealised gains/(losses) after revaluation (*)	21	5	26	552	604	2,902
Realised gains/(losses) on disposal	10	-	-	(821)	(811)	139
	31	5	26	(269)	(207)	3,041

(*) includes £0.1m gain in relation to the revaluation of Glebe Agricultural Land (2019 - £0.1m).

10 Analysis Of Resources Expended Including Allocation Of Support Costs

	Grant			Total	Total
	Activities undertaken	funding of Support		2020	2019
	Directly	activities	Costs	£'000	£'000
	£'000	£'000	£'000	£'000	£'000
Raising Funds	248	-	-	248	274
Charitable Activities:					
Contributions to Archbishops' Council	393	488	-	881	876
Resourcing ministry and mission	12,465	685	1,164	14,314	12,819
Education	415	-	51	466	488
Fixed Asset Impairment	-	-	-	-	41
	13,521	1,173	1,215	15,909	14,498

	Unrestricted	Funds	Restr-	Endow-	Total	Total
	General	Desig-	icted	ment	Funds	Funds
	£'000	nated	Funds	Funds	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
11 Analysis Of Support Costs						
Central Administration	1,135	-	-	-	1,135	984
Support for Schools	-	-	51	-	51	45
Governance:						
External Audit	15	-	2	-	17	20
Professional Fees	6	-	-	-	6	6
Diocesan and General Synod Expenses	6	-	-	-	6	18
	1,162	-	53	-	1,215	1,073

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

12 Analysis of Grants Made

	No. of Grants	Total Grants to individuals	Total Institutional Grants	2020	2019
		£'000	£'000	£'000	£'000
a) National Church Responsibilities					
From Unrestricted General funds to:-					
Archbishops' Council, General Synod, etc.	1	-	271	271	313
Training Ordinands	1	-	393	393	394
Grants and Provisions	1	-	58	58	33
Inter-diocesan support of Mission Agency clergy pension contributions	1	-	15	15	4
CHARM	1	-	141	141	134
National Pooling adjustment	-	-	4	4	-
	5	-	882	882	878
b) General Grants					
From Unrestricted General Funds to:-					
Ordinands in training	32	269	-	269	207
Somerset Churches Together	1	-	8	8	12
Bath and West Show Tent	1	-	-	-	2
Other Miscellaneous Grants	2	2	-	2	2
Less grants no longer required	-	-	-	-	(5)
	36	271	8	279	218
From Designated Funds to:-					
PCCs and Deaneries from the Fund for Church Growth					
Youth Work	-	-	-	-	-
Other Staff	-	-	-	-	-
Building and re-ordering	-	-	-	-	-
Other projects	-	-	-	-	-
Less grants no longer required	-	-	-	-	(7)
	-	-	-	-	(7)
From Restricted Funds to:					
Clergy (including retired and clergy widows)	11	11	-	11	10
Total Grants Payable	52	282	890	1,172	1,100

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13 Trustees And Related Parties

In 2020 the trusts which are administered from the DBF's registered office paid management charges of £4,496 to the DBF (2019 - £4,378).

The Rib Trust made a grant of £37,500 to the Board (2019 - £37,000) towards the Archdeacons' working costs. The Foundation of St Matthias made a grant to the Diocesan Board of Education of £56,000 (2019 - £57,333) 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, 9 (2019 -15) were reimbursed with a total of £6,968 (2019 - £18,370) 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	Funded by the Church Commissioners: £45,953 stipend & defined benefit pension scheme Living accommodation & car for official use
The Bishop of Taunton	The Rt Revd R Worsley	Funded by the Church Commissioners: £37,485 stipend, car for official use Defined benefit pension scheme Funded by the DBF: Living accommodation
Archdeacons	The Ven S Hill The Ven A Gell The Ven Dr A Youings) £36,648 stipend) Defined benefit pension scheme) Living accommodation
	Revd M Andrews Revd C Ralph Revd B Faulkner Revd D MacGeoch Revd J Haslam Revd S Buddle Revd R Driver))) £27,087 stipend) Defined benefit pension scheme) Living accommodation))

In total 10 (2019 - 10) trustees received stipends and pension contributions as follows:

	2020	2019
	£	£
Stipends	299,548	295,300
Pension Contributions	105,719	103,628
	<u>405,267</u>	<u>398,928</u>

The value of church provided housing in 2020 to the clergy and bishops cannot be estimated.

