

**ANNUAL GENERAL MEETING OF THE
CHELMSFORD DIOCESAN BOARD OF FINANCE**

10 JUNE 2023

AGENDA

Jeffrey Mushens
Chair

1. MINUTES OF THE MEETING HELD ON 11 JUNE 2022

Attached

2. MATTERS ARISING

3. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

An abbreviated version of the statements is attached. A copy of the full Statutory Report and Accounts is attached as an appendix.

The Chair to move:

‘That the Financial Statements for the year ended 31 December 2022 be received.’

4. AUDITORS

The Chair to move:

‘That haysmacintyre be appointed as auditors for the Chelmsford Diocesan Board of Finance (CDBF) for 2023 and that the trustees of the CDBF are authorised to fix their remuneration.’

5. ANY OTHER BUSINESS

CHELMSFORD DIOCESAN BOARD OF FINANCE

MINUTES OF THE MEETING HELD ON SATURDAY 11 JUNE 2022

It was explained that the Chair and Vice Chair of the CDBF were not able to attend the meeting. Therefore, members of the CDBF elected Canon Robert Hammond as Chair of the meeting.

1. MINUTES

The minutes of the meeting held on 26 February 2022 were received and approved

2. MATTERS ARISING

None

3. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Chief Executive and Diocesan Secretary was invited to speak to this item. It was explained that the year end position was really good news, nearly £6m better than expected. This was due to the adoption of total return accounting, a COVID recovery grant from the National Church and better accounting and use of restricted funds. The CDBF will still have an ongoing deficit, but we are in a more secure place to address this. Our auditors have delivered a clean audit report. Trustees have approved the Annual Report and Accounts and therefore they are presented to the members.

The Chair of the meeting moved the motion that:

‘That the Financial Statements for the year ended 31 December 2021 be received.’

The motion was carried. The Chair recorded members’ thanks to the Chief Executive and Diocesan Secretary and the finance team.

4. AUDITORS

The Chair of the meeting moved that:

‘That haysmacintyre be appointed as auditors for the Chelmsford Diocesan Board of Finance (CDBF) for 2022 and that the trustees of the CDBF are authorised to fix their remuneration.’

The motion was carried.

5. ANY OTHER BUSINESS

None.

The Chelmsford Diocesan Board of Finance

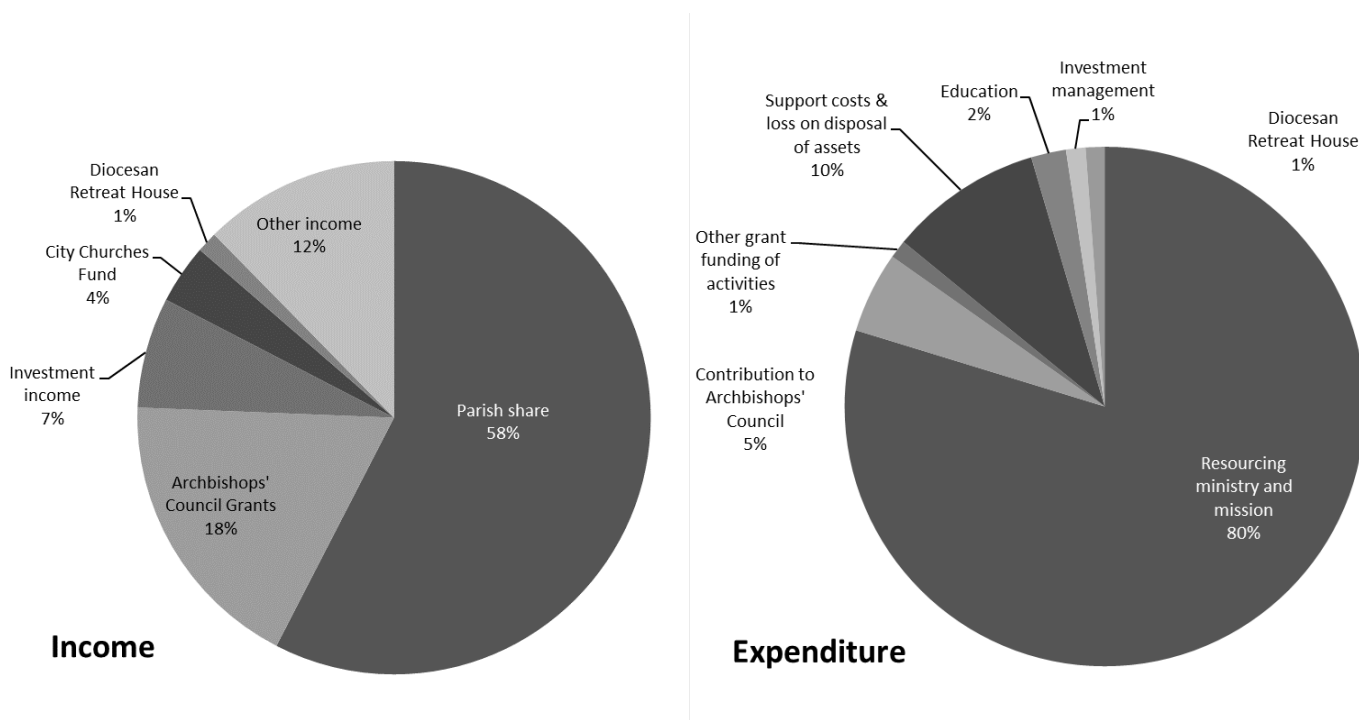
Summarised Financial Statements for the year ended 31 December 2022

