

# WORCESTER DIOCESAN BOARD OF FINANCE LIMITED

## Understanding Our 2023 Accounts: FOR INFORMATION

We don't intend our accounts to be difficult to read, but the Diocesan Board of Finance (DBF) has a number of strands to its operations, and the rules of charity accounting (the "SORP"), along with the additional complexities of the Church of England, don't make it easy to decipher what's going on underneath. This paper seeks to bring clarity but is no substitute for reading the full document.

Our accounts amalgamate the finances of four different strands of our activities:

- **Core operations:** funding the mission and ministry of parishes around the diocese (A).
- **Special projects:** Programmes that are specifically funded by National Church, sometimes in combination with other funders or internal funding (B).
- **Glebe investments:** growing our investments which should increase future income (C).
- **Property operation:** buying, selling and maintaining homes for those in ministry (D).

These four activities have different stories to tell – and this paper seeks to help you understand each of these. It then explains our reserves, before concluding with key points.

### A. Our Core Operations

This area reports on our day-to-day operational activities – primarily receiving income from Ministry Share and spending it on the provision of parish ministry, support and administration and making a contribution back to the National Church.

- **The headline:** In 2023 we broke even after transfers from Total Return and the Ministry Support Fund, (against a Synod budget surplus of £26k after transfers).
- **The key numbers:** Using the Statement of Financial Activities (SoFA) on page 23 as the base:

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			
<b>Total</b>	<b>£6,333</b>	<b>Total</b>	<b>£7,416</b>	<b>(£1,083)</b>

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

NET OPERATIONAL POSITION	£0
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- **Where can I find this in the accounts?** Most of this is on the SOFA and in notes 2 to 14 – which explain what is included in each of these headings. The transfers are shown in note 25 to the accounts on page 44.
- **Income** – The total income per the SOFA on page 23, is £14,163k, this differs to the £6,333k as shown above by £7,830k, due to the following:

GRANT INCOME / PROJECTS	£'000
Lowest Income Communities Funding (LInC) used for designated projects	£110
Strategic Development Funding (SDF)	£1,271
Benefact Trust Funding used for Transformation	£107
Net Carbon Zero Funding (NZC)	£15

Diocesan Investment Programme Funding (DIP)	£1,019
Minor Repair and Improvements Funding (MR&I)	£135
Myriad Funding	£20
<b>Total grant income</b>	<b>£2,677</b>

<b>PERMANENT ENDOWMENT INCOME</b>	<b>£'000</b>
Investment and insurance income	£1,070
Gains on disposal	£4,083
<b>Total permanent endowment income</b>	<b>£5,153</b>

<b>Total non-operational income</b>	<b>£7,830</b>
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- **Expenditure** – The total expenditure per the SOFA on page 23, is £9,960k, this differs from the £7,416k as shown above by £2,544k, due to the following:

<b>GRANT EXPENDITURE</b>	<b>£'000</b>
Healthier Churches Fund (HCF) expenditure	£561
LInC, SDF and Benefact Trust expenditure	£1,783
Ministry Hardship Grants	£20
<b>Total grant funded expenditure</b>	<b>£2,364</b>

<b>PERMANENT ENDOWMENT EXPENDITURE</b>	<b>£'000</b>
Costs of investment managers	£180
<b>Total permanent endowment expenditure</b>	<b>£180</b>

<b>Total non-operational expenditure</b>	<b>£2,544</b>
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## B. Our Special Projects

We have a number of special projects for which we've received grant support from the National Church, other funders, or have committed funding to ourselves.

- **The headline:** These special generated a 'surplus' in the year of £41k; this is not a real surplus as there are a mixture of funds we have received but not started spending yet, funds we have received and are being spent, and elements that are funded internally.
- **The key numbers:** Using the Summary of Movement in Funds (note 24, page 43)

FUND	INCOME £'000	EXPENDITURE £'000	RESULT £'000	FUNDING
Healthier Churches Fund (HCF)	-	£561	(£561)	Total Return (WDBF)
Lowest Income Communities (LInC)	£110	£381	(£271)	Archbishops' Council
Calling Young Disciples (SDF)	£64	£83	(£19)	Archbishops' Council + WDBF
Transformation (SDF)	£30	£30	-	Archbishops' Council
Resourcing Churches (SDF)	£1,045	£1,050	(£5)	Archbishops' Council + WDBF
Capacity Grant Restructuring (SDF)	£132	£132	-	Archbishops' Council
Benefact Trust	£107	£107	-	Benefact Trust
Net Carbon Zero (NZA)	£15	-	£15	Archbishops' Council
Diocesan Investment Programme (DIP)	£1,019	-	£1,019	Archbishops' Council
Minor Repair and Improvement (MR&I)	£135	-	£135	Archbishops' Council
Myriad Funding	£20	-	£20	Myriad
Ministry Hardship	-	£20	(£20)	Archbishops' Council
<b>Total</b>	<b>£2,677</b>	<b>£2,364</b>	<b>£313</b>	

<b>TRANSFERS</b>	<b>£'000</b>
Annual transfers from Total Return	£141
Agreed transfer out of Ministry Support Fund	(£430)
Other transfers between funds	£17
<b>Total</b>	<b>(£272)</b>

<b>NET PROJECT POSITION</b>	<b>£41</b>
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- [Where can I find this in the accounts?](#) This information is set out in the designated and restricted funds elements of the Summary of Movements in Funds (note 24 on page 43). The transfers are shown in note 25 to the accounts on page 44.

### C. Our Investment Operations

We are blessed with significant endowment reserves originating in the generosity of past generations of churchgoers. The investment operation seeks to grow these by careful stewardship. Most of our investments are “Glebe” (the Church’s historic land portfolio and invested proceeds from sales of it). The income from Glebe investments can only be spent on clergy stipends.

- **The headline:** Our investments increased in value during the year as did global equity markets.
- **The key numbers:**
  - On the 31 December 2023, our Glebe portfolio of agricultural land and investment property was worth £15,625k, showing a market value gain of £571k. There is also £13,165k of freehold Glebe property (houses for team vicars and curates).
  - At the start of 2022 our CBF shares had a value of £26,290k and we purchased an additional £4,090k during the year from the sale of surplus land and properties and reinvesting the cash. Our CBF shares increased in value by 9%, which produced an unrealised gain of £2,022k. At the year-end they were worth £32,402k.
- [Where can I find this in the accounts?](#) Note 16 on page 37 shows the Glebe property and CBF shares and Note 17 on page 38 shows the team vicar and curate houses.
- **Note:** we received £1,025k from our investments: £770k from dividends and interest on our equity and deposit funds, £255k from rents on our agricultural land and property portfolio. As well as this £45k of insurance proceeds were received.
- **Note:** We also made gains on the disposal of one property and one piece of land which totalled £2,557k. Three houses were purchased totalling £1,338k. Unrealised gains were £2,443k.
- [Where can I find this in the accounts?](#) This information is set out in the designated and restricted funds elements of the Summary of Movements in Funds (note 24 on page 43).

<b>INVESTMENT OPERATIONS</b>	<b>£'000</b>
Investment income	£1,070
Realised gains on investment (all bar parsonages)	£2,557
Investment expenditure	(£180)
Unrealised gains on investments	£2,593
Annual transfers out of Total Return	(£811)
<b>NET INVESTMENT OPERATIONS</b>	<b>£5,229</b>

### D. Our Property Operation

With around 100 stipendiary clergy to house, the DBF runs a sizeable property operation – buying, selling and maintaining a portfolio of homes.

- **The headline:** Four houses were purchased, and one houses were sold during the year. These sales resulted in a gain of £1,526k.
- **The key numbers:** At the end of the year, we hold parsonages valued at £19,961k, £13,165k of team vicarages and curates’ houses and £1,522k are unrestricted assets – some homes plus Holland House.
- In terms of operational spending, we spent £1,268k maintaining and improving parsonage houses. This expenditure is included in Section A as it is a part of our core operations. This was £369k more than 2022, and £385k ahead of budget.
- [Where can I find this in the accounts?](#) Notes 9 and 16 show operational spending, note 16 shows the value of property assets.

<b>PROPERTY OPERATIONS</b>	<b>£'000</b>
Realised gains on investment	£1,526
<b>NET INVESTMENT OPERATIONS</b>	<b>£1,526</b>

## E. What reserves have we got?

Note 24 shows that our reserves fall into a number of 'buckets'.

- **Endowment – Glebe:** a total of £51.6m in the Diocesan Stipends Capital Fund. Historically this could not be spent, except in a very limited way on parsonages. Bishops Council have now adopted the Total Return approach, which requires the inflation-adjusted value of the original gift to be maintained, (which at end of 2023 is £30.2m) but allows the amount in excess of this to be taken to a separate endowed fund which is referred to as the Unapplied Total Return (which totals £21.4m). Money transferred from this fund will cover the costs of stipends and the funds that would normally have been spent on stipends can be designated or used for other purposes.
- **Endowment – Parsonages:** a total of £20.0m of parsonages plus the other investments. These reserves are represented by our clergy houses so also can't be spent, although if a parsonage becomes redundant, sale proceeds can be used for certain diocesan expenditure.
- **Restricted Funds:** We have £4.1m in ten restricted funds as detailed in note 24. These funds can only be used in accordance with the various restrictions placed upon them.
- **Designated Funds:** £2.5m of funds are designated for a particular purpose, which is fully explained in notes 24 and 27. This includes the money we have set aside by adopting Total Return to help fund stipends which in turn has released funds set aside as follows:
  - **Healthier Churches Fund:** £1.7m – from which grants totalling £561k has been awarded during the year to help support Benefices in their transition to becoming healthier and more sustainable.
  - **Ministry Support Fund:** £507k.
    - i. Incoming resources into this fund during 2023 relate to:
      1. £101k - Donations from Benefices to support Ministry in other areas of the Diocese.
      2. £114k – an annual transfer from Unapplied Total Return (base amount of £100k adjusted for inflation each year).
    - ii. Outgoing transfers from this fund of £430k is the support to Benefices in the form of grants awarded (see note 2 on page 24).
  - **Net Carbon Zero:** £62k. £25k (inflation adjusted) will be added each year 2021-26 to help fund the Diocesan Net Carbon Zero project (£27k transferred in 2023).
  - **Conference Fund:** £12k per year being transferred to this fund to cover the cost of the triennial clergy conference; closing balance £12k.
  - **Lowest Income Communities Fund:** £218k to fund sustainability projects in parishes who fall into the LInC bracket.
- **Unrestricted General Funds:** of £5.8m at the end of the year, however these include our unrestricted property fixed assets such as Holland House and some clergy houses (£1.5m).
- **In summary:** The Balance Sheet shows total funds of £85.1m, up £6.8m on 2022, which is largely due to realised and unrealised gains on investments. £629k was available cash at the year end.

## F. Financial Summary

The overall results of the DBF for 2023 can be summarised as:

<b>SUMMARY</b>	<b>£'000</b>
Result from our Core Operations (section A)	£0
Surplus from our Special Projects (section B)	£41
Surplus on our Investment Operations (Section C)	£5,229
Surplus on our Property Operations (Section D)	£1,526
<b>DBF reported surplus for the year ended 31 December 2023</b>	<b>£6,796</b>