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14 Staff And Office holders

	2020	2019
14a Staff Costs	£'000	£'000
Staff costs during the year were as follows:		
Wages and salaries	2,336	2,081
Stipends of ordained staff members	0	5
National insurance contributions	210	186
Pension costs	250	231
	2,796	2,503

During the year, the DBF made termination payments in respect of one member of staff (2019 - 0) totalling £3,186 (2019 - £0). This amount is included in staff costs above.

The average number of employees during the year was:	No.	No.
Lay Workers	5.0	5.6
Ministry for Mission	36.3	26.8
Central Services	35.8	33.7
Education	15.7	16.3
	92.8	82.4

The average number of employees during the year, based upon full-time equivalents, was: (*)

	No.	No.
Lay Workers	3.3	3.7
Ministry for Mission	27.5	21.7
Central Services	27.6	26.8
Education	13.8	14.3
	72.2	66.5

(*) Including 1.7 (2019 - 1.7) staff whose time was recharged or funded by external organisations

Of the average number of employees, 69 were based in the Diocesan office (2019 - 62), 11 were based in other locations (2019 - 9) and 13 were based in Parishes and Deaneries (2019 - 11).

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:

	2020	2019
£60,001 - £70,000	1	1
£70,001 - £80,000	1	1

Pension contributions of £14,856 (2019: £14,059) were made for these employees.

The Bath and Wells Diocesan Board of Finance

Notes to the Financial Statements

For the year ended 31 December 2020

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 2020 they were:

Role	Office Holder
Diocesan Secretary and Company Secretary	Preb Nicholas May (to 11/09/20)
CEO, Diocesan Secretary and Company Secretary	Sharon Kindleysides (from 01/09/20)
Head of Finance	Imogen Taylor (to 30/04/20)
Head of Finance and Operations	Matthew Pinnock (from 01/05/20)
Head of Strategic Programme	Revd Charlie Peer
Director of Education	Edward Gregory
Head of Ministry for Mission (0.2FTE)	Revd Jane Chamberlain

Remuneration, pension contributions and expenses for 5 (4.2 FTE) (2019 - 5(4.2 FTE)) key management personnel were as follows:

	2020 £'000	2019 £'000
Salaries/ Stipends	274	266
National Insurance contributions	33	31
Pension Contributions	27	26
	334	322
Expenses	6	4

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14b Office holders	2020	2019
	FTE	FTE
	No.	No.
Office holders not employees		
The average number of stipendiary clergy holding parochial, deanery or archidiaconal posts in the diocese was:	189	185
At a cost of:	£'000	£'000
Stipends & Housing Allowances	4,922	4,833
National Insurance Contributions	394	383
Apprenticeship Levy	22	22
Pensions contributions	1,236	1,208
	6,574	6,446

The changes between 2020 and 2019 of FTE stipendiary clergy is despite an average increase in vacant posts it is offset by an increase in curates. The average level of vacancies in 2020 was estimated at 29.1 (2019 - 26.9), being 13.3% of all posts (2019 - 14.8% of all posts).

	Unrestricted Funds		Restr-	Endow-
	General	Desig-	icted	ment
	£'000	£'000	Funds	Funds
15 Analysis Of Transfers Between Funds			£'000	£'000
Parsonage houses buy/sell - net proceeds/costs	-	-	(331)	331
Restricted transfers	27	-	(27)	-
Transfer from unrestricted to designated funds:				
Transfer from Tangible Fixed Assets fund	745	(745)	-	-
Transfer to Other Designated reserves	8	(8)	-	-
Mission Development Fund	86	(119)	33	-
Unapplied total return drawdown	591	-	-	(591)
Management charges (FCG, Schools, etc.)	11	-	(11)	-
Management charges on house sales	53	-	-	(53)
Management charges on Glebe land sales	7	-	-	(7)
	1,528	(872)	(336)	(320)

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	Computer Software £'000
16 Intangible Fixed Assets	
Cost	
At 1 January 2020	166
Additions	-
At 31 December 2020	166
Amortisation	
At 1 January 2020	164
Charge for the year	1
At 31 December 2020	165
Net book value	
At 31 December 2020	1
At 31 December 2019	2

	Freehold/ Leasehold Land and Buildings £'000	Solar PV Panels £'000	Office Equip't £'000	Assets Under Construction £'000	Total £'000
17 Tangible Fixed Assets					
Cost					
At 1 January 2020	66,645	759	424	585	68,413
Additions	531	-	1,030	682	2,243
Revaluation	-	-	-	-	-
Transfer	1,267	-	-	(1,267)	-
Disposals	(1,974)	(20)	(192)	-	(2,186)
At 31 December 2020	66,469	739	1,262	-	68,470
Depreciation and Impairment					
Depreciation at 1 January 2020	-	216	312	-	528
Impairment at 1 January 2020	723	-	-	-	723
Impairment charge for the year	-	-	-	-	-
Depreciation charge for year	27	32	163	-	222
Disposals	(9)	(8)	(187)	-	(204)
At 31 December 2020	741	240	288	-	1,269
Net book value					
At 31 December 2020	65,728	499	974	-	67,201
At 31 December 2019	65,922	544	112	585	67,163