The Chelmsford Diocesan Board of Finance (CDBF) has prepared statutory financial statements which have been externally audited. The trustees' annual report and financial statements were approved on 25 May 2023 by the Finance Committee, who are the trustees of the charity. These statements will be submitted to the Charity Commission and Companies House in due course and copies can be obtained from the diocesan office or the diocesan and charity commission websites.

The following comments on Income and expenditure and Underlying Performance give an overview of the financial position of the CDBF. Further comments on Financial Performance and Review of Financial Position are extracts from the full statutory financial statements. The Statement of Financial Activities (SOFA) and Balance Sheet below are summarised versions of those in the full statements (which can be found on pages 36 & 38 respectively of the full statements) and together show a financial summary for the year ended 31 December 2022 for the CDBF.

Income and expenditure

The main types of income and expenditure for the year shown in the SOFA, for all funds, are represented as follows:



Underlying Performance

Unrestricted funds are the CDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the CDBF. There are two types of unrestricted funds:

- General funds which the CDBF intends to use for the general purposes of the CDBF and
- Designated funds set aside out of unrestricted funds by the CDBF for a purpose specified by the Trustees.

The General Fund showed a net increase in funds of £1.6m for the year. This is a very positive result which is £2.4m better than the budget deficit of £(0.8)m. An appendix is attached at the end of this paper which shows the improvement compared to budget for the general fund only.

The improvement compared to budget mostly relates to the following items. It should be noted that some of these items are unlikely to be repeated in future years. They are:

The improvement compared to budget mostly relates to the following items. It should be noted that some of these items are unlikely to be repeated in future years. They are:

- £0.5m additional sustainability funding awarded by the Central Church which was unbudgeted – this will not be repeated in future years.
- £0.3m of additional Statutory Fees compared to budget expectation
- £0.15m improvement due to additional rental income compared to budget
- £0.5m improvement due to savings on Parish Support costs
- £0.975m improvement due to higher vacant posts than budgeted
- £(0.2m) worsening due to Parish Share shortfalls higher than budget (£2.2m actual shortfall compared to a budget shortfall of £2m)
- £0.2m improvement due to higher a higher total return transfer as a result of improved investment performance during the year.

The balance of the general fund at the year end was £6.2m. Total balances for all funds were £376m at the year end, the majority of which is held in property used for clergy housing.

Financial Performance

Against a budget deficit of £825k, the CDBF recorded a surplus of £1,492k for the year on its general funds before gains on revaluation of assets. The improved performance mainly arose because of the adoption of Total Return Accounting (see note 26 on page 68) which enabled a transfer of £3.1m from endowment to unrestricted funds to support the costs of stipendiary ministry in parishes. Further improvements were due to better use of restricted income and funds to pay stipendiary ministry costs, and a grant of £0.5m received from the Archbishop's Council to compensate COVID losses.

Parish Share, the money given by parishes to the CDBF to fund the mission and ministry of the diocese, is the main incoming resource for the CDBF providing two thirds of its income.

At £2.2m (2021: £2.6m) the net parish share shortfall was slightly lower than the previous year. In cash terms £13.7m (2021: £13.5m) has been received in Parish Share, an increase of 0.7%. The percentage of requested Share collected rose slightly to 86.1% (2021: 84.2%). At £2.2m (2021: £2.6m) the net parish share shortfall was lower than the previous year but these results are closely related to the lower amount initially requested, £16.1m (2021: £16.4m).

The CDBF has met all its financial obligations to continue resourcing the diocese as required, including the provision, development and support of ministry, the provision and maintenance of houses for the clergy, National Church responsibilities and enriching and facilitating many other aspects of church life throughout Chelmsford Diocese.

Income across all funds, before other recognised gains and losses totalled £23.8m (2021 £24.8m) and expenditure amounted to £24.1m (2021: £22.9m).

The Statement of Financial Activities (SOFA) for the year shows a net deficit of £0.4m (2021: surplus of £2m) before net gains and losses on the revaluation and sale of investments and the revaluation of fixed assets. These net gains totalled £19.9m (2021: £29.2m) and after these adjustments the net increase in all funds amounted to £19.5m (2021: £31.2m). Gains (or losses) are dependent on market volatility and the majority of the gains, of £17.7m, (2021: £25.4m) are ascribed to Endowment Funds and are therefore not available to spend.

The overall financial result for 2022 is encouraging, however some of the improvements in performance, such as the Archbishop's Council COVID losses grant, are not expected to repeat in future years and we have to recognise that investment returns may not be as strong.

Net cash outflow of £5.2m (2021: inflow £0.6m) arose as £2.9m net cash was used in operating activities and net £1.4m for investing activities. CDBF continued to benefit from tight financial control in 2022.

Review of the financial position

The CDBF has met all its financial obligations to continue resourcing the diocese as required, including the provision, development and support of ministry, the provision and maintenance of houses for the clergy, National Church responsibilities and enriching and facilitating many other aspects of church life throughout Chelmsford Diocese.

While the net assets at the balance sheet date totalled £375.9m (2021: £356.5m) it must be remembered that included in this total are properties, mostly in use as clergy housing, whose value amounted to £307.4m (2021: £288.8m). Much of the remainder of the assets shown in the balance sheet are held in restricted funds, and cannot necessarily be used for the general purposes of the CDBF.

Having considered financial risk, liquidity requirement and the timing of cashflows throughout the year, and based on the Charity Commission recommendation, the Trustees consider that an appropriate level of free general reserves is three months gross general fund expenditure, currently £5m. This policy was last reviewed and agreed by the Trustees in May 2020. The Finance Executive is charged with oversight over the reserves policy and with improving the free general reserves to meet the increased policy requirement.

After transfers, free general reserves at the year end were in surplus by £6.2m (2021: surplus £4.6m) being the value of the General Fund excluding fixed assets. The Trustees previously recorded that free general reserves would fall if parish share shortfall did not materially improve. The adoption of a Total Return Accounting Policy, together with the other circumstances described in the Financial Performance section above, has significantly improved the level of free general reserves. Although the balance of free general reserves at year end is above the three months general fund operating expenditure target, it is expected that reserves will be required to fund operating deficits in future years, and as a result the trustees consider that the CDBF has sufficient resources to meet its day to day operational needs.

The Trustees approved two new designated funds during the year; the Designated Stipend Capital Fund, The Closed Churches Fund.

The Chelmsford Diocesan Board of Finance

Statement of Financial Activities (Summary of all funds)

Year ended 31 December 2022

	2022	2021
	£000	£000
Expenditure		
Resourcing ministry and mission	19,249	18,260
Contribution to Archbishops' Council	1,219	1,200
Other grant funding of activities	274	346
Support costs & loss on disposal of assets	2,297	2,153
Education	525	502
Investment management	291	230
Diocesan Retreat House	285	190
Total expenditure	24,140	22,881
Income		
Parish share	13,675	13,544
Archbishops' Council Grants	4,289	4,966
Investment income	1,655	1,523
City Churches Fund	890	1,590
Diocesan Retreat House	309	150
Other income	2,934	3,069
Total income	23,752	24,842
Net operating income	(388)	1,961
Net capital gains	19,861	29,191
Increase in net assets	19,473	31,152
Funds		
General	1,552	2,467
Designated	5,742	2,576
Restricted	(1,047)	1,394
Endowments	13,226	24,715
Total funds movement in year	19,473	31,152

The Chelmsford Diocesan Board of Finance

Balance Sheet as at 31 December 2022

	2022		2021	
	£000	£000	£000	£000
Fixed assets				
Tangible assets		308,004		289,525
Investments		65,004		64,377
		<u>373,008</u>		<u>353,902</u>
Current assets	18,613		19,805	
Creditors: amounts falling due within one year	<u>(6,739)</u>		<u>(16,404)</u>	
Net current assets		<u>11,874</u>		<u>3,401</u>
Total assets less current liabilities		384,882		357,303
Creditors: amounts falling due after more than one year		(8,959)		(874)
Defined benefit pension scheme liability		0		21
Total net assets		375,923		356,450
Funds				
Unrestricted - general	6,197		4,645	
- non-benefice houses	29,689		28,101	
- other designated funds	<u>4,489</u>		<u>335</u>	
		40,375		33,081
Restricted funds		9,228		10,275
Endowment funds:				
- Benefice houses	239,918		221,147	
- Stipends fund	83,356		88,468	
- other endowment funds	<u>3,046</u>		<u>3,479</u>	
		326,320		313,094
Total funds		375,923		356,450

2022 Outturn to Budget			
	Actual 2022 £'000	Budget 2022 £'000	Variance £'000
PM1 Parish Ministry			
Total Stipendaires	10,236	10,105	131
Total for House of Duty	2	12	(9)
Total for SSM & Lay	13	62	(50)
Direct costs of Ministry Total	10,251	10,179	72
PM2 Parish Housing			
Total Stipendaires	2,823	2,634	189
Total for House of Duty	257	215	42
Total for SSM & Lay	12	33	(21)
Direct costs of Ministry Housing Total	3,092	2,882	210
PM3 Future Ministry Training & Curates			
Direct Costs of Stipendary Title Posts	2,229	2,652	(422)
Housing & Appointment	721	623	98
Pre-Ordination (Inc DDO & St Mellitus)	856	1,008	(152)
Direct Costs of SSM Title Posts	35	35	0
Lay Training & Discipleship	162	114	48
	4,004	4,432	(428)
PS1 Parish Support			
Area Teams Staff & Expenses	343	363	(20)
Archdeacons (plus Area Bishops' Houses)	743	822	(80)
Area Deans and other parish support	81	99	(18)
Parish Legal & Church Building Services	185	134	50
Education (Net Cost)	63	78	(15)
Children & Youth Work	7	160	(153)
DAC	135	113	23
Parish Finance	23	18	5
Safeguarding Services to Parishes	149	278	(129)
Diocesan & Bishop's Advisors	49	215	(165)
Chaplaincy & Partnerships	134	116	18
	1,911	2,396	(484)
PS2 Other Expenditure			
Diocesan Services	641	690	(49)
Communications	172	174	(2)
Finance & Governance Costs	250	100	151
National Church	618	663	(45)
Contingency	-	50	(50)
Trading & Income from other Sources	(111)	(110)	(1)
	1,570	1,567	3
Total Expenditure	20,829	21,445	(616)
Mutual Support Fund			
National Church Support Transition	(991)	(991)	0
National Church Support Deprived Communities	(836)	(836)	0
CCF Support for Stipends in 5 borough's	(700)	(700)	0
MOF funding from MSF share contributions	-	0	0
Investment Income (supporting Parish Share)	(2,094)	(2,094)	(0)
Income from Statutory Fees	(835)	(548)	(288)
Less Parochial Fees Paid	153	182	(28)
Less Fee Credits to Parishes	3	215	(212)
Vacant Posