

WORCESTER DIOCESAN BOARD OF FINANCE LIMITED

Understanding Our 2025 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 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.

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 contributing back to the National Church.

- **The headline:** In 2025 we made an operating deficit of (£101k) 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 23 as the base:

INCOME	£'000	EXPENDITURE	£'000	RESULT £'000
Ministry Share & Ministry Support Fund Donations	£3,971	Parish Ministry	£5,901	
Archbishops' Council Funding	£807	Contributions to Archbishops' Council	£528	
Other Grants and Donations	£274	Support for Ministry	£929	
Fees and Other Income	£673	Support for Schools	£392	
Rental Income	£573	Transformation (unfunded)	£66	
Investment Income (earned on unrestricted general CCLA investments)	£329			
Total	£6,627	Total	£7,816	(£1,188)

TRANSFERS	£'000
Transfer from total return (as per Synod agreed 2025 budgeted transfer)	£1,024
Transfer to special projects (see below)	(£145)
Transfer from Ministry Support Fund	£264
Other transfers between funds	(£56)
Total	£1,087

NET OPERATIONAL POSITION	(£101)
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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 46.
- **Income** – The total income per the SOFA on page 23, is £12,468k, this differs to the £6,627k as shown above by £5,841k, due to the following:

GRANT INCOME / PROJECTS	£'000
Healthier Churches Fund (HCF) – Benefact Trust	£77
Diocesan Investment Programme (DIP)	£1,034
Lowest Income Communities Funding (LInC) used for designated projects	£103
Strategic Development Funding (SDF)	£586
Net Carbon Zero Funding (NZC) – external grants	£144
Total grant income	£1,944

PERMANENT ENDOWMENT INCOME	£'000
Investment and insurance income	£925
Gains on disposal	£2,768
Total permanent endowment income	£3,693

UNRESTRICTED NON-OPERATING INCOME	£'000
Gains on disposal of board houses	£204
Total unrestricted non-operating income	£204

Total non-operational income	£5,841
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- **Expenditure** – The total expenditure per the SOFA on page 23, is £10,096k, this differs from the £7,816k as shown above by £2,280k, due to the following:

GRANT EXPENDITURE	£'000
LInC and SDF	£589
Healthier Churches Fund (HCF) expenditure	£142
Diocesan Investment Programme Funding (DIP)	£1,034
Net Zero Carbon (NZC)	£111
Minor Repair and Improvements Funding (MR&I)	£87
Grants to parishes	£79
Myriad Funding	£5
Total grant funded expenditure	£2,047

PERMANENT ENDOWMENT EXPENDITURE	£'000
Costs of investment managers	£233
Total permanent endowment expenditure	£233

Total non-operational expenditure	£2,280
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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 projects created a 'deficit' in the year of (£166k); 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.
- **Prior period adjustment:** A prior period adjustment has been made relating to renewal grants within the Diocesan Investment Programme (DIP). DIP grant income had previously been recognised in full when awarded but is now recognised as expenditure is incurred and becomes entitled to reimbursement from the Archbishops' Council. The adjustment reflects a change in timing only and does not affect the total funding or planned activity.
- **The key numbers:** Using the Summary of Movement in Funds (note 24, page 45)

FUND	INCOME £'000	EXPENDITURE £'000	RESULT £'000	FUNDING
Healthier Churches Fund (HCF)	£77	(£142)	(£65)	Total Return (WDBF)
Lowest Income Communities (LInC)	£103	(30)	£73	Archbishops' Council
Resourcing Churches (SDF)	£497	(£470)	£27	Archbishops' Council + WDBF
Capacity Grant Restructuring (SDF)	£89	(£89)	-	Archbishops' Council

Net Zero Carbon (NZC)	£144	(£111)	£33	Archbishops' Council
Diocesan Investment Programme (DIP)	£1,034	(£1,034)	-	Archbishops' Council
Minor Repair and Improvement (MR&I)	-	(£87)	(£87)	Archbishops' Council
Grants to parishes	-	(£79)	(£79)	WDBF
Myriad Funding	-	(£5)	(£5)	Myriad
Total	£1,944	(£2,047)	(£103)	

TRANSFERS	£'000
Annual transfers from unrestricted funds	£145
Agreed transfer out of Ministry Support Fund	(£264)
Other transfers between funds	£56
Total	(£63)

NET PROJECT POSITION	(£166)
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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 45). The transfers are shown in note 25 to the accounts on page 46.