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	2020	2020	2019	2019
	No.	£'000	No.	£'000
Freehold / Leasehold Land and Buildings				
Freehold				
Benefice property: Parsonage houses	168	41,008	169	40,171
Glebe property: Curates' houses	26	7,352	29	8,144
Other houses	30	7,755	30	7,755
	56	15,107	59	15,899
Corporate property: Curates' houses	2	563	2	563
Other houses	23	5,555	22	5,534
Houses bought with val. linked loans (at valuation)	3	523	4	756
Edginton house	1	281	1	281
	29	6,922	29	7,134
Leasehold				
Long leasehold	2	2,691	2	2,718
Total Freehold / Leasehold Land and Buildings	255	65,728	259	65,922
School Land & Buildings				
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 2020, 252 properties (£65,239k) are valued at cost or deemed cost (2019 - 255), and three properties (£523k) at valuation (2019 - four).

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

During the year no buildings were impaired, where their market value was estimated to be below their cost.

The balance in Assets Under Construction related to improvements made to long-term leasehold buildings purchased in the prior year completed during the year.

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	Agricultural Land	Other Land & Property	Unlisted Invest- ments	Listed Invest- ments	Total 2020
	£'000	£'000	£'000	£'000	£'000
18a Fixed Assets Investments					
At 1 January 2020	19,942	639	6,716	16,070	43,367
Additions	-	-	-	11,859	11,859
Disposals	(315)	-	-	(13,574)	(13,889)
Transfers / Reclassifications	-	-	498	(498)	-
Revaluation	103	-	(64)	565	604
At 31 December 2020	19,730	639	7,150	14,422	41,940
Cost at 31 December 2020	Not known	Not known	4,146	13,729	
Cost at 31 December 2019	Not known	Not known	4,146	13,493	
Investments comprise:-				2020	2019
Listed Investments (Equities)				£'000	£'000
UK Investments				4,022	12,557
Non-UK Investments				7,536	2,149
				11,558	14,706
Listed Investments (Unit Trusts)					
UK Investments				182	169
Listed Investments (Fixed Interest)					
UK Investments				2,276	1,195
Non-Uk Investments				405	-
				2,682	1,195
Listed Investments Total				14,422	16,070
(iii) Unlisted Investments				£'000	£'000
3,251,223 Central Board of Finance of the Church of England Property Fund Shares (2019 - 4,427,516)				4,207	4,428
149,567 Central Board of Finance of the Church of England Investment Fund Share (2019 - 115,727)				2,868	2,217
3,139 COIF Charity Investment Fund Income Shares (2019 - 3,139)				57	53
2,000 Central Board of Finance of the Church of England Fixed Interest Fund Shares (2019 - 2,000)				3	3
Somerset Savings and Loans Ltd				15	15
				7,150	6,716
(iv) Other Land and Property				2020	2019
				£'000	£'000
Glebe Property				610	610
Other Land				29	29
				639	639

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Notes to the Financial Statements

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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 Endowment £'000
(i) Diocesan Stipends Fund (DSF)			
At 1st January 2020			
Base value of permanent endowment	13,676	-	13,676
Unapplied Total Return	-	19,457	19,457
Total	13,676	19,457	33,133
Movements in the reporting period			
Indexation of base level of endowment	82	(82)	-
Unapplied total return allocated to income in the year	-	(882)	(882)
Additional UTR allocated for purchase of property	-	(165)	(165)
Investment return: dividends and interest	-	192	192
Investment return: Glebe rents	-	378	378
Investment returns: Realised and unrealised gains and (losses)	-	267	267
Less investment management costs	-	(24)	(24)
Total	82	(316)	(234)
At 31st December 2020			
Base of the permanent endowment	13,758	-	13,758
Unapplied Total Return	-	19,141	19,141
Total	13,758	19,141	32,899

During the year, there was a transfer of £882K from UTR to income funds for expenditure in relation to the Diocesan Vision, in line with the Diocese Total return policy of 4% of endowed investment value plus Glebe rents. Also in the year, a transfer of £165k from UTR occurred to facilitate acquiring a new parsonage property.

