

OXFORD DIOCESAN BOARD OF FINANCE– PRESENTATION OF DIRECTORS’ REPORT AND FINANCIAL STATEMENTS 2021 TO THE ANNUAL GENERAL MEETING

Overall, the results for the year in the management accounts were a surplus of £0.1M, compared with the budgeted deficit of £0.9m. The full set of statutory accounts is presented with this report to be formally received by the Annual General Meeting of the Diocesan Board of Finance.

Introduction

This report to the members of Synod comprises:

- I. a comparison between the actual results shown in the 2021 management accounts and the Synod revenue budget for 2021.
- II. a reconciliation between these results and those shown in the Statement of Financial Activities (“SOFA”) in the statutory financial statements.
- III. a summary of the balance sheet at 31 December 2021.

I. Management Accounts - Performance Against Budget (£M)

| 2020 | | | 2021 | | | |
|--------------|------------|------------------------------|-------------|------------|--------------|--|
| Actual | | | Actual | | Budget | Variance – Favourable/ (Adverse) |
| £M | % | | £M | % | £M | £M |
| | | <u>Expenditure</u> | | | | |
| 20.9 | 81 | Parochial Ministry | 21.1 | 83 | 21.2 | 0.1 |
| 2.8 | 11 | Mission in the Diocese | 2.8 | 11 | 3.0 | 0.2 |
| 1.1 | 4 | National Church contribution | 1.1 | 4 | 1.1 | - |
| 0.9 | 4 | Administration & finance | 0.5 | 2 | 0.6 | 0.1 |
| 25.7 | 100 | | 25.5 | 100 | 25.9 | 0.4 |
| | | <u>Income</u> | | | | |
| 18.9 | 75 | Parish share net of rebates | 18.6 | 73 | 18.4 | 0.2 |
| 4.5 | 18 | Glebe income | 4.6 | 18 | 4.5 | 0.1 |
| 1.6 | 6 | Parish Fees & Rentals | 2.1 | 8 | 1.8 | 0.3 |
| 0.3 | 1 | General investment income | 0.3 | 1 | 0.3 | - |
| 25.3 | 100 | | 25.6 | 100 | 25.0 | 0.6 |
| (0.4) | | Net (expenditure)/surplus | 0.1 | | (0.9) | 1.0 |

ODBF received 93.2% of parish share requested for the year (2020: 94.4%). Parish Fees were £64k below budget, but this was offset by a significant increase in rental income. Glebe income is as budget, as supported by Total Return.

Direct Ministry Costs (Stipends, National Insurance & clergy pension contributions) were £29k over budget. The largest specific variance against budget related to deferred expenditure on property maintenance, which explains the net saving overall under this heading.

II. Reconciliation between Management Accounts and Statement of Financial Activities (SOFA)

The Synod budget and management accounts relate to general funds income and expenditure only, whereas the statutory accounts include transactions relating to the designated, restricted and endowment funds, primarily relating to property and trust funds.

A summary is shown below of the reconciliation of the deficit shown in the management accounts to the net income shown in the SOFA:

| | £M | Note |
|--|--------------|------|
| Surplus per management accounts | 0.1 | |
| Glebe investment management and development costs | (0.5) | a |
| Other property income/costs including surplus/loss on disposal | (0.1) | b |
| Total return transfer from endowment to support glebe income | (1.6) | c |
| Common Vision expenditure | (2.7) | d |
| Net movement on other funds | (0.1) | |
| Property impairment | (0.5) | e |
| Church House related depreciation | (0.1) | f |
| | <hr/> | |
| SOFA: Net deficit before investment gains | (5.5) | |
| | <hr/> | |
| SOFA: Net gains on investments | 17.4 | |
| | <hr/> | |
| SOFA: Net income | 11.9 | |
| | <hr/> | |
| SOFA: Other gains | 31.2 | g |
| | <hr/> | |
| SOFA: Total Movement in funds | 43.1 | |
| | <hr/> | |

- a) Glebe investment management costs are funded by glebe capital under the Endowments and Glebe Measure and excluded from the management accounts results. These are fees paid to Newton Investment Management for managing the glebe investment portfolios.
- b) Other property net income is mostly losses on property disposals during 2021.
- c) Total return transfer from endowment to general funds in line with agreed withdrawal under total return (included within income in the management accounts). This transfer ensures that budgeted investment income continues to rise with inflation each year via the application of Total Return accounting.

- d) Expenditure on Common Vision covers all Focus areas and Development Fund Grants, as well as a £750k accrual for Diocesan Mutual Support Grants (non-conditional grants of £250k per annum, but recognised in full for the next three years).
- e) Property impairments are provided on specific vicarages when the Buildings Team annual review has identified a fall in market value.
- f) Depreciation provided on Church House and the new air conditioning system.
- g) Other gains represent an upwards revaluation, predominantly of the property portfolio totalling £31.2m.

III. Balance Sheet

The balance sheet at 31 December 2021 analysed by fund is as follows:-

| Total | | General and designated funds | Tangible Fixed Assets property fund | Restricted funds | Endowment funds | Total |
|--------------|-----------------------|---------------------------------------|---|---------------------|--------------------|--------------|
| 2020 | | £M | £M | £M | £M | £M |
| 320.0 | Fixed assets | 0.2 | 84.1 | - | 265.6 | 349.9 |
| 142.8 | Investments | 3.6 | - | 0.9 | 155.3 | 159.8 |
| 23.4 | Current assets | 16.2 | - | 1.6 | 2.8 | 20.6 |
| (6.6) | Liabilities | (3.9) | (2.7) | (0.2) | (0.8) | (7.6) |
| <u>479.6</u> | Total Assets | <u>16.1</u> | <u>81.4</u> | <u>2.3</u> | <u>422.9</u> | <u>522.7</u> |
| Funds | | | | | | |
| 459.6 | At 1 January 2021 | 16.1 | 75.5 | 2.2 | 385.8 | 479.6 |
| 20.0 | Net movement in funds | 0.0 | 5.9 | 0.1 | 37.1 | 43.1 |
| <u>479.6</u> | At 31 December 2021 | <u>16.1</u> | <u>81.4</u> | <u>2.3</u> | <u>422.9</u> | <u>522.7</u> |

95% of funds are invested in houses for clergy (valued at £350M), glebe investments (valued at £149M) where the use of capital is restricted and the income is used to pay stipends. The total funds and assets have increased by £43.1M during the year, mainly due to the then favourable market conditions increasing investment and property values.

IV. Reserves policy

It is considered that, to meet substantial outgoings, the target general reserves at 1 January each year should be equivalent to three months gross expenditure from general funds in the forthcoming year.

At 31 December 2021, ODBF's free reserves were equivalent to 3.2 months (2020: 3.2 months) of gross expenditure from general funds in the forthcoming year.

John Orridge
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May 2022