**WORCESTER DIOCESAN BOARD OF FINANCE LIMITED**

**Understanding Our 2024 Accounts**

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 accounts (and references to page numbers below are to those accounts).

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.

1. **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 2024 we broke even after transfers from Total Return and the Ministry Support Fund, (against a Synod agreed budget break even position after transfers).
* The key numbers: Using the Statement of Financial Activities (SoFA) on page 21 as the base:

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| **INCOME** | £’000 | **EXPENDITURE** | £’000 | **RESULT £’000** |
| Ministry Share & Ministry Support Fund Donations | £3,883 | Parish Ministry | £5,389 |  |
| Archbishops’ Council Funding | £512 | Contributions to Archbishops’ Council | £513 |  |
| Other Grants and Donations | £371 | Support for Ministry | £810 |  |
| Fees and Other Income | £648 | Support for Schools | £450 |  |
| Rental Income | £509 | Transformation (unfunded) | £69 |  |
| Investment Income (earned on unrestricted general CCLA investments) | £292 |  |  |  |
| **Total** | **£6,215** | **Total** | **£7,231** | **(£1,016)** |

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| **TRANSFERS** | **£’000** |
| Transfer from total return required to achieve the budgeted break-even net operating result | £817 |
| Transfer to special projects (see below) | (£145) |
| Transfer from Ministry Support Fund | £368 |
| Other transfers between funds | (£24) |
| **Total** | **£1,016** |

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| **NET OPERATIONAL POSITION** | **£0** |

* 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 21, is £13,137k, this differs to the £6,215k as shown above by £6,922k, due to the following:

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| **GRANT INCOME / PROJECTS** | **£’000** |
| Healthier Churches Fund (HCF) – Benefact Trust | £92 |
| Diocesan Investment Programme (DIP) | £1,123 |
| Lowest Income Communities Funding (LInC) used for designated projects | £201 |
| Strategic Development Funding (SDF) | £764 |
| Net Carbon Zero Funding (NZC) – external grants | £108 |
| **Total grant income** | **£2,288** |

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| **PERMANENT ENDOWMENT INCOME** | **£’000** |
| Investment and insurance income | £2,055 |
| Gains on disposal | £2,506 |
| **Total permanent endowment income** | **£4,561** |

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| **Gift of non-endowed investment shares from Ordination Candidates Fund** | £72 |

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| **Total non-operational income** | **£6,922** |

* Expenditure – The total expenditure per the SOFA on page 21, is £9,285k, this differs from the £7,231k as shown above by £2,054k, due to the following:

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| **GRANT EXPENDITURE** | **£’000** |
| LInC and SDF | £763 |
| Healthier Churches Fund (HCF) expenditure | £663 |
| Diocesan Investment Programme Funding (DIP) | £298 |
| Net Zero Carbon (NZC) | £77 |
| Minor Repair and Improvements Funding (MR&I) | £98 |
| Myriad Funding | £10 |
| Ministry Hardship Grants | £4 |
| **Total grant funded expenditure** | **£1,913** |

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| **PERMANENT ENDOWMENT EXPENDITURE** | **£’000** |
| Costs of investment managers | £142 |
| **Total permanent endowment expenditure** | **£142** |

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| **Total non-operational expenditure** | **£2,055** |

1. **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 projects created a ‘surplus’ in the year of £176k; this is not a real deficit. Charity accounting principles surrounding income recognition can often lead to timing differences resulting in income being recognised in the statutory accounts in one year and expenditure in the next year.
* The key numbers: Using the Summary of Movement in Funds (note 24, page 43)

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| **FUND** | **INCOME £’000** | **EXPENDITURE £’000** | **RESULT £’000** | **FUNDING** |
| Healthier Churches Fund (HCF) | £92 | £663 | (£571) | Total Return (WDBF) |
| Lowest Income Communities (LInC) | £201 | £49 | £152 | Archbishops’ Council |
| Resourcing Churches (SDF) | £658 | £608 | £50 | Archbishops’ Council + WDBF |
| Capacity Grant Restructuring (SDF) | £106 | £106 | - | Archbishops’ Council |
| Net Zero Carbon (NZC) | £108 | £77 | £31 | Archbishops’ Council |
| Diocesan Investment Programme (DIP) | £1,123 | £298 | £825 | Archbishops’ Council |
| Minor Repair and Improvement (MR&I) | - | £98 | (£98) | Archbishops’ Council |
| Myriad Funding | - | £10 | (£10) | Myriad |
| Ministry Hardship | - | £4 | (£4) | Archbishops’ Council |
| **Total** | **£2,288** | **£1,913** | **£375** |  |

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| **TRANSFERS** | **£’000** |
| Annual transfers from unrestricted funds | £145 |
| Agreed transfer out of Ministry Support Fund | (£368) |
| Other transfers between funds | £24 |
| **Total** | **(£199)** |

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| **NET PROJECT POSITION** | **£176** |

* 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.

