

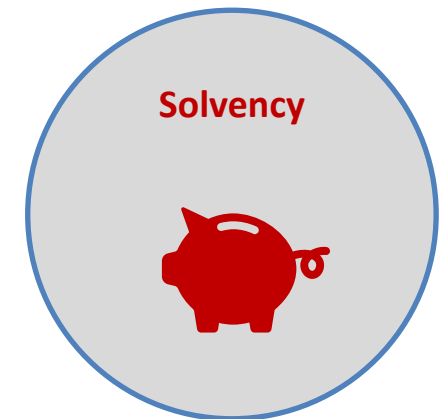
THE CHURCH
OF ENGLAND
DIOCESE OF
WORCESTER



“Diocesan Board of Finance 2023 Year End Financial Results“

Wadham Downing
24th June 2024

As Synod members there are at least three aspects we should focus on in a set of accounts...



Why focus on this?

An indicator of our current financial sustainability

An indicator of the resources available to deploy to support activities into the long term (decades and centuries ahead)

An indicator of our ability to meet our financial obligations for the foreseeable future.

How did we do in 2023?

**Net Operational Position.
Break even £ in 2023**

Net assets £85.8m (up 8.7%)

£4.2m

Where to find them in accounts?

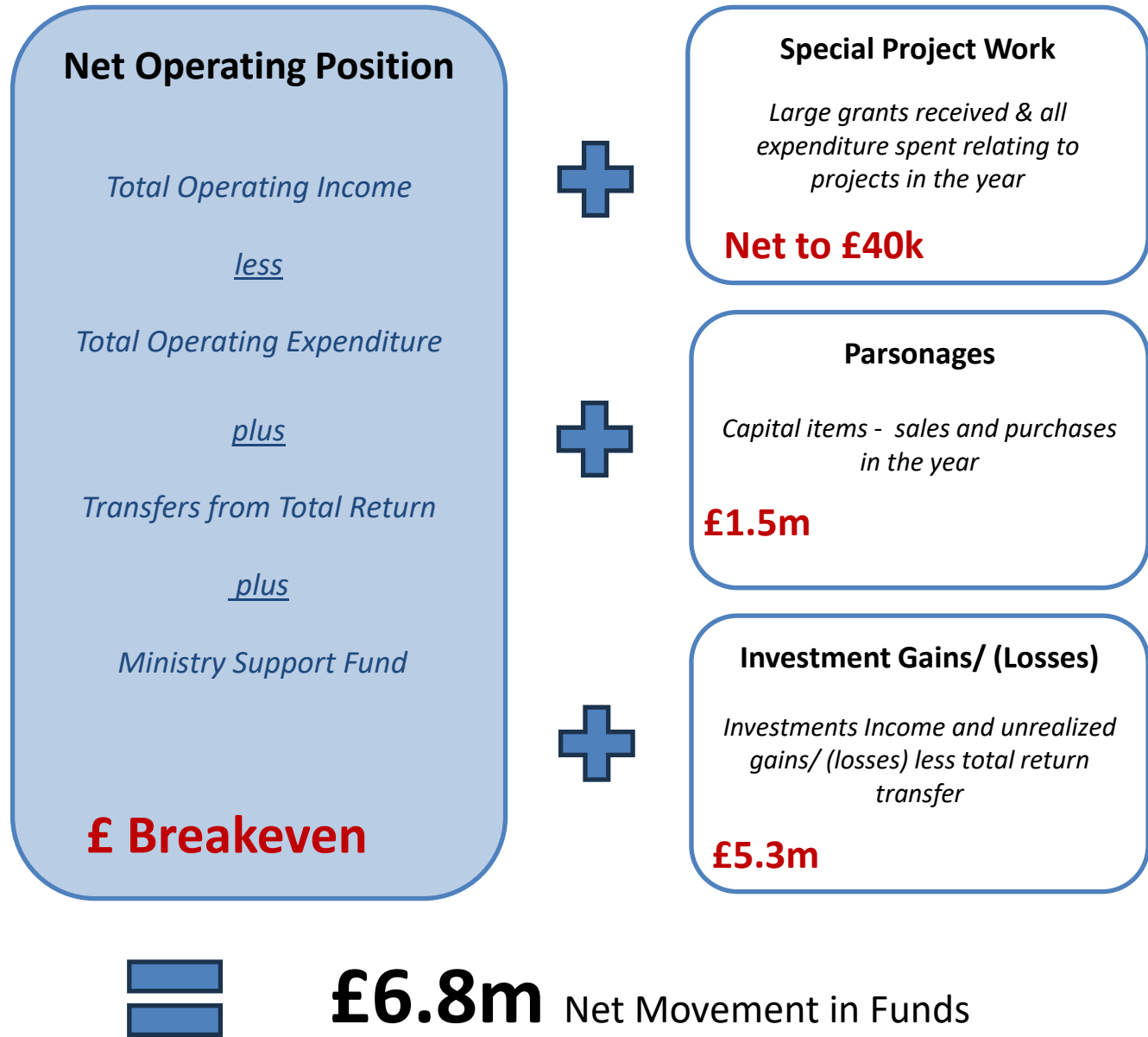
An element of the SoFA. (Page 23 of Accounts) Explained in Understanding our 2023 Accounts Paper.

The total of the Balance Sheet. (Page 25 of Accounts)

An element of the Unrestricted General Funds (Page 25 of Accounts) Explained in Understanding our Accounts Paper.

Performance Metric Explained

- The **Statement of Financial Activities (Page 23 of Accounts)** shows the total movement between this years and last years Funds .
- Only part of this is the day-to-day operational performance of the Diocese. This is separated out here.
- We focus on the Net Operational Position as an indicator of our current financial stability.
- **This was £Breakeven in 2023, neither positive , nor negative. The next slide goes into this in more detail.**
- A few years ago, this was a £1m deficit and much work has been done to bring central costs down, but it remains a challenge.



Focus On Financial Sustainability part 1

- Set out below is the Net Operational Position in the same format as we used for the budget in the Autumn of last year. This is explained in detail in the Understanding Our 2023 Paper.
- This includes the financials relating to all the day-to-day operational activities - income and expenditure the Dioceses spends and receives to provide its mission and deliverables. In November 2022 we approved a small budgeted surplus of £26k for 2023, so this is a creditable result in light of facing considerable headwinds.
- The result is after transfers from Total Return, and importantly the transitional support from the Ministry Support fund.

INCOME	£'000	EXPENDITURE	£'000	RESULT £'000
Ministry Share & Ministry Support Fund Donations	£3,953	Parish Ministry	£5,678	
Archbishops' Council Funding	£818	Contributions to Archbishops' Council	£528	
Other Grants and Donations	£267	Support for Ministry	£800	
Fees and Other Income	£615	Support for Schools	£410	
Rental Income	£439			
Investment Income	£241			
Total	£6,333	Total	£7,416	(£1,083)

TRANSFERS	£'000
Annual transfer from Total Return	£670
Agreed transfer from Ministry Support Fund	£430
Other transfers between funds	(£17)
Total	£1,083

NET OPERATIONAL POSITION	£0
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£Breakeven

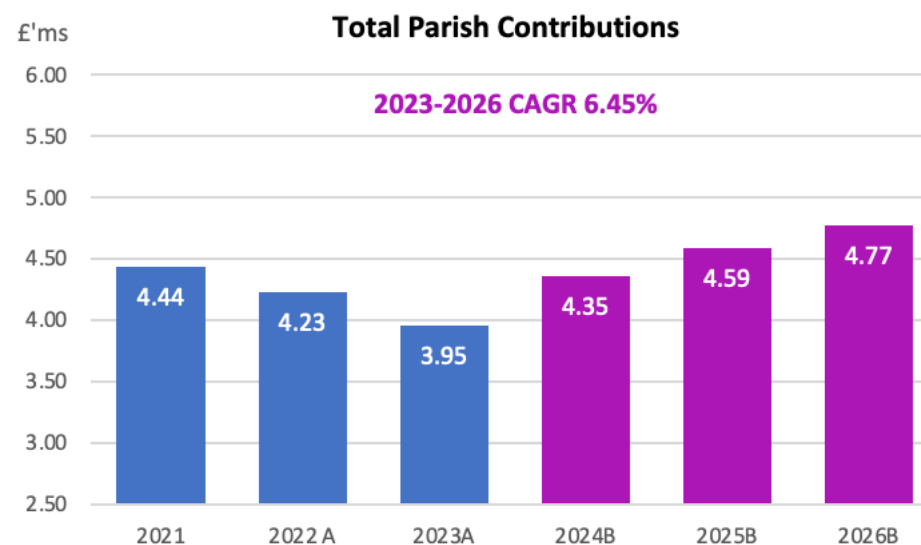


Focus On Sustainability part 2

- One of the most important parts of the Net Operational Position, and our future financial sustainability, are cash Contributions from Parishes (Opposite as taken from Page 30 of Accounts)
- In 2023 these were £3,953k down 6.5% from £4,227k in 2022. (This was up from our forecast at the time of the 2024 budget in November of £3,840k).
- The graph bottom right is the graph shown in the Budget presentation to Synod updated for the 2023 actuals.
- This demonstrates that for the financial sustainability of the Diocese we need to grow these contributions by a compound growth rate of at least 6.45% over the next three years.
- This is at least, because Ministry Support Fund Grants are forecast to fall (2023 £430k) and central funding is under review.
- The challenged is not to be underestimated.

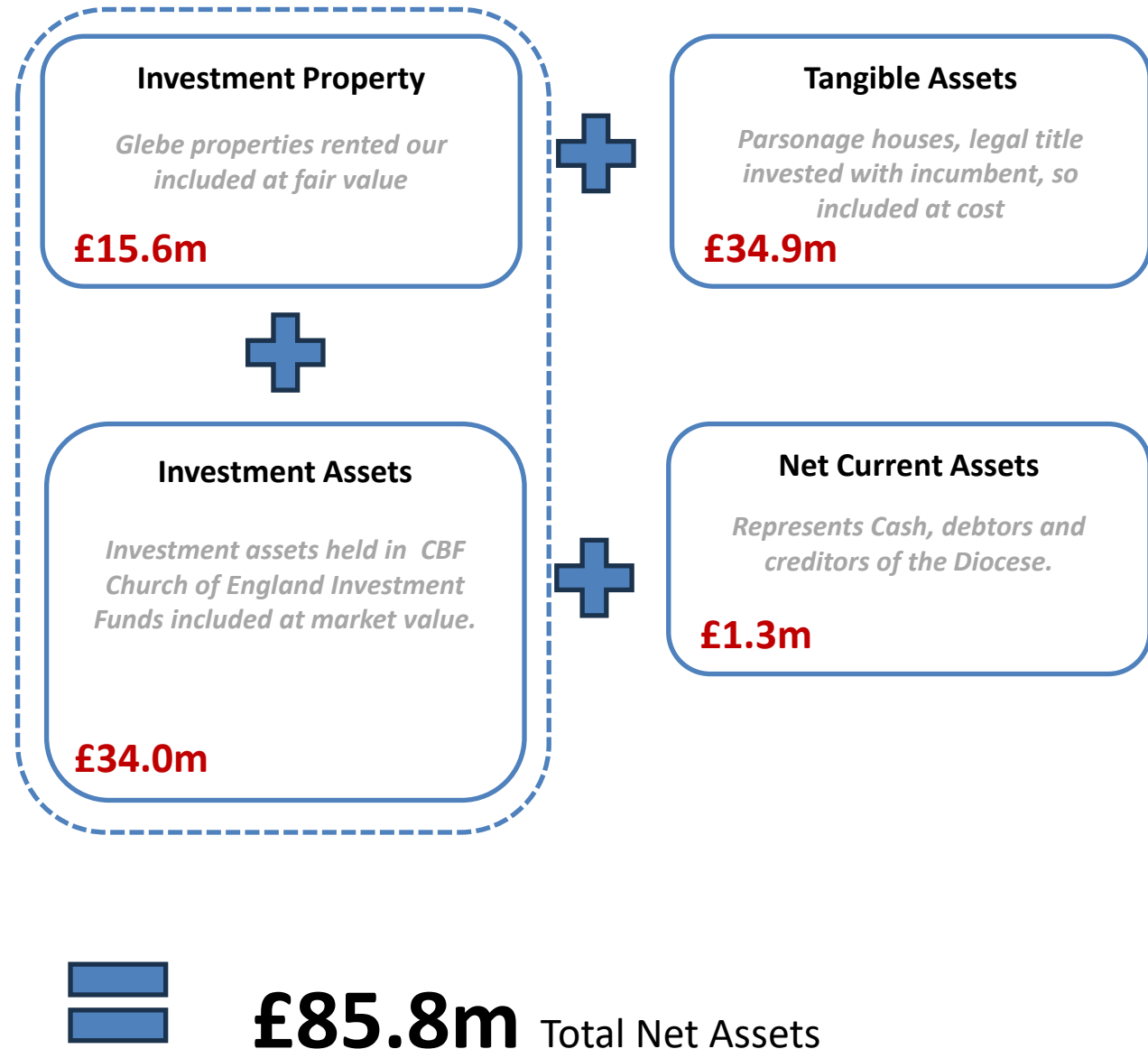
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (Continued)

	Total Funds 2023 £'000	Total Funds 2022 £'000
2. PARISH CONTRIBUTIONS		
Current year's allocation	5,352	5,545
Ministry Support Fund Grants	(430)	(656)
Strategic Development Funding Grant (SDF)	(272)	(232)
Lowest Income Communities Grants (LInC)	(683)	(504)
Net Ministry Share Request	3,967	4,153
Shortfall in contributions	(130)	(185)
	3,837	3,968
Arrears for previous years	15	50
	3,852	4,018
Ministry Support Fund donations - Restricted	101	209
TOTAL	3,953	4,227



Balance Sheet Strength

- The **Balance Sheet (Page 25 of Accounts)** shows the assets and liabilities of the Diocese as at 31st December 2023.
- All the Diocese assets less its liabilities stands at a £85.8m net asset position.
- Tangible Assets of £34.9m represent the “working assets” of the Diocese, its parsonages. We also hold a small working capital of net Current assets position of £1.3m
- In addition, we hold £45.6m of investment property and assets, which we manage within the Diocesan investment policy. These are held for the long-term, but in 2023 investment markets have been favourable.
- A recent study of Diocesan finances across the country shows that Worcester is in the middle of the pack in terms of the amount it has in investment property and assets.



Solvency

- The **Net Assets** from the previous slide are owned by different "funds" which have been set up or donated to the Diocese for certain purposes.
- Some were set up to own the Parsonages from the previous slide, some were to support ongoing ministry.
- The majority of these assets are owned by long term endowment funds. These endowment funds are very useful to support the Diocese in the long term but have limited use to support us in the case of a liquidity crisis.
- These endowment funds have very limited powers to convert capital into income, set within a framework of annual drawdown.
- Other funds are set up on purpose to be more flexible. Such as our Unrestricted General Fund (Page 25 of Accounts). We therefore have a reserves policy for these funds of holding at least 4.5 months of expenditure in liquid or easy realisable assets which could be used in for instance a "liquidity crisis".
- At the end of 2023 we were operating in line with the policy, holding slightly more at 6.2 months expenditure.

Unrestricted General Funds

Illiquid Funds

Illiquid assets such
as Holland House.

£1.5m

Liquid Funds



£4.2m

Equivalent to:

6.2 months of
expenditure



£5.8m Fund balance

Performance



- 2023 performance overall positive in the year
- Concern for falling parish contributions

Balance Sheet Strength



- Balance sheet strengthened by investment growth
- Transformation programme delivery is required to give growth, and financial stability for generations to come

Solvency



- An indicator of our ability to meet our financial obligations for the foreseeable future.