C. Glebe Investments

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 remained broadly stable during the year, with additional investment offsetting volatility in global equity markets.
- **The key numbers:**
 - On the 31 December 2025, our Glebe portfolio of agricultural land and investment property was worth £16,445k, showing a market value gain of £695k. There is also £15,051k of freehold Glebe property (houses for team vicars and curates – as opposed to Parsonages, for which see section D below).
 - At the start of 2025 our CBF shares were valued at £34,394k. During the year we invested a further £1,662k from the sale of surplus land and properties. Despite this additional investment, the value of the CBF shares fell during the year, resulting in an unrealised loss of £1,523k. At the year-end, the shares were valued at £34,533k.
- **Where can I find this in the accounts?** Note 16 on page 39 and Note 17 on page 40.
- **Note:** we received £924k from our endowed investments: £648k from dividends and interest on our equity and deposit funds and £276k from rents on our agricultural land and property portfolio.
- **Note:** We also made gains on the disposal of four glebe properties and one piece of glebe land which totalled £1,011k. Two glebe houses were purchased, as well as some capital improvements to an existing property, totalling £793k. Unrealised gains on investment property were £695k.
- **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 45).

INVESTMENT OPERATIONS	£'000
Investment income	£924
Realised gains on glebe investment	£1,011
Gains on disposal of board houses	£204
Investment expenditure	(£233)
Unrealised loss on investments	(£989)
Annual transfers out of Total Return	(£1,024)
NET INVESTMENT OPERATIONS	(£107)

D. Our Property Operation

With around 88 stipendiary clergy to house, the DBF runs a sizeable property operation – buying, selling and maintaining a portfolio of homes.

- **The headline:** One parsonage house was purchased as well as some capital improvements to an existing property, and four parsonages houses were sold during the year. These sales resulted in a gain of £1,757k.

- **The key numbers:** In addition to the £15,051k of team vicarages, mentioned in section C above, at the end of the year, we also hold parsonages valued at £20,963k and £1,441k of unrestricted assets – some homes plus Holland House.
- In terms of operational spending, we spent £1,161k on repairs and improvements. This expenditure is included in Section A as it is a part of our core operations.
- **Where can I find this in the accounts?** Note 9 shows operational spending and note 16 shows the value of property assets.

PROPERTY OPERATIONS	£'000
Realised gains on investment	£1,757
NET INVESTMENT OPERATIONS	£1,757

E. What reserves have we got?

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

- **Endowment – Glebe:** a total of £53.8m 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 2025 is £32.4m) 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 £21.5m). 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 £24.2m 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 £3.7m in eight 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: £0.9m – from which grants totalling £142k has been awarded during the year to help support Benefices in their transition to becoming healthier and more sustainable.
 - Ministry Support Fund: £149k.
 - i. Incoming resources into this fund during 2025 relate to: £118k – an annual transfer from Unapplied Total Return (base amount of £100k adjusted for inflation each year).
 - ii. Outgoing transfers from this fund of £264k is the support to Benefices in the form of grants awarded (see note 2 on page 30).
 - Net Zero Carbon: £116k. £25k (inflation adjusted) is being added each year 2021-26 to help fund the Diocesan Net Carbon Zero project (£27k transferred in 2025).
 - Conference Fund: £36k per year being transferred to this fund to cover the cost of the triennial clergy conference; closing balance £36k.
 - Lowest Income Communities Fund: £623k to fund sustainability projects in parishes who fall into the LInC bracket.
- **Unrestricted General Funds:** of £4.8m 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 £89.3m, up £1.4m from 2024, as detailed above, much is endowed or restricted. £826k 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 2025 can be summarised as:

SUMMARY	£'000
Result from our Core Operations (section A)	(£101)
Surplus from our Special Projects (section B)	(£166)
Surplus on our Investment Operations (Section C)	(£107)
Surplus on our Property Operations (Section D)	£1,757
DBF reported surplus for the year ended 31 December 2025	£1,383