

CHESTER CATHEDRAL

ANNUAL REPORT AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CHESTER CATHEDRAL

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CHESTER CATHEDRAL

MEMBERS OF CHAPTER REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Members of Chapter present their report and financial statements for the year ended 31 December 2019.

The Dean's Report

2019 was for Chester Cathedral a year of consolidating and learning. The Cathedral needed to adjust to a new Dean's presence and the new Dean has been learning fast about what makes this Cathedral tick; what is it good at, and where are the weaknesses.

I have learned that the people who make this Cathedral what it is are exceptional at many, many things. They inhabit a place of extraordinarily spiritual possibility born out of its history as a place of prayer and community life and art and architectural purpose, but the Cathedral building is not all that matters here. The staff and volunteers and members of this Cathedral Church love what it is that they belong to and are passionate in sharing this with others. This has been a great place to land as a Dean and the last year of consolidation and learning has been a good one.

2020 therefore began with such promise and with a great deal of hope. I wrote about the threat of the coronavirus for the first time on 31st January. By mid-February we were beginning to take mitigating steps. We gathered for the last Sunday service in the nave on Sunday 15th March and began to close the office down during the following week as our staff moved their workstations to their kitchens, dining rooms and bedrooms at home. The following Sunday was Mothering Sunday and just seven people, ministers and Lay Clerks, assembled in the building to live stream the Sunday service on YouTube. The following Monday we closed our doors and gardens to everyone.

The months that followed may only be the beginning of the challenges we will need to deal with as a result of a virus that travelled the world on our aeroplanes so quickly and has caused devastation to the ways people across the whole world were accustomed to live and organise society.

I am impressed with the way our Cathedral, its staff, volunteers and members have adapted to this assault. People continue to care for one another, pray and worship, contribute to society and plan to make a bigger difference when we can open once more. Numbers joining in worship online are five-fold what we would have expected in our regular services. We have learned fast how to work from home, meet using Zoom and Teams, collaborate and discuss. We have created the structures and systems to make a high-quality online offer and have been innovating fast. Long may all this last but we look forward to the day when we can also meet, greet, eat, drink and share in each other's company.

The ability to adapt and innovate in such dramatically changed circumstances helps me see what good foundations Chester Cathedral has laid.

The Cathedral ended 2019 having done what it planned to do with an overall financial bottom line that was virtually to budget having also met its banking covenants and repaid its loans on target. The outturn did not represent a terrific surplus but nor did it represent a loss. It did represent consolidation and the laying of firm foundations.

There were several areas which turned in a strong performance:

- Worship generated higher income which was £23k better than budget, with overall expenditure on budget. Expenditure comparison to 2018 is misleading for this line because of the 7 Abbey Street and Installation extraordinary costs.
- Income from the Estate was significantly ahead of budget and good progress was made on projects which will enhance significantly future income. This was the biggest positive variance to 2018 and whilst less than the ambitious budget made a major contribution to the end result.
- The Shop performed very well in spite of visitor numbers being significantly lower than in 2018.
- Education delivered its targets on lower than budgeted payroll.
- Administration costs were lower and there was a higher than anticipated level of grant income supplemented by legacy income.
- Cleaning and Events both benefitted from good cost control.

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MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Areas receiving further attention because of poorer than planned performance include the Refectory and Falconry businesses that contribute to the Cathedral's "Enterprises" income. Costs were higher than budgeted in the Refectory largely due to an increased fine-dining offer. This was developed to mitigate lower than anticipated numbers of daytime visitors. The development of fine dining has been welcome, but it carries lower margins than the daytime business. The Falconry Centre also generated a disappointing outcome.

In the course of 2019, the Cathedral also had an external safeguarding audit commissioned through the Social Care Institute for Excellence (SCIE) by the Church of England's National Safeguarding Team. This was part of a national two-year programme to undertake a safeguarding audit at every cathedral in England following a similar exercise with dioceses. The audit outcome is both encouraging and helpful to us. No major concerns have been raised and the safeguarding systems at Chester Cathedral were positively reviewed. A number of matters for our consideration have been highlighted which have been used to form an action plan. Both the audit report and the action plan are published on the Cathedral web site.

We welcome Revd Canon Sarah Fenby as our Residentiary Canon Diocesan in September. Sarah's ministry will straddle both Cathedral and Diocese to which she has been co-appointed as the Diocesan Director of Vocations. This represents a significant step in greater co-working between Chester Cathedral and the Diocese of Chester.

The coronavirus restrictions have hampered the Cathedral's ability to build on its strengths and improve areas where there was still potential. The closure of our buildings to all visitors for an extended period will make the forthcoming year a very challenging one. Based on the most optimistic assumptions of the impact on visitor numbers, rental income, retail and giving, the shutdown would lead to a £0.5m cash deficit at the end of 2020. This is being mitigated by the Cathedral making full use of the Government's (furlough) Job Retention Scheme to help protect employment, securing a Business Continuity Loan from our bankers and working with the Church Commissioners to ensure a significant grant. The Chapter has also agreed a three-year recovery plan including a proposed staffing structure that should result in a significant annual payroll saving. Based on reasonable assumptions of impact on operations, these measures currently seem sufficient to enable recovery within three years, rebuilding capacity after the first eighteen months.

The new staff structure is predicated on reducing capacity for touristic visitors in the coming months, strengthening the strategic leadership of the Cathedral's commercial activities and refining the core offers. Also, we will want to build on the learnings catalysed by the shutdown in smart working, IT collaboration and live-streaming events. This will need some investment and we are yet to identify how to raise the money. The new staffing structure includes the creation of a Communications department that has a fundraising function. The structure is designed to ensure that we continue to maintain our physical, cultural and spiritual heritage. These are things it would be impossible to restore were they to be lost. Sadly, it means the loss of colleagues here; something that we would not choose; people who have contributed a great deal. These are painful days, but I believe that Chester Cathedral is doing what it needs to do to ensure its future as a place of DISCOVERY, ENCOUNTER and FAITH.

Very Revd Dr Tim Stratford (Dean)

June 2020

CHESTER CATHEDRAL

MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Chester Cathedral will follow Christ through Discovery, Encounter and Faith.

A review of the Cathedral's purpose statement was carried out by Chapter in early 2019 and led to the renewal of the Cathedral's full strategic plan in September 2019. While the main trajectory of activity remains consistent with the previous seven-year plan to 2019, there have been some changes in emphasis.

Mission

Canon Jane Brooke was appointed Canon Missioner and Vice Dean in January 2019. Her first year focussed upon making contacts to support the Cathedral's visibility, reach out further to the city and the diocese and to help visitors engage with God through Discovery, Encounter and Faith.

Discovery

During 2019 many inter-faith connections were made including congregation members welcomed at Blacon mosque for the Friday midday prayers in the summer and an evening to hear the opinions of speakers about the traditions of Hinduism, Buddhism, Bahai, Sikhism, Judaism and Christianity.

During the year Canon Brooke became a trustee of the Melanesian Mission UK and worked as a member of the Chester Diocesan working party on distributing holy communion to children before confirmation. She wrote a Grove booklet on Holy Communion in Primary Schools' and chaired a working party for Cathedrals in the North West to consider collaboration for the Year of Pilgrimage 2020. Canon Brooke also became a Peer Reviewer for other Cathedrals.

Encounter

With the help of some wonderful volunteers and cathedral staff, the 'Place of Welcome' was established every Monday morning. This is a place where visitors are welcomed with a hot drink, activities and people who will talk with them.