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	Trust for investment £'000	UTR £'000	Total Endowment £'000
(ii) Stipends Augmentation Trusts (SAT)			
At 1st January 2020			
Base value of permanent endowment	1,098	-	1,098
Unapplied Total Return	-	331	331
Total	1,098	331	1,429
Movements in the reporting period			
Indexation of base level of endowment	6	(6)	-
Unapplied total return allocated to income in the year	-	(44)	(44)
Investment return: dividends and interest	-	23	23
Investment returns: Realised and unrealised gains and (losses)	-	(44)	(44)
Less investment management costs	-	(4)	(4)
Total	6	(75)	(68)
At 31st December 2020			
Base of the permanent endowment	1,104	-	1,104
Unapplied Total Return	-	256	256
Total	1,104	256	1,361

During the year, there was a transfer of £44K from UTR to income funds for expenditure in relation to the Diocesan Vision, in line with the Diocese Total return policy of 4% of endowed investment value.

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	2020 £'000	2019 £'000
19 Debtors		
Due within one year		
a) Parish Share	221	206
b) Central Board of Finance Deposit Fund Loans	99	131
c) Loans to PCCs from Designated Fund or FCG	15	30
d) School Loans	70	71
e) Other Loans	9	10
d) Closed School Expenses and other School debtors	39	26
f) Other Debtors and Prepayments	868	953
g) Equity Loans	485	485
	1,806	1,912
Due after one year		
b) Central Board of Finance Deposit Fund Loans (*)	137	426
c) Loans to PCCs from Designated Fund or FCG (*)	382	501
d) School Loans (*)	-	32
e) Other Loans	-	7
	519	966
Total debtors	2,325	2,878

(*) 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 2020 the total present value of balances outstanding was £200,161 and the total non-discounted value £211,076. 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 2020 was £99,223. 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 2020 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 £279,342 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 2020 the value of loans advanced amounted to £485,007 in respect of three properties.

	2020	2019
	£'000	£'000
20 Assets held for resale		
Closed churches awaiting disposal	<u>150</u>	<u>150</u>

The value represents an estimate of expected sales proceeds receivable.

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21 Cash at bank and on deposit	Unrestricted Funds	Restricted Funds	Endowment Funds	2020 Total	2019 Total
	£'000	£'000	£'000	£'000	£'000
Cash on deposit	52	615	11	678	575
Cash at bank and in hand	374	905	-	1,279	1,541
Cash held by broker for investment	119	177	32	328	73
Cash held in solicitors' client account	-	-	-	-	523
	545	1,697	43	2,285	2,712

	2020 £'000	2019 £'000
22 Creditors		
Due within one year		
a) Bank loans	170	160
Fund for Church Growth grants approved not yet paid	51	73
Closed Church Schools	500	740
Bank revolving credit facility	2,000	3,000
Provisions	27	27
Other Creditors and Accruals	2,282	1,093
	5,030	5,093
Due after one year		
a) Bank loans	5,464	4,503
b) Central Board of Finance Deposit Fund Loans (*)	821	830
c) Value Linked Loans	523	756
Fund for Church Growth grants approved not yet paid (*)	-	2
	6,808	6,091

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

Creditors Notes

(a) Bank Loans

The DBF took a loan with NatWest to fund the investments in PV panels in April and June 2013. Interest currently charged at 1.5% above base rate.

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, there were a number of loan agreements with NatWest bank;

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- **Pioneer House mortgages.** Four loan agreements are entered into in order to finance the purchase of houses for Pioneer Ministers. The terms of these agreements are each either five or six years. These loans are secured on the pioneer houses. The balance outstanding at the year end was £807,160.
- **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 £1,400,000 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. During the year, this loan has had a capital repayment holiday applied to it, extending the loan period for a further nine months. 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 £820,611 at 31 December 2020. 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 2020 the interest rates charged on the loans ranged between 6.9% and 8.4% (2019 - 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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	2020	2019
	£'000	£'000
23 Financial Instruments		
Financial assets measured at fair value	22,057	23,271
Financial assets measured at amortised cost	1,042	1,607
Financial liabilities measured at fair value	523	756
Financial liabilities measured at amortised cost	8,903	7,184

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 01/01/20	Income	Expend- iture	Transfers	Reval- uation	At 31/12/20
24 Summary Of Fund Movements	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted Funds						
(a) General	5,915	10,673	(14,006)	1,528	31	4,141
(b) Diocesan Stipends Fund Income	-	188	(41)	-	-	147
	5,915	10,861	(14,047)	1,528	31	4,288
Designated Funds						
(c) Tangible Fixed Assets Fund	5,849	-	(27)	(745)	-	5,077
(d) Loan Fund	1,000	-	-	-	-	1,000
(e) Fund for Church Growth	54	-	(9)	-	-	45
(f) Pastoral Care & Counselling Scheme	176	6	-	-	5	187
(g) Mission Development Fund	960	8	-	(119)	-	849
(h) Other Designated	121	-	(105)	(8)	-	8
	8,160	14	(141)	(872)	5	7,166
Total Unrestricted Funds	14,075	10,875	(14,188)	656	36	11,454

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.