1. **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 2024, our Glebe portfolio of agricultural land and investment property was worth £15,750k, showing a market value gain of £150k. There is also £14,961k of freehold Glebe property (houses for team vicars and curates – as opposed to Parsonages, for which see section D below).
  + At the start of 2023 our CBF shares had a value of £32,402k and we purchased an additional £1,946k during the year from the sale of surplus land and properties and reinvesting the cash. We also received a gift of £1,063k in shares following a Trustees decision to transfer the investments from registered charity Ordination Candidates Fund to WDBF. Our CBF shares increased in value by 3%, which produced an unrealised gain of £726k. At the year-end they were worth £34,394k.
* 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 £2,055k from our endowed investments: £764k from dividends and interest on our equity and deposit funds and £244k from rents on our agricultural land and property portfolio.
* **Note:** We also made gains on the disposal of three properties and one piece of land which totalled £1,271k. Six houses were purchased totalling £2,612k. Unrealised gains on investment property were £150k.
* 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).

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| **INVESTMENT OPERATIONS** | **£’000** |
| Investment income | £2,127 |
| Realised gains on investment (all bar parsonages) | £1,440 |
| Investment expenditure | (£142) |
| Unrealised gains on investments | £876 |
| Annual transfers out of Total Return | (£817) |
| **NET INVESTMENT OPERATIONS** | **£3,484** |

**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 four houses were sold during the year. These sales resulted in a gain of £1,068k.
* The key numbers: In addition to the £14,961k of team vicarages, mentioned in section C above, at the end of the year, we also hold parsonages valued at £21,000k and £1,522k are unrestricted assets – some homes plus Holland House.
* In terms of operational spending, we spent £927k maintaining and improving parsonage houses. This expenditure is included in Section A as it is a part of our core operations. This was £341k less than 2023, and £238k 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.

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| **PROPERTY OPERATIONS** | **£’000** |
| Realised gains on investment | £1,068 |
| **NET INVESTMENT OPERATIONS** | **£1,068** |

**E. What reserves have we got?**

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

* Endowment – Glebe: a total of £53.5m in the Diocesan Stipends Capital Fund. Historically this could not be spent, except in a very limited way on parsonages. Bishops Council have adopted the Total Return approach, which requires the inflation-adjusted value of the original gift to be maintained, (which at end of 2024 is £31.3m) 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 £22.3m). 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 £21.0m 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 £4.8m in nine restricted funds as detailed in note 24. These funds can only be used in accordance with the various restrictions placed upon them.
* Designated Funds: £1.8m 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: £1.0m – from which grants totalling £663k has been awarded during the year to help support Benefices in their transition to becoming healthier and more sustainable.
  + Ministry Support Fund: £275k.
    1. Incoming resources into this fund during 2024 relate to: £118k – an annual transfer from Unapplied Total Return (base amount of £100k adjusted for inflation each year).
    2. Outgoing transfers from this fund of £368k is the support to Benefices in the form of grants awarded (see note 2 on page 28).
  + Net Zero Carbon: £89k. £25k (inflation adjusted) is being added each year 2021-26 to help fund the Diocesan Net Carbon Zero project (£27k transferred in 2023).
  + Conference Fund: £24k per year being transferred to this fund to cover the cost of the triennial clergy conference; closing balance £24k.
  + Lowest Income Communities Fund: £370k to fund sustainability projects in parishes who fall into the LInC bracket.
* Unrestricted General Funds: of £6.2m 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 £89.8m, up £4.7m from 2023, which is largely due to additions within tangible fixed assets – as detailed above, much is endowed or restricted. £611k was available cash at the year-end which is just over 1 month of operational expenditure.

**F. Financial Summary**

The overall results of the DBF for 2024 can be summarised as:

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| **SUMMARY** | £’000 |
| Result from our Core Operations (section A) | £0 |
| Surplus from our Special Projects (section B) | £176 |
| Surplus on our Investment Operations (Section C) | £3,484 |
| Surplus on our Property Operations (Section D) | £1,068 |
| **DBF reported surplus for the year ended 31 December 2024** | **£4,728** |