The poet in residence, wrote monthly poems for the newsletter and at her final celebration, attended by 50 people in the Chapter House in July, produced a book with photographs. Nikki's poems which offered reflective poetry throughout the year using services and events as the stimulus were well received by the congregation. A second Poet in Residence was appointed in the Summer.

The Artist in Residence worked in the nave and interacted with many visitors about mosaics. She has published articles about the Cathedral mosaics for the British Association for Modern Mosaic. With the help of visiting children, she has created a bright colourful mosaic fish for the Children's' Chapel.

The Knife Angel was in Chester during November. It had a profound effect on the many people who visited Chester to see it. Local firms and the police generously supported its arrival, gifting time and money. The Knife Angel stood as a statement of the need to eradicate knife crime to the dignitaries who processed past it on November 11 at the Remembrance Service, to Christmas shoppers in the Christmas Market and to the very moved members of the public whilst the Nave Choir stood and sang by the Knife Angel one Sunday evening. The Knife Angel is a sculpture made from over 100,000 knives, machetes, swords, and other bladed instruments, which were surrendered in nationwide knife amnesties or confiscated during 2015/2016. The Knife Angel installation and removal provided a great challenge but help from local engineers, crane hire specialists, consultants electricians and sign writers made the project possible.

The work of the Education Officer and volunteers has ensured a growing offer for schools of all ages with future planning for a messy Cathedral and holiday activities offering a free lunch for children on Free School Meals. These included the continuation of the popular pilgrim week, Holocaust Memorial Day activity and Christian Controversies Sixth Form Conference alongside the regular pattern of educational visits. Links with the University of Chester continue to grow with the sharing of expertise and mutual support and included leading RE teaching training for 80 PGCE students.

The library continues to be managed by a strong team of volunteers, who have developed a programme of topical exhibitions and host pre-booked visitors from groups. The exhibition and talks on Charles Kingsley have been very well received by those attending the Bible talks and visiting church congregations.

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MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

The Cathedral decided to focus its activity on specific themes, with 2019 following the theme of water with a programme of exhibitions, lectures and other events. The Cathedral hosted a successful Knit One Share One appeal for scarves and hats. The donated clothing was exhibited as a "river" installation and finally gifted to local Homeless charities.

During the Spring, the South Transept hosted a live build by the artist David Mach. "Two Twisted" consisted of two shipping containers out of which spilled two cars on paper waves. The installation was well received by visitors, drawing local and regional press coverage for the Cathedral and continuing its drive to become a centre for art and sculpture in the North West.

The annual Christmas Tree Festival was again a great success with more trees decorated than ever before. The theme of water and recycling produced many elaborate and clever ideas from companies and local schools. Two local charities were supported.

Other exhibitions in the year included:

LEGO Exhibition-The Deep
Human Pollution Sculptures by Jacha Potgieter
Deo Gloria River of Life tapestry exhibition
On the Edge of Textile Exhibition
Two Film Nights
Water Life art exhibition

Faith

The main focus of the Cathedral's Strategic Plan is to host special services for the city, Diocese and region; these have continued to increase and in 2019 included:

Christingle Service for 50th Anniversary of the Children's Society (January)
Farewell Service for Bishop Libby (March)
Installation of High Sheriff in the Cathedral for the first time (April)
Holy Week and Easter Services (April)
Firefighters Memorial Day Service (May)
Diocesan Inclusion Service (May)
Ordinations (June and July)
Farewell Service for Bishop Peter (July)
HMS Albion Freedom Service with HRH Princess Royal (September)
Requiem Mass and Funeral for late Peter Boughton, Grosvenor Museum (October)
Readers and Pastoral Workers (October)
All Souls (November)
Judges Legal Service (November)
Remembrance (November)
Amparo Service (November)
Advent Service of Hope (December)
Blessing of Trees and special carol service for Stick n Step and Adoption Matters (December) in addition to a full Christmas Festival of Services and Events (December)

The new movable temporary Dais continued to allow a greater flexibility for liturgical use in the Cathedral allowing spaces to be opened up and creating a greater number of people to have a direct view of worship for services such as ordinations.

Luke Hughes is continuing to work on designs for new liturgical furniture.

The Worship support team of Sidespeople, Servers, Readers and Intercessions, Chalice and Proof Readers make a huge difference in helping us deliver both the special services (listed above) and the daily / weekly round of services with the clergy, vergers, musicians, marketing and reprographic staff. A big thanks to all.

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MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

A working party of Cathedral Council and Chapter members oversaw the writing of a spiritual pilgrimage through the Cathedral for visitors. The honorary Chaplains successfully commented that they had extraordinary faith conversations with visitors as a result.

An anonymous donor supported the purchase of 'Follow the Star' booklets to give to congregations at Christmas services.

New Testament Pocket Bibles funded 250 copies of the Gospel of St John with the Refectory window on the front cover, the Cathedral logo and the logo for the 2020 Year of the Pilgrimage for Cathedrals. We are very grateful to the organisation for their generosity. The booklets are very attractive and have been very well received by visitors. Building upon the experience of the visiting Lay Benedictine Community during the previous year, Chester Cathedral Benedictine sessions took place monthly, attended by a mixture of local denominations.

Canon Jane Brooke visited the Solomon Islands, (Chester Diocese has a link with the Diocese of Melanesia) to represent the Cathedral community at the Cathedral in Honiara. She found it life changing to live with and understand the work of the religious communities who live with very little but worship God cheerfully and thankfully. She visited four schools and wrote a resource for teachers for schools locally and nationally.

The Cathedral Choirs remain a jewel in the Cathedral crown, filling evensongs and Sunday services with beautiful voices. Their Christmas concerts continue to attract larger audiences each year.

Safeguarding

The Chapter appointed a new part-time post of Safeguarding Officer at the beginning of 2019 as a separate role from the Education Officer.

In addition to training of all staff, and in line with Church guidance, "Basic Awareness" Safeguarding training has been completed by all volunteers and many have also completed the "Foundation" module.

The external Social Care Institute of Excellence (SCIE) safeguarding audit was successfully completed in November 2019 with positive conclusions reached on our progress within safeguarding, particularly the institutional safeguarding culture. The report and the subsequent action plan can be found on the cathedral website.

The Cathedral Safeguarding Advisory Group (CSAG) was established in January 2020 under the Independent leadership of HH Roger Dutton.

A Memorandum of Understanding for operating with the Diocese is now in place and Safeguarding concerns that are raised continue to be dealt with in a timely way.

Cathedral Fabric

The Cathedral church and monastic buildings are the heart of our material responsibilities and many regard them as the jewel in Chester's crown. The quality and heritage value of the fabric means that its maintenance and development is costly and in the course of 2019 the Cathedral commissioned an external feasibility study to consider fabric development options to manage the forecast increase in visitor numbers and assess the likely scale of operational and financial impact.

Following a review of the findings, the leadership team of the Cathedral agreed to proposals for capital improvements which could meet the requirements of the Strategic Plan and were achievable. In addition, a long list of maintenance works, and smaller developments have been compiled and must also be considered within the overall programme. Forthcoming projects which need funding include the building of a new Stonemason's yard, the repair of the Baptistry mosaics, improvements to the Chapter House, alterations to the West Door, improvements to the Nave and the installation of renewable energy in the form of Solar PV panels.

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MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Considering the change in circumstances brought about by the Covid-19 pandemic during 2020, it is acknowledged that these proposals will need to be reviewed.

Completed projects in 2019 include:

St Erasmus Mosaics

After five weeks of work by a specialised, three-strong team of artist and conservators, the St Erasmus mosaics have finally been restored. The project was overseen by Cliveden Conservation and the delicate and painstaking work took place in full public view, in the east end of the South Quire Aisle.

The £33,000 restoration was paid for by the Provincial Grand Lodge of Cheshire as the mosaic reredos panels are an excellent example of Victorian Gothic Revival art and are one of the most notable and unique features of this Cathedral.

Now restored to their former glory, we can allow the public closer access once again to this incredibly beautiful chapel.

Mortlake Tapestry

Our Mortlake Tapestry, 'The Blinding of Elymas', circa 1625, received critical remedial conservation work at the beginning of last year.

The tapestry was brought to Chester Cathedral in around 1660 and is one of its few great treasures. This piece is one of a famous set of tapestries made from a set of cartoons executed by Raphael in 1515, for tapestries for the Sistine Chapel. It is exceptionally rare; only three other examples survive today. Its age, quality and rarity perhaps elevate it to an artwork with national significance.

It currently hangs in the Cathedral Refectory (where it has been for 98 years) occupying the only wall large enough to display it. It was extremely dirty, so the first stage of conservation provided a thorough surface clean in situ and an assessment of how it had been hung.

We raised £10,800 (mostly by a grant from The Drapers Guild) to perform stage 1. Stage 2 restoration is estimated to be in the region of £170,000 and will require a full team of conservators due to the size of the tapestry, which is 7.5m x 4m.

Toilets

Last year £25,000 was generously given to improve the toilets at the Refectory and Abbey Square steps and we were able to provide additional cubicles and dramatically improve the provision for visitors and worshippers. This year we have been fortunate enough to receive further donations to deal with the visitor entrance toilets, providing new ceilings, walls, floors and cubicle layouts.

Nave Project

The Nave is the largest space within the Cathedral, but it suffers from inadequate infrastructure in the form of electrics, heating, lighting and audio equipment and poor aesthetics caused by inappropriate fixtures and furniture. The first phase of this project is the replacement of the temporary platform in the crossing and the production of crafted liturgical furniture that is practical and yet also able to represent the Cathedral during acts of worship and when the building is at rest. Funding of £140,000 was secured for this phase and designer Luke Hughes worked with a commissioning group on designs produced during 2019. This work is now on hold until the financial impact of the pandemic can be properly assessed and the cathedral has sufficiently recovered.

Cathedral in the Community

Chester Cathedral is an important feature in the landscape of the city and region. It is important as the mother church for the Diocese of Chester, as a destination and attraction for visitors to the City of Chester, as a centre for culture and the arts, as a venue and as a body that offers service and prophetic challenge to society. A challenge is to develop partnerships that draw together many allies in these fields.

Thanks are given to the army of partners, volunteers and staff for all the work and support they have given over the past year.

CHESTER CATHEDRAL

MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Community and Congregation

The Cathedral also contributes to work carried out in the Diocese through several Diocese-wide services, including the farewells to the Bishops of Stockport and Chester.

The Cathedral also values its links with other faith groups and continues to build local relationships.

The Cathedral's Mission Forum meets regularly to support and raise funds for a number of causes each year. 2019 events included the annual book sale, summer fair and several musical evenings. Funds raised have supported work in Kondopoga, Russia, Education resources at the Cathedral, Malawi and Christian Aid.

Public Benefit

While the Cathedral is not regulated by the Charity Commission, Chapter confirms that it has regard to the public benefit guidance published by the charity commission in determining the activities of the Cathedral. The Cathedral serves its community through the provision of daily services and other charitable outreach activity and is also a site of national historical and cultural significance, helping to bring increasing levels of tourism to the city and having a positive economic impact on the region.

Financial review

Our net financial position at the end of 2019 was in line with Chapter's expectations of over £115,000 operating surplus. Improved budget management and a decision to reduce fabric projects to only those funded externally have allowed the Cathedral to control expenditure in line with income. However, loan repayments and additional pension fund contributions continue to have a significant effect on the cash position of the Cathedral. Releases of capital growth from investments are required to ensure cashflow remains within agreed credit limits.

It is also recognised that further investment is needed within the Cathedral, and in the wider endowed estate over the next ten years. Therefore, the Cathedral endeavours to increase income from its fundraising and commercial activities to a level that provides financial security and adequate service and facilities for its congregations and visitors. Development of comprehensive business plans remains a focus of attention for Chapter to safeguard the future of the Cathedral, leading to plans to make improvements to infrastructure and visitor facilities over the next five years. These plans will be developed further during 2020. The Cathedral retains a good relationship with its bankers and is supported by them in this endeavour.

Chapter require the Cathedral to hold enough cash and investment reserves to cover salaries and other fixed operating costs for at least six months. We have calculated this to be approximately £540,000. At 31 December 2019, the Cathedral had £1,140,635 in unrestricted reserves.

Significant Events

Refurbishments by the new school tenant in 10/11 Abbey Square began in 2019 and are expected to take 18 months.

Voluntary and Commercial Income

The major sources of non-commercial income are the Church Commissioners' grant towards clergy salaries and the All Churches grant to aid the provision of worship.

The Cathedral acquired a Chamber Organ at £32,000, donated by two generous members of the congregation. The Cathedral main organ continues to require refurbishment and funds are sought.

Cathedral Fabric maintenance has been limited to emergency repairs and only externally funded projects. The employment of a part time stonemason and receipt of a number of gifts have helped maintain the church but progress on works identified in the quinquennial inspection remains slow.

The Cathedral Estate provides an important source of regular income through tenancies and lettings and rental income was up 15% on 2018. There has been some turnover of tenancies on Northgate Street, but Chapter is pleased with the quality and range of businesses that now contribute to this increasingly vibrant place.

CHESTER CATHEDRAL

MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Commercially the Cathedral has had a varied year. Income generated by the Shop, the Refectory and visitor donations is proportional to footfall and this was down 9% on 2018. This decrease is also reflected in the city's figures and shows a worrying downturn in tourism overall in Chester. Other sources of income are being explored to ensure the Cathedral is not affected in the long term. Events and Exhibitions have performed well this year and have together shown a healthy income over budget.

The Cathedral's historic debt and pension deficit continue to be a burden that Chapter is keen to reduce. The Chapter is very aware of the delicate balance between spending on the maintenance of the Cathedral and investing in commercial improvements to future proof the Cathedral against rising liabilities.

Investment policy

Most of the Cathedral's investments are in the form of its endowed estate, comprising 64 properties, including residential, office, retail and catering spaces. The Cathedral holds any cash investments with CCLA in its CBF Church of England Investment Fund (Income). This is reviewed by the Finance Committee and Chapter on a regular basis to ensure good investment return and that funds are invested according to the Church of England Ethical Investment Advisory Group's advice. While income from these investments is not a significant proportion of overall income, the fund is selected based on regular income generation and steady performance, allowing Chapter to forecast with greater confidence.

Investment Performance

At the beginning of 2019, the Cathedral held 50,560 shares in CCLA Church of England Investment Fund (income) worth approximately £816,467. In 2019 the Cathedral sold 2455 shares to support the Cathedral activities. At the end of 2019, the Cathedral had 48,104 shares worth approximately £922,128. The income/dividend performance over the year for the fund was 2.93%, while the share value increased by 18.7%.

The Cathedral also receives income from an endowment investment which is controlled by the Diocese of Chester Board of Finance.

Total Returns Adoption

In July 2019, the Chapter of Chester Cathedral agreed to adopt a Total Return policy on investments. The Chapter used 1952 as the base house price. Applying RPI to this figure confirms the current base value as £5,850,000. Chapter agreed that funds equivalent to £11.4m should be moved from endowment to unapplied total return and will decide annually how much of this fund, if any, can be transferred to the income and expenditure account. However, since the assets within the designated fund are principally held as property, the expectation is that any transfers will only be for major changes in the Cathedral's strategy or operations.

Risk management

Careful consideration is given to the major risks to which the Cathedral is exposed. Chapter is responsible for ensuring effective risk management and that internal controls are in place to appropriately manage the organisation's risk exposure. The Cathedral recognises that it can only manage risks and not eliminate them and can provide only reasonable, not absolute, assurance against material misstatement or loss.

Risks are considered in a broad context and Chapter and the Audit and Risk Committee focus on the significant matters that might prevent the Cathedral from achieving its vision and strategic plan.

Controls are in place to ensure the Cathedral's financial activities are properly managed. These include budgetary control, account reconciliation procedures, authority levels, periodic stock counts, and monitoring of investment performance. Management accounts are monitored by the Leadership Team monthly and the Finance and Investment Committee quarterly.

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MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Appropriate health and safety for our visitors, staff and volunteers is important and we take our responsibilities seriously via an established Health and Safety Committee. The Cathedral's fire risk assessment is updated annually.

The Cathedral's insurance cover is reviewed annually and as circumstances change. Insurance is currently provided by Ecclesiastical Insurance, who conduct a comprehensive survey every year.

A new Safeguarding Officer was appointed in 2019. The Cathedral's safeguarding policy and procedures for children, young people and vulnerable adults were updated. Clergy and specific staff and volunteers are subject to enhanced checking and all staff and volunteers are expected to complete compulsory safeguarding training appropriate to their respective roles.

A fall in tourism visitors is identified as a primary risk for 2020, along with rising costs and increasing statutory/administrative requirements. These risks are being managed through the restructuring of staff.

Another significant risk at the end of 2019 is works outlined in the quinquennial report. While the report has identified the need for significant investment in stonemasonry repairs, it is anticipated that this will be completed over a period of ten years.

A review of the Cathedral's strategic plan was undertaken and as part of this process, teams reviewed their business plans and a revised plan for the Cathedral was produced.

Plans for the future

The recent review of the Cathedral's purpose was a full review of its strategic plan during 2019, which in turn directs the allocation of resources over the next five years. Chapter are aware that the need for significant investment in the Cathedral infrastructure remains critical to ensure the continuation and increase in income from tourism and events in the long-term. Therefore, with the assistance of the Chester Cathedral Development Trust, it commissioned a feasibility study into the options available over the next ten years. This was received by Chapter during the summer of 2019 and informed the development of the strategic plan.

The seven areas identified in the strategic development plan are:

- Revitalising Heritage
- Sharing the Story
- Improve Participation and Partnership
- Increase Resources Responsibly
- Support the Bishop, Diocese and Christian Community
- Encourage Holy Encounter
- Nurture a Healthy Organisational Structure

Further details of this plan can be found at the Cathedral offices.

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MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Structure, governance and management

Inadequate governance structures within a small number of cathedrals have highlighted vulnerabilities across the sector. In 2018 the Cathedrals Working Group completed a review of governance structures with an aim to strengthen safeguards. The resulting recommendations bring cathedrals more in line with Charity Commission guidance and while not yet compulsory, Chester Cathedral Chapter have begun to implement them during 2019.

Constitution and statutes

The Cathedral is an ecclesiastical corporation established for charitable purposes and copies of the current constitution and statutes, dated 2016, can be found on the Cathedral website.

Chapter

It is the duty of Chapter to direct and oversee the administration of the affairs of the Cathedral, including the ordering of worship and promotion of the mission of the Cathedral. The Cathedral is also responsible under the requirements laid down by the Church Commissioners under the powers given to them by section 27 of the Cathedrals Measure 1999.

In connection with these annual accounts, Chapter is responsible for:

- Preparing and publishing an annual report and audited accounts which give a true and fair view of the financial activities for the financial year and of the assets, liabilities and funds at the end of the year, including its related entities;
- Stating that they have complied in all material respects with the guidelines on the subject prepared by the Association of English Cathedrals or describing which recommendations have not been complied with and giving reasons for non-compliance;
- Selecting suitable accounting policies and then applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Keeping proper accounting records from which, the financial position of the Cathedral can be ascertained with reasonable accuracy at any time;
- Safeguarding the assets of the Cathedral and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Chapter meet at least ten times each year and meetings are attended by the Executive Director and any other member of staff, office holder or volunteer, as necessary.

New Chapter members receive an internal induction and are offered formal external training from the Association of English Cathedrals.

Members of the Cathedral Chapter:

The Dean	The Very Reverend Dr Tim Stratford
The Vice Dean	The Reverend Canon Jane Brooke
The Canon Precentor	The Reverend Canon Jeremy Dussek
The Canon Diocesan	The Reverend Canon Sarah Fenby
Lay persons elected by the Cathedral Forum	Miss Bedelia Brett Rooks Mr Simon Parrington

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MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Lay person having expertise in financial and business matters, appointed by the Bishop of Chester - Dr Martin Smith

A person in holy orders, appointed by the Bishop in consultation with the Dean - The Venerable Dr Michael Gilbertson

The Cathedral Council

The Cathedral Council is appointed to further and support the work of the Cathedral and to review and advise upon the work of Chapter. The Council is made up of 17 people at the end of the year:

The Chairman, appointed by the Bishop Mr Thomas David Briggs, MBE, KStJ

The Dean The Very Reverend Dr Tim Stratford

Three members of Chapter The Reverend Canon Jane Brooke
The Reverend Canon Jeremy Dussek
Mr Simon Parrington

Two members of the College of Canons The Reverend Canon David Felix
The Reverend Canon Alison Cox

Two lay people elected by the Forum Mr Bill Hardman
Mr John de Newtown

A lay person representing the employees Mrs Danielle O'Sullivan

A Rural Dean from the Diocese appointed by
the Bishop The Reverend Simon Drew

A person appointment by the appointments
committee of the Church of England Mr Ian Watmore

A person appointed by the Governors of
The University of Chester Vacant

A lay person appointed by the Bishop's Council Mr John Freeman

A person appointed by Churches Together
in Chester Mr Andrew Taylor

A person appointed by the Bishop after
consultation with CWaC Councillor Robert Ian Bisset

A person appointed by the Council of
the Friends of Chester Cathedral Mr Barry Ingram
The Very Reverend T R Stratford

The College of Canons

The Dean, residentiary Canons, full-time stipendiary assistant Bishops, Archdeacons, Honorary Canons, Ecumenical Canons, Lay Canons, and Bishops Suffragan working in the Diocese sit as the College of Canons and meet at least once each year.

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MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Cathedral Roll

The main body of the wider Cathedral community is known as the Cathedral roll. Membership of the roll is open to all those who are over sixteen years of age, have been baptised and who either worship at the Cathedral or who work for, or hold office linked to, the Cathedral. From this roll, members are elected to various positions on Chapter, Council and other external bodies.

The Cathedral roll meets annually as the Cathedral Forum and at the end of 2019 the number of members on the Cathedral roll was 79.

The Finance and Investment Committee

In accordance with the constitution of the Cathedral, a Finance and Investment committee advises Chapter in connection with its responsibilities in the field of financial and investment management and the management of property and assets belonging to the Cathedral. The committee meets quarterly. Membership is made up of:

Mark Mitchell

Alan Martin Smith (Chair)

Thomas David Briggs

The Audit and Risk Committee

The Audit and Risk Committee was established in early 2020 in response to the Cathedrals Working Groups recommendations and will meet at least three times each year under the Chairmanship of Annesley Wright.

The Fabric Advisory Committee

Under the Care of Cathedrals Measure 1990, the Fabric Advisory Committee is responsible to the Cathedral's Fabric Commission for England and considers applications from Chapter in regard to proposed development of the changes to the Cathedral's fabric. The committee meets quarterly under the chairmanship of Canon Dr Frances Hulbert.

Chester Cathedral Enterprises Limited

The commercial activities carried out within the Cathedral are governed by Chester Cathedral Enterprises Limited. The Board of Directors meet quarterly.

The Chester Cathedral Development Trust

The Development Trust was established to raise funds for the maintenance and development of the fabric of the Cathedral. The trustees meet at least twice each year under the chairmanship of Mr David Briggs.

The Chester Cathedral Education Trust

The Education Trust was established to raise funds to support the educational work of the Cathedral. The trustees meet at least twice each year under the chairmanship of the Dean.

The Chester Cathedral Music Trust

The Music Trust was established to raise funds to support the musical activity at the Cathedral. The trustees meet at least once each year under the chairmanship of the Dean.

CHESTER CATHEDRAL

MEMBERS OF CHAPTER REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

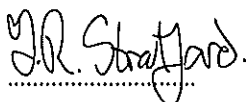
Statutory Post Holders and Senior Staff

Executive Director	Carolyn Bruce
Director of Music	Philip Rushforth
Estate management	Neil Tunks, DNS Surveyors Limited
Architect	Tony Barton, Donald Insall Associates
Archaeologist	Simon Ward
Auditor	Desirie Lea, Morris & Co
Bankers	Natwest Bank, Chester
Solicitors	Jolliffe & Co and Hill Dickinson

Conflicts of Interest

The Dean would like to declare that his spouse is the Education Officer, and that he has agreed to being removed from any decision related to this post.

The Members of Chapter report was approved by the members.



The Very Reverend Dr Tim Stratford

Dated: 14.09.2020

CHESTER CATHEDRAL

STATEMENT OF MEMBERS OF CHAPTER RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2019

The Members of Chapter are responsible for preparing the Members Of Chapter Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Members of Chapter to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Chapter and of the incoming resources and application of resources of the Chapter for that year.

In preparing these financial statements, the Members of Chapter are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Members of Chapter are responsible for keeping sufficient accounting records that disclose with reasonable accuracy at any time the financial position of the Chapter and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the Chapter and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CHESTER CATHEDRAL

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHAPTER OF CHESTER CATHEDRAL

Opinion

We have audited the consolidated financial statements of Chester Cathedral ('Chapter') for the year ended 31 December 2019 which comprise the consolidated statement of financial activities, the consolidated balance sheet, the consolidated statement of cash flows and the 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 Chapter's affairs as at 31 December 2019 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

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 Chapter 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

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

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

Other information

The Members of Chapter are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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.

CHESTER CATHEDRAL

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CHAPTER OF CHESTER CATHEDRAL

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Members of Chapter report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members of Chapter

As explained more fully in the statement of Members of Chapter responsibilities, the Members of Chapter 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 Members of Chapter 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 Members of Chapter are responsible for assessing Chapter'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 Members of Chapter either intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

CHESTER CATHEDRAL

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CHAPTER OF CHESTER CATHEDRAL

Other matter

Your attention is drawn to the fact that Chapter has prepared financial statements in accordance with "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (as amended) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has now been withdrawn.

This has been done in order for the financial statements to provide a true and fair view in accordance with Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2016.

Mrs Desirée Lea FCA, FCCA (Senior Statutory Auditor)

for and on behalf of Morris & Co

Chartered Accountants

Statutory Auditor

Chester House

Lloyd Drive

Cheshire Oaks Business Park

Ellesmere Port

Cheshire

.....

2 October 2020

Morris & Co is eligible for appointment as auditor of Chapter by virtue of its eligibility for appointment as auditor of a company under of section 1212 of the Companies Act 2006

CHESTER CATHEDRAL

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2019 £	Total 2018 £
Income and endowments from:						
Donations and legacies	3	577,837	345,837	-	923,674	1,062,156
Other trading activities	4	1,399,041	-	-	1,399,041	1,414,111
Investments	5	795,431	-	-	795,431	704,298
Lego project		-	-	-	-	44,897
Other income	6	9,689	-	-	9,689	25,741
Total income and endowments		2,781,998	345,837	-	3,127,835	3,251,203
Expenditure on:						
Raising funds	8	1,582,827	-	-	1,582,827	1,597,031
Charitable activities						
Education and outreach	7	49,014	15,728	-	64,742	124,409
Cathedral upkeep	7	494,135	4,098	-	498,233	547,206
Ministry	7	217,258	243,402	-	460,660	543,271
Music	7	313,552	63,746	-	377,298	401,853
Total charitable expenditure		1,073,959	326,974	-	1,400,933	1,616,739
Other	11	35,922	-	45,644	81,566	56,191
Total resources expended		2,692,708	326,974	45,644	3,065,326	3,269,961
Net gains/(losses) on investments	12	(6,164)	-	149,769	143,605	(13,844)
Net movement in funds		83,126	18,863	104,125	206,114	(32,602)
Fund balances at 1 January 2019		1,038,838	374,851	15,545,126	16,958,815	16,991,420
Fund balances at 31 December 2019		1,121,964	393,714	15,649,251	17,164,929	16,958,818

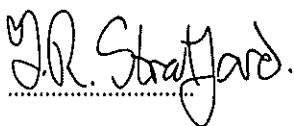
CHESTER CATHEDRAL

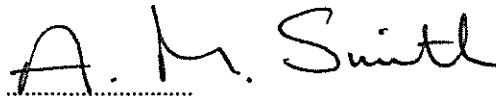
BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Tangible assets	13		4,175,744		4,223,874
Investment properties	14		13,369,360		13,369,360
Investments	15		1,143,180		923,610
			<u>18,688,284</u>		<u>18,516,844</u>
Current assets					
Stocks	16	112,274		119,053	
Debtors	17	317,753		269,647	
Cash at bank and in hand		395,599		182,614	
			<u>825,626</u>		<u>571,314</u>
Creditors: amounts falling due within one year	18	(957,184)		(629,095)	
Net current liabilities			<u>(131,558)</u>		<u>(57,781)</u>
Total assets less current liabilities			<u>18,556,726</u>		<u>18,459,063</u>
Creditors: amounts falling due after more than one year	20		(1,391,797)		(1,500,245)
Net assets			<u><u>17,164,929</u></u>		<u><u>16,958,818</u></u>
Capital funds					
Endowment funds	24		15,649,251		15,545,128
Income funds					
Restricted funds	23		393,714		374,852
Unrestricted funds	23		1,121,964		1,038,838
			<u>17,164,929</u>		<u>16,958,818</u>

The financial statements were approved by the Members of Chapter on





The Very Reverend Dr Tim Stratford
Dated: 14.09.2020

Dr A M Smith
Dated:

CHESTER CATHEDRAL

BALANCE SHEET

AS AT 31 DECEMBER 2019

Balance Sheet Analysis by fund

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total £	31.12.2018 £
Fixed Assets					
Tangible assets	245,414	-	3,930,330	4,175,744	4,223,874
Investment properties	-	-	13,369,360	13,369,360	13,369,360
Investments	211,806	-	931,374	1,143,180	923,610
	<u>457,220</u>	<u>-</u>	<u>18,231,064</u>	<u>18,688,284</u>	<u>18,516,844</u>
Current assets					
Debtors and stock	284,423	145,604	-	430,027	388,700
Cash at bank and in hand	1,462,656	248,110	(1,315,167)	395,599	182,614
	<u>1,747,079</u>	<u>393,714</u>	<u>(1,315,167)</u>	<u>825,626</u>	<u>571,314</u>
Creditors: amounts falling due within one year	<u>(814,194)</u>	<u>-</u>	<u>(142,990)</u>	<u>(957,184)</u>	<u>(629,095)</u>
Net current assets/(liabilities)	<u>932,885</u>	<u>393,714</u>	<u>(1,458,157)</u>	<u>(131,558)</u>	<u>(57,781)</u>
Total assets less current liabilities	1,390,105	393,714	16,772,907	18,556,726	18,459,063
Creditors: amounts falling due after more than one year	<u>(268,141)</u>	<u>-</u>	<u>(1,123,656)</u>	<u>(1,391,797)</u>	<u>(1,500,245)</u>
Net assets	<u>1,121,964</u>	<u>393,714</u>	<u>15,649,251</u>	<u>17,164,929</u>	<u>16,958,818</u>
Capital funds					
Endowment funds - general	-	-	15,649,251	15,649,251	15,545,128
Income funds					
Restricted funds	-	393,714	-	393,714	374,852
Unrestricted funds	1,121,964	-	-	1,121,964	1,038,838
TOTAL FUNDS	<u>1,121,964</u>	<u>393,714</u>	<u>15,649,251</u>	<u>17,164,929</u>	<u>16,958,818</u>

CHESTER CATHEDRAL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash absorbed by operations	27		(457,176)		(651,817)
Investing activities					
Purchase of tangible fixed assets		(6,784)		(210,227)	
Purchase of investment property		-		(178,606)	
Purchase of other investments		(119,870)		(78,000)	
Proceeds on disposal of other investments		43,905		64,645	
Interest received		795,431		704,298	
Net cash generated from investing activities			712,682		302,110
Financing activities					
Repayment of borrowings		(19,158)		19,158	
Repayment of bank loans		(20,363)		103,388	
Net cash (used in)/generated from financing activities			(39,521)		122,546
Net increase/(decrease) in cash and cash equivalents			215,985		(227,161)
Cash and cash equivalents at beginning of year			179,614		406,775
Cash and cash equivalents at end of year			395,599		179,614
Relating to:					
Cash at bank and in hand			395,599		182,614
Bank overdrafts included in creditors payable within one year			-		(3,000)

CHESTER CATHEDRAL

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Critical accounting estimates and judgements

In the application of the Cathedral's accounting policies, the Members of Chapter are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

2 Accounting policies

2.1 Accounting convention

The financial statements have been prepared in accordance with the December 2018 regulations on accounting and reporting by English Anglican Cathedrals prepared in association with the Association of English Cathedrals and specified by the Church Commissioners under section 27 of the Cathedrals Measure 1999.

Total Returns Adoption

In July 2019, the Chapter of Chester Cathedral agreed to adopt a Total Return policy on investments. The Chapter used 1952 as the base house price. Applying RPI to this figure confirms the current base value as £5,850,000. Chapter agreed that funds equivalent to £11.4m should be moved from endowment property and £0.8m from endowment investments to unapplied total return and will decide annually how much of this fund, if any, can be transferred to the income and expenditure account. However, since the assets within the fund are principally held as property, the expectation is that any transfers will only be for major changes in the Cathedral's strategy or operations.

The value of the Endowment Fund will increase at the RPI rate each year.

The consolidated financial statements include those of the Chapter of Chester Cathedral but also those entities which are under the direct control of the Chapter. These include:

Chester Cathedral Enterprises Limited;
The Chester Cathedral Education Trust
The Chester Cathedral Development Trust
Chester Cathedral Music Trust

2.2 Going concern

In line with Government and Church guidance, the Cathedral closed to the public from 23rd March 2020 in response to the COVID-19 pandemic. The Cathedral remained closed during the enforced lockdown with a gradual re-opening from the beginning of July 2020. The closure caused an immediate fall in income levels of around 80% and a fall in the value of investments held of £47,350 at 30 April 2020.

The Chapter have approved a plan of re-structuring and re-opening that will see the Cathedral recover within three years and have secured additional borrowing and funding to cover cash-flow requirements during this period.

Therefore, at the time of approving the accounts, the Members of Chapter have a reasonable expectation that the Cathedral has adequate resources to continue in operational existence for the foreseeable future. Thus the Members of Chapter continue to adopt the going concern basis of accounting in preparing the accounts.

2.3 Charitable funds

Unrestricted funds are available for use at the discretion of the Members of Chapter in furtherance of their charitable objectives unless the funds have been designated for other purposes.

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Accounting policies

(Continued)

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the Chapter.

2.4 Incoming resources

Income from collections and other donations is recognised when received by or on behalf of the Cathedral. Income from grants and legacies is recognised when notified in writing, any conditions related to the entitlement have been met and the amount can be measured reliably. Grant income includes a grant from the Church Commissioners to fund the stipend costs of The Dean and canons, the costs of which are shown in staff costs.

Income from investments is recognised when receivable. Investment income from common investment funds managed by CCLA Investment Managers Ltd is considered receivable when dividends are declared. Net gains and losses on investments are recognised when investments are sold and on revaluation.

2.5 Resources expended

Expenditure (including depreciation and pension costs and the costs of repairs, restoration and maintenance of the Cathedral) is accounted for on the accruals basis and is allocated under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Support costs have been allocated on the assumption that they arise in proportion to direct expenditure of the charitable activity.

2.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Nil
Plant and equipment	25% straight line
Fixtures and fittings	25% straight line
IT Equipment	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

No depreciation is provided on freehold property because Member of Chapter are of the opinion that the properties are maintained to such a high standard that any depreciation charged would be negligible.

2.7 Investment properties

Having reviewed the investment properties the members believe that the values have not changed materially and therefore investment property is included at the 2018 valuation.

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Accounting policies

(Continued)

2.8 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

A subsidiary is an entity controlled by the Chapter. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

2.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Chapter is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged as an expense on a straight line basis over the term of the relevant lease.

2.13 Donated assets and services

Offers of gifts or books to the Cathedral Library are considered by the Canon Librarian and the Cathedral Librarian. Books on the Cathedral itself or the Diocese and their respective histories, or books written by authors, past and present, associated either with the Cathedral or Diocese are especially welcomed.

Offers of other kinds of gifts are considered by Chapter and where appropriate by the Cathedral's Fabric Advisory Committee (FAC).

The disposal of donated assets which are deemed to have outlived their usefulness is carefully considered by the FAC and where appropriate, proposals are submitted to the Cathedral's Fabric Commission for England (CFCE). No items are disposed of without the agreement of the FAC and decisions of the CFCE are always complied with.

In the case of such items once donated by individuals or families, surviving relatives are always informed when a decision is made in favour of disposal.

Where services are provided to Chapter as a donation that would normally be purchased, the contribution is included in the financial statements at an estimate based on the value of the contribution to Chapter.

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Donations and legacies

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total 2019 £	Total 2018 £
Donations and gifts	527,529	75,596	603,125	519,285
Legacies receivable	9,821	-	9,821	500
Grants	38,739	270,241	308,980	539,954
Other	1,748	-	1,748	2,417
	<u>577,837</u>	<u>345,837</u>	<u>923,674</u>	<u>1,062,156</u>
For the year ended 31 December 2018	<u>608,151</u>	<u>454,005</u>		<u>1,062,156</u>
Grants receivable for core activities				
Education	1,697	1,500	3,197	17,214
Worship	4,726	-	4,726	-
Church Commissioners	-	99,290	99,290	76,095
Clerics Salary Support	-	133,325	133,325	131,152
Special projects	25,000	-	25,000	283,929
Music	4,960	27,047	32,007	-
Friends of Chester Cathedral	524	-	524	26,350
Renovations	1,832	-	1,832	-
Development Trust	-	6,150	6,150	-
Other grants	-	2,929	2,929	5,214
	<u>38,739</u>	<u>270,241</u>	<u>308,980</u>	<u>539,954</u>

4 Other trading activities

	Unrestricted funds 2019 £	Total 2018 £
Fundraising events	<u>1,399,041</u>	<u>1,414,111</u>

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Investments

	Unrestricted funds 2019 £	Total 2018 £
Rental income	765,350	675,880
Income from listed investments	30,081	28,418
	<u>795,431</u>	<u>704,298</u>

6 Other income

	2019 £	2018 £
Insurance claims	<u>9,689</u>	<u>25,741</u>

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

7 Charitable activities

	Education and outreach	Cathedral upkeep	Ministry	Music	Total 2019	Total 2018
	2019	2019	2019	2019		
	£	£	£	£	£	£
Staff costs	34,166	96,976	138,587	198,129	467,858	480,801
Hire of plant and machinery	1	-	-	521	522	775
Refuse and recycling	-	7,177	11,273	-	18,450	5,709
Insurance	-	68,881	564	-	69,445	67,307
Rates, utilities and water	-	61,907	-	-	61,907	56,836
Postage and stationery	-	-	-	877	877	507
Advertising	-	-	-	873	873	-
Clergy expenses	-	-	7,344	-	7,344	8,781
Music expenses	-	-	-	8,932	8,932	9,280
Recitalist fees	-	-	-	7,965	7,965	19,433
Repairs and maintenance	15,728	124,840	10,787	63,746	215,101	328,796
Ongoing maintenance	-	-	-	-	-	15,618
Clergy stipends	-	-	145,790	-	145,790	150,675
Lego	-	-	-	-	-	6,850
Clergy housing costs	-	-	15,497	-	15,497	112,998
General expenses	2,459	12,524	14,387	1,501	30,871	36,491
	<u>52,354</u>	<u>372,305</u>	<u>344,229</u>	<u>282,544</u>	<u>1,051,432</u>	<u>1,300,857</u>
Share of support costs (see note 9)	10,967	111,480	103,073	83,883	309,403	279,197
Share of governance costs (see note 9)	1,421	14,448	13,358	10,871	40,098	36,685
	<u>64,742</u>	<u>498,233</u>	<u>460,660</u>	<u>377,298</u>	<u>1,400,933</u>	<u>1,616,739</u>
Analysis by fund						
Unrestricted funds	49,014	494,135	217,258	313,552	1,073,959	1,205,107
Restricted funds	15,728	4,098	243,402	63,746	326,974	411,632
	<u>64,742</u>	<u>498,233</u>	<u>460,660</u>	<u>377,298</u>	<u>1,400,933</u>	<u>1,616,739</u>
For the year ended 31 December 2018						
Unrestricted funds	94,685	451,607	336,024	322,791		1,205,107
Restricted funds	29,724	95,599	207,247	79,062		411,632
	<u>124,409</u>	<u>547,206</u>	<u>543,271</u>	<u>401,853</u>		<u>1,616,739</u>

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Raising funds

	Unrestricted funds 2019 £	Total 2018 £
<u>Fundraising and publicity</u>		
Staff costs	534,431	552,202
<u>Trading costs</u>		
Other trading activities	671,087	610,038
<u>Investment management</u>	377,309	434,791
	<u>1,582,827</u>	<u>1,597,031</u>

9 Support costs

	Support costs £	Governance costs £	2019 £	2018 £
Staff costs	204,872	10,361	215,233	173,406
Depreciation	15,920	-	15,920	13,102
Telephone	4,840	-	4,840	5,210
Postage and stationery	16,192	-	16,192	12,289
Sundries	-	-	-	2,858
Office equipment	28,332	-	28,332	29,342
Legal and professional	18,757	-	18,757	32,699
Bank charges	7,821	-	7,821	5,537
General Expenses	12,669	-	12,669	14,896
Audit fees	-	9,000	9,000	9,000
Chapter expenses	-	20,737	20,737	17,543
	<u>309,403</u>	<u>40,098</u>	<u>349,501</u>	<u>315,882</u>
Analysed between				
Charitable activities	<u>309,403</u>	<u>40,098</u>	<u>349,501</u>	<u>315,882</u>

Governance costs includes payments to the auditors of £9,000 (2018 - £9,000) for audit fees.

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Employees

Number of employees

The average monthly number of employees during the year was:

	2019 Number	2018 Number
Full Time	28	28
Part Time	28	34
	<u>56</u>	<u>62</u>

Employment costs	2019 £	2018 £
Wages and salaries	1,072,881	1,066,089
Social security costs	69,753	61,356
Other pension costs	43,064	72,032
	<u>1,185,698</u>	<u>1,199,477</u>
Number of full time equivalent employees:	<u>52</u>	<u>52</u>

Included within total wages and salaries is an amount of £145,790 for Clergy salary costs (2018 - 150,675).

There were no employees whose annual remuneration exceeded £60,000.

Expenditure for salaries in respect of Chester Cathedral Enterprises Ltd is included within the payroll of the Chapter and invoiced directly to Enterprises.

11 Other

	Unrestricted funds	Endowment funds	Total 2019	Total 2018
Financing costs	-	45,644	45,644	45,590
Irrecoverable VAT	35,922	-	35,922	10,601
	<u>35,922</u>	<u>45,644</u>	<u>81,566</u>	<u>56,191</u>
For the year ended 31 December 2018	<u>10,601</u>	<u>45,590</u>		<u>56,191</u>

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Net gains/(losses) on investments

	Unrestricted funds	Endowment funds	Total 2019	Total 2018
	£	£	£	£
Gain/(loss) on investments	(6,164)	149,769	143,605	(13,844)
For the year ended 31 December 2018	-	(13,844)		(13,844)

13 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Fixtures and fittings	IT Equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2019	3,930,330	115,442	496,926	6,501	4,549,199
Additions	-	1,574	5,177	-	6,751
At 31 December 2019	3,930,330	117,016	502,103	6,501	4,555,950
Depreciation and impairment					
At 1 January 2019	-	70,150	250,414	4,731	325,295
Depreciation charged in the year	-	19,468	34,558	885	54,911
At 31 December 2019	-	89,618	284,972	5,616	380,206
Carrying amount					
At 31 December 2019	3,930,330	27,398	217,131	885	4,175,744
At 31 December 2018	3,930,330	45,265	246,509	1,770	4,223,874

14 Investment property

	2019
	£
Fair value	
At 1 January 2019 and 31 December 2019	13,369,360

Investment properties, which are those properties not used for direct cathedral purposes and so may change from time to time, are included at a valuation which was undertaken internally during 2018. Chapter considers that the properties need not be depreciated due to the policy of maintaining these assets to such a high standard that any depreciation charge would be negligible.

Individual improvements made to investment properties are depreciated over their estimated useful lives which is currently ten years but subject to regular review.

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Fixed asset investments

	Listed investments £
Cost or valuation	
At 1 January 2019	923,610
Additions	119,870
Valuation changes	143,605
Disposals	(43,905)
At 31 December 2019	<u>1,143,180</u>
Carrying amount	
At 31 December 2019	<u>1,143,180</u>
At 31 December 2018	<u>923,610</u>

16	Stocks	2019 £	2018 £
	Stocks	<u>112,274</u>	<u>119,053</u>

17	Debtors	2019 £	2018 £
	Amounts falling due within one year:		
	Trade debtors	254,742	239,499
	Other debtors	26,912	5,610
	Prepayments and accrued income	36,099	24,538
		<u>317,753</u>	<u>269,647</u>

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

18 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	19	142,990	103,945
Other borrowings		-	19,158
Other taxation and social security		79,240	61,074
Trade creditors		69,976	60,997
Other creditors		375,590	129,813
Accruals and deferred income		289,388	254,108
		<u>957,184</u>	<u>629,095</u>

Included within other creditors above is an amount of £250,000 which was held as a bond for the renovations of 10 and 11 Abbey Square, expected to be returned in the year ended 31 December 2020.

19 Loans and overdrafts

		2019 £	2018 £
Bank overdrafts		-	3,000
Bank loans		1,307,251	1,327,614
Other loans		-	19,158
		<u>1,307,251</u>	<u>1,349,772</u>
Payable within one year		142,990	123,103
Payable after one year		<u>1,164,261</u>	<u>1,226,669</u>

The bank loans are secured by way of a fixed charge on three of Chapter's properties.

The other loans are secured on the assets to which they relate.

20 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Bank loans	19	1,164,261	1,226,669
Other creditors		227,536	273,576
		<u>1,391,797</u>	<u>1,500,245</u>

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21 Analysis of net assets between funds

	Unrestricted funds 2019 £	Restricted funds 2019 £	Endowment funds 2019 £	Total 2019 £	Total 2018 £
Fund balances at 31 December 2019 are represented by:					
Tangible assets	245,414	-	3,930,330	4,175,744	4,223,874
Investment properties	-	-	13,369,360	13,369,360	13,369,360
Investments	211,806	-	931,374	1,143,180	923,610
Current assets/(liabilities)	932,885	393,714	(1,458,157)	(131,558)	(57,781)
Long term liabilities	(268,141)	-	(1,123,656)	(1,391,797)	(1,500,245)
	<u>1,121,964</u>	<u>393,714</u>	<u>15,649,251</u>	<u>17,164,929</u>	<u>16,958,818</u>

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Movement in funds

	At 1.1.19	Incoming resources	Outgoing resources	Net movement	At 31.12.19
	£	£	£	£	£
Unrestricted funds					
Unrestricted income fund	1,038,838	2,781,998	(2,698,872)	83,126	1,121,964
	<u>1,038,838</u>	<u>2,781,998</u>	<u>(2,698,872)</u>	<u>83,126</u>	<u>1,121,964</u>
Restricted funds					
Bell ringers	-	5,134	(1,015)	4,119	4,119
Pain	-	6,888	(2,927)	3,961	3,961
GMP FUnd	5,157	-	-	-	5,157
Organ	61,649	11,343	(39,086)	(27,743)	33,906
Pastoral Care	250	-	(250)	(250)	-
Monks Desk	3,919	-	(3,919)	(3,919)	-
Canon Chancellors Award	4,359	-	(35)	(35)	4,324
Ann Duchess Vestments	4,235	-	-	-	4,235
Pier Hedley Nave Floor	16,666	-	-	-	16,666
Art Beat	433	-	(433)	(433)	-
Toilets	155	2	(157)	(155)	-
Chamber Organ	31,128	2,400	(16,512)	(14,112)	17,016
Scientists in Congregation	-	6,150	(6,150)	-	-
Education Assistant	1,250	1,750	-	1,750	3,000
Soloists	7,179	21,913	(8,148)	13,765	20,944
Church commissioners	-	232,615	(232,615)	-	-
Subsidiaries	238,471	57,642	(15,727)	41,915	280,386
	<u>374,851</u>	<u>345,837</u>	<u>(326,974)</u>	<u>18,863</u>	<u>393,714</u>
Endowment funds					
Endowment fund - general	15,545,126	149,769	(45,644)	104,125	15,649,251
	<u>15,545,126</u>	<u>149,769</u>	<u>(45,644)</u>	<u>104,125</u>	<u>15,649,251</u>
TOTAL FUNDS	<u>16,958,815</u>	<u>3,277,604</u>	<u>(3,071,490)</u>	<u>206,114</u>	<u>17,164,929</u>

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

24 Endowment funds

	Clergy property £	Investment property £	Investments £	Net Assets £	Total £
PERMANENT ENDOWMENT					
At 1 January 2019	3,930,330	13,369,360	825,610	-	18,125,300
Initial transfer *	-	(11,449,690)	(825,610)	-	(12,275,300)
Increase in RPI	-	-	-	-	-
At 31 December 2019	3,930,330	1,919,670	-	-	5,850,000
UNAPPLIED TOTAL RETURN					
Property values 1 January 2019	-	-	-	-	-
Initial transfer *	-	11,449,690	-	-	11,449,690
Property value increase	-	-	-	-	-
Increase in RPI to permanent	-	-	-	-	-
Property values 31 December 2019	-	11,449,690	-	-	11,449,690
Investments at 1 January 2019	-	-	-	-	-
Initial transfer *	-	-	825,510	-	825,510
Gains/(Losses) in year	-	-	149,769	-	149,769
Allocation for cathedral purposes	-	-	(43,905)	-	(43,905)
Investments at 31 December 2019	-	-	931,374	-	931,374
Net assets at 1 January 2019	-	-	-	(2,536,169)	(2,536,169)
Movement in the year	-	-	-	(45,644)	(45,644)
Net assets at 31 December 2019	-	-	-	(2,581,813)	(2,581,813)
At 31 December 2019	-	11,449,690	931,374	(2,581,813)	9,799,251
TOTAL ENDOWMENT FUNDS	3,930,330	13,369,360	931,374	(2,581,813)	15,649,251

* - Initial transfer on adoption of Total Return in 2019

In 2019, the Chapter of Chester Cathedral agreed to adopt a Total Return policy on investments. The assets within the Unapplied portion of the fund are principally held as property. The expectation is that any transfers will only be for major changes in the Cathedrals strategy or operations.

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

24 Pension commitments

The Chapter 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 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.

Pension Builder Scheme

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

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

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2019: £35,380, 2018: £63,339).

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

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

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, Chapter could become responsible for paying a share of that employer's pension liabilities.

At 31 December 2019, Chester Cathedral had 1 active and 39 deferred pension members in the fund.

CHESTER CATHEDRAL

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

25 Related party transactions

During the year ended 31 December 2019 and 31 December 2018 three Members of Chapter received stipends in line with the Church of England Structures.

The Dean's spouse was employed as an educational officer within the Cathedral.

26 Analysis of changes in net (debt)/funds

	At 1 January 2019	Cash flows	At 31 December 2019
	£	£	£
Cash at bank and in hand	182,614	212,985	395,599
Bank overdrafts	(3,000)	3,000	-
	<u>179,614</u>	<u>215,985</u>	<u>395,599</u>
Loans falling due within one year	(120,103)	(22,887)	(142,990)
Loans falling due after more than one year	(1,226,669)	62,408	(1,164,261)
	<u>(1,167,158)</u>	<u>255,506</u>	<u>(911,652)</u>

27 Cash generated from operations

	2019	2018
	£	£
Surplus/(deficit) for the year	206,114	(32,602)
Adjustments for:		
Investment income recognised in statement of financial activities	(795,431)	(704,298)
(Gain)/loss on disposal of investments	(143,605)	13,844
Depreciation and impairment of tangible fixed assets	54,911	51,658
Movements in working capital:		
Decrease in stocks	6,779	20,509
(Increase) in debtors	(48,106)	(55,153)
Increase in creditors	262,162	54,225
Cash absorbed by operations	<u>(457,176)</u>	<u>(651,817)</u>