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	At 01/01/20	Income	Expend- iture	Transfers	Reval- uation	At 31/12/20
	£'000	£'000	£'000	£'000	£'000	£'000
24 Summary Of Fund Movements						
(continued)						
Restricted Funds						
(a) Schools Income Fund	345	59	(111)	(11)	13	295
(b) Diocesan Pastoral Account	299	-	(568)	572	-	304
(c) Support of clergy and dependants	205	9	(5)	-	9	218
(d) Retired clergy funds	57	8	(7)	-	(6)	52
(e) Porlock Wyld Trust	61	5	-	-	2	68
(f) Edginton Trust	162	7	(1)	-	-	168
(g) Zambia Link	267	6	(3)	(12)	-	258
(h) Smith Bequest	370	9	-	(15)	8	372
(i) DBE Restricted Grants	38	6	(13)	-	-	32
(j) Abbey House Fund	66	-	-	-	-	66
(k) Strategic Development Fund	-	257	(290)	33	-	0
(l) Benefice Houses	901	-	-	(901)	-	-
(m) Other Restricted	46	689	(691)	(2)	-	42
Total Restricted Funds	2,817	1,055	(1,688)	(336)	26	1,874

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 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.

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- 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 in 2020.
- (m) **Other Restricted** consisting of the balance of restricted legacies, grants and donations to the DBF.

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24 Summary Of Fund Movements (continued)	At 01/01/20 £'000	Income £'000	Expend- iture £'000	Transfers £'000	Reval- uations £'000	At 31/12/20 £'000
Endowment Funds						
Expendable Endowment						
(a) Parsonage Houses Fund	39,249	559	-	805	-	40,613
(b) Schools Capital Fund	661	-	-	-	-	661
(c) Porlock Wyld Trust	122	-	-	-	8	130
(d) Retired Clergy Funds	307	-	-	-	9	316
	40,339	559	-	805	17	41,720
Permanent Endowment						
(e) Diocesan Stipends Fund Capital	43,496	82	(74)	(1,081)	874	43,297
(f) Stipends Capital	1,562	1,141	(27)	(44)	(1,230)	1,402
(f) General Capital	731	-	-	-	50	781
(f) Support of Ordinands	39	-	-	-	3	42
(g) Crockat and Cowley Trusts	164	-	-	-	(2)	162
(h) Edginton Trust	354	-	-	-	16	370
(i) Other Permanent Endowment	58	-	-	-	3	61
	46,404	1,223	(101)	(1,125)	(286)	46,115
Total Endowment Funds	86,743	1,782	(101)	(320)	(269)	87,835
All Funds	103,635	13,712	(15,977)	-	(207)	101,163

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 £37,840 as at 31 December 2020 (2019 - £35,405).
- **Elwell Trust** is to be used for the grant or augmentation of pensions to retired clergy at any time benefited in the diocese. Balance £11,133 as at 31 December 2020 (2019 - £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 £267,095 as at 31 December 2020 (2019 - £260,074).

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) Cokat 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 £1,696 as at 31 December 2020 (2019 - £1,638)
- **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 £20,672 as at 31 December 2020 (2019 - £19,342)
- **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 £41,097 as at 31 December 2020 (2019 - £38,453).

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	Tang. & Intang. Fixed Assets	Invest- ments	Other Assets	Credit- ors	Interfund DR / (CR)	Net Assets
25 Summary Of Assets By Fund	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted General Funds	-	3,370	2,474	(1,494)	(62)	4,288
Designated						
Tangible Fixed Assets Fund	10,804	-	-	(5,727)	-	5,077
Loan Fund	-	754	-	-	246	1,000
Fund For Church Growth	-	-	97	(52)	-	45
Pastoral Care & Counselling Scheme	-	178	-	-	9	187
Mission Development Fund	-	1,460	-	-	(611)	849
Other Designated	-	-	-	-	8	8
Total Designated Funds	10,804	2,392	97	(5,779)	(348)	7,166
Restricted Funds						
Schools Income Fund	-	716	447	(868)	-	295
Diocesan Pastoral Account	-	-	235	-	69	304
Support Of Clergy And Dependants	-	151	45	(1)	23	218
Retired Clergy Funds	-	-	94	-	(42)	52
Porlock Wyld Trust	-	32	36	-	-	68
Edginton Trust	124	36	28	-	(20)	168
Zambia Link	-	-	278	(18)	(2)	258
Abbey House	-	-	-	-	66	66
Smith Bequest	-	319	-	-	53	372
DBE Restricted Grants	-	-	-	-	32	32
Other Restricted	-	-	28	(12)	26	42
Total Restricted Funds	124	1,254	1,191	(899)	204	1,874
Endowment Funds						
Expendable Endowment						
Parsonage Houses Fund	41,009	-	24	(2)	(418)	40,613
Schools Capital Fund	-	-	661	-	-	661
Porlock Wyld Trust	-	130	-	-	-	130
Retired Clergy Funds	-	305	12	(1)	-	316
Permanent Endowment						
Diocesan Stipends Fund Capital	15,107	31,756	272	(4,333)	495	43,297
Stipends Capital	-	1,481	35	(237)	123	1,402
General Capital	-	781	-	-	-	781
Support Of Ordinands	-	42	-	-	-	42
Crokat And Cowley Trusts	-	156	-	-	6	162
Edginton Trust	157	213	-	-	-	370
Other Permanent Endowment	-	61	-	-	-	61
Total Endowment Funds	56,273	34,925	1,004	(4,573)	206	87,835
All Funds	67,201	41,941	4,766	(12,745)	-	101,163

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26 Commitments

(a) Capital Expenditure

	2020	2019
	£'000	£'000
Contracted for, not yet completed	-	1,161
Authorised, not yet contracted for	-	1,327
Total Capital Commitments	-	2,488

The prior year, 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).

The prior year, 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 2020 the DBF had commitments to zero parishes (2019 - zero) to provide loans totalling £nil (2019 - £Nil) 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.

During the year, Bath Abbey PCC entered into a loan agreement for £400,000, to be made available in tranches of £100k. At the year end £200k has been drawn down. The loan is repayable from the first anniversary of the drawdown and interest is being charged on the loan of 2% above variable bank base rate.

(c) Operating Leases

	2020	2019
	£'000	£'000
Payable not more than one year	3	3
Payable more than one but not more than five years	5	8
Total Operating Lease Commitments	8	11

27 Post Balance Sheet Events and Contingent Liabilities

There were no 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 (2020: £248,989, 2019: £219,945).

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. A valuation as at 31 December 2019 was under way as at 31 December 2020.

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.

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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 (2020: £7,000, 2019: £12,000) 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 £7,000 for 2020 (2019: £12,000).

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.

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A valuation of DBS is carried out once every three years. The most recently finalised 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.

A valuation as at 31 December 2019 was under way as at 31 December 2020. The contributions agreed at that valuation will be reflected in the figures disclosed in the 2021 accounts.

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:

	2020 - £	2019 - £
Balance sheet liability at 1 January	325,000	414,000
Deficit contribution paid	(103,000)	(101,000)
Interest cost (recognised in SOFA)	3,000	7,000
Remaining change to the balance sheet liability* (recognised in SOFA)	4,000	5,000
Balance sheet liability at 31 December	229,000	325,000

* 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 2020	December 2019	December 2018
Discount rate	0.30%	1.20%	1.90%

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.

(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.

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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 (2020: £1,246k, 2019: £1,218k), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total charge of £1,320k for 2020 (2019: credit £709k).

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 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 and 31 December 2020 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 2019 and over 2020 is set out in the table below.

	2020 £'000	2019 £'000
Balance sheet liability at 1 January	1,133	3,569
Deficit contribution paid	(529)	(519)
Interest cost (recognised in SOFA)	10	70
Remaining change to the balance sheet liability* (recognised in SOFA)	64	(1,987)
Balance sheet liability at 31 December	678	1,133

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

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

December	2020	2019	2018
Discount rate	0.2% pa	1.1% pa	2.1% pa
Price inflation	3.1% pa	2.8% pa	3.1% pa
Increase to total pensionable payroll	1.6% pa	1.3% pa	1.6% 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.

	CWPF			CEFPS		
(d) Pension Liability Reconciliation - all schemes	Unrestricted	Funds	Restr-	Endow-	2020	2019
	General	Desig-	icted	ment	Total	Total
	£'000	nated	Funds	Funds	£'000	£'000
Liability at 1 January	325	-	-	1,133	1,458	3,983
Deficit Contributions paid	(103)	-	-	(529)	(632)	(620)
Interest cost	3	-	-	10	13	86
Remeasurement Gains	4	-	-	64	68	(1,991)
Liability at 31 December	229	-	-	678	907	1,458

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29a Prior Year Comparative Notes – Statement of Financial Activities

		Unrestricted Funds	Restric- ted Funds	Endow- ment Funds	Total Funds 2019	Total Funds 2018
	Note	General £'000	Desig- nated £'000	£'000	£'000	£'000
Income and endowments from						
Donations						
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
Total income and endowments		12,930	24	934	14,292	14,412
Expenditure on						
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
Total expenditure		12,577	205	1,605	14,498	14,506
Net income / (expenditure) before investment gains / (losses)		353	(181)	(671)	293	(94)
Net gains / (losses) on investments	9	524	32	138	3,041	(2,410)
Net income / (expenditure)		877	(149)	(533)	2,640	(2,504)
Transfers between funds	15	109	(301)	1,288	(1,096)	-
Other recognised gains						
Remeasurement gains on defined benefit pension schemes	28	(5)	-	-	1,987	165
Net movement in funds		981	(450)	755	4,817	(2,339)
Total funds brought forward		4,934	8,610	2,062	98,818	101,157
Total funds carried forward	24	5,915	8,160	2,817	86,743	103,635

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

29b Prior Year Comparative Notes – Notes 2 to 6

	Unrestricted Funds	Restrict-	Endow-	Total	Total
	General	Desig- nated	ted Funds	Funds	Funds
	£'000	£'000	£'000	£'000	£'000
2a Parish Contributions					
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)
	10,359	-	-	10,359	10,201
Total Parish Share receipts represent 98.3% of the allocation (2018 – 99.2%)					
2b Other Donations					
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
	123	17	753	893	702
3 Charitable Activities					
Statutory fees and chaplaincy income	589	-	-	589	602
Course fees and other	138	-	2	140	111
	727	-	2	729	713
4 Other Activities					
Rental income from clergy houses, schools and the Old Deanery	299	-	5	304	286
Support services	14	-	20	34	41
	313	-	25	338	327
5 Investment Income					
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
	1,256	7	152	1,415	1,429
6 Other Income					
Gain on disposal of properties	23	-	-	427	886
Solar PV Panel FiT Income	121	-	-	121	113
Other	8	-	2	10	11
	152	-	2	404	1,010

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

29c Prior Year Comparative Notes – Notes 7 to 8

	Unrestricted General £'000	Fund: Designated £'000	Restr- icted Funds £'000	Endow- ment Funds £'000	Total Funds 2019 £'000	Total Funds 2018 £'000
7 Costs of raising funds						
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
	199	-	5	70	274	261
8 Charitable activities						
Contribution to Archbishops' Council						
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
	876	-	-	-	876	863
Resourcing Ministry and Mission						
Parish Ministry:						
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
	7,988	-	760	-	8,748	8,608
Support for ministry	3,099	215	767	-	4,081	3,707
Fund for Church Growth	-	(10)	-	-	(10)	236
	11,087	205	1,527	-	12,819	12,551
Expenditure on Education						
Church Schools: Administration	415	-	73	-	488	517
	12,378	205	1,600	-	14,183	13,931

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

29d Prior Year Comparative Notes – Notes 9 to 11

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

(*) 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
	12,326	1,099	1,073	14,498	14,506

	Unrestricted Funds	Restr-	Endow-	Total	Total
	General	Desig-	icted	Funds	Funds
	£'000	nated	Funds	2019	2018
	£'000	£'000	£'000	£'000	£'000
11 Analysis Of Support Costs					
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
	1,026	-	47	1,073	1,029

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

29e Prior Year Comparative Notes – Note 24

	At 01/01/19	Income	Expend- iture	Transfers	Reval- uation	At 31/12/19
24 Summary Of Fund Movements	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted Funds						
(a) General	4,934	11,943	(11,590)	109	519	5,915
(b) Diocesan Stipends Fund Income	-	987	(987)	-	-	.
	4,934	12,930	(12,577)	109	519	5,915
Designated Funds						
(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
	8,610	24	(205)	(301)	32	8,160
Total Unrestricted Funds	13,544	12,954	(12,782)	(192)	551	14,075

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

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

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

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

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

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

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

29f Prior Year Comparative Notes – Note 25

	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	£'000
Unrestricted General Funds	-	3,546	3,591	(2,178)	956	5,915
Designated						
Tangible Fixed Assets Fund	10,813	-	-	(4,964)	-	5,849
Loan Fund	-	754	-	-	246	1,000
Fund For Church Growth	-	-	129	(75)	-	54
Pastoral Care & Counselling Scheme	-	174	-	-	2	176
Mission Development Fund	-	1,460	-	-	(500)	960
Other Designated	-	-	-	-	121	121
Total Designated Funds	10,813	2,388	129	(5,039)	(131)	8,160
Restricted Funds						
Schools Income Fund	-	704	484	(843)	-	345
Diocesan Pastoral Account	-	-	248	-	51	299
Support Of Clergy And Dependants	-	141	39	-	25	205
Retired Clergy Funds	-	-	87	-	(30)	57
Porlock Wyld Trust	-	30	31	-	-	61
Edginton Trust	124	36	22	-	(20)	162
Zambia Link	-	-	276	(9)	-	267
Abbey House	-	-	-	-	66	66
Smith Bequest	-	311	1	-	58	370
DBE Restricted Grants	-	-	-	-	38	38
Other Restricted	-	-	28	(12)	931	947
Total Restricted Funds	124	1,222	1,216	(864)	1,119	2,817
Endowment Funds						
Expendable Endowment						
Parsonage Houses Fund	40,171	-	20	-	(942)	39,249
Schools Capital Fund	-	-	661	-	-	661
Porlock Wyld Trust	-	122	-	-	-	122
Retired Clergy Funds	-	295	12	-	-	307
Permanent Endowment						
Diocesan Stipends Fund Capital	15,900	33,108	112	(4,561)	(1,063)	43,496
Stipends Capital	-	1,497	4	-	61	1,562
General Capital	-	731	-	-	-	731
Support Of Ordinands	-	39	-	-	-	39
Crokat And Cowley Trusts	-	164	-	-	-	164
Edginton Trust	157	197	-	-	-	354
Other Permanent Endowment	-	58	-	-	-	58
Total Endowment Funds	56,228	36,211	809	(4,561)	(1,944)	86,743
All Funds	67,165	43,367	5,745	(12,642)	-	103,635

The Bath and Wells Diocesan Board of Finance
Notes to the Financial Statements
For the year ended 31 December 2020

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:

	2020	2019
	£'000	£'000
CBF Church of England Investment Fund income shares	8,960	7,965
CBF Church of England Fixed Interest Securities Fund shares	146	257
Charles Stanley - Equities	-	361
Unit Trust Shares	153	174
Direct holdings in UK equities	62	72
Direct holdings in UK gilts	2	2
Other fixed interest stocks	346	345
CBF Church of England Property Fund shares	9	10
Loan	157	165
Cash on Deposit	1,931	2,087
Cash at Bank	36	34
Total net assets held as custodian trustee	11,802	11,472

The Bath and Wells Diocesan Board of Finance
Appendices
For the year ended 31 December 2020

Appendices

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

A Consolidated Financial Trusts

B Glossary of terms

The Bath and Wells Diocesan Board of Finance
 Appendices
 For the year ended 31 December 2020

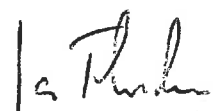
Appendix A Consolidated Financial Trusts

	2020		2019	
	£'000	£'000	£'000	£'000
Fixed Assets				
Equities		9,023		8,398
Government Securities		2		2
Other Fixed Interest securities		492		602
Unit Trust shares		153		174
CBF Property Fund		9		10
		<u>9,679</u>		<u>9,186</u>
Current Assets				
Deposit Fund	1,930		2,087	
Bank Accounts	36		34	
Loan - Hensman	157		165	
	<u>2,123</u>		<u>2,286</u>	
Current Liabilities				
Creditors	-		-	
Net Current Assets		<u>2,123</u>		<u>2,286</u>
Net Assets		<u>11,802</u>		<u>11,472</u>
Total capital balances		11,609		11,249
Total accumulated income balances		193		223
Total Funds		<u>11,802</u>		<u>11,472</u>
Capital analysed as:		2020		2019
		£		£
Parishes		6,324		6,042
Closed Schools		1,063		1,228
Schools		454		430
Other		3,768		3,549
Total accumulated income balances		193		223
		<u>11,802</u>		<u>11,472</u>

Signed on behalf of the DBF on ²⁹~~18~~ June 2021 by

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Rt Revd R Worsley
 Trustee



Mr I Theodoreson
 Trustee

The Bath and Wells Diocesan Board of Finance

Appendices

For the year ended 31 December 2020

Financial Trusts as at 31 December 2020

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 2020.

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 2020.



Signed: Haysmacintyre LLP

Date: 29 June 2021

10 Queen Street Place
London
EC4R 1AG

The Bath and Wells Diocesan Board of Finance

Appendices

For the year ended 31 December 2020

Appendix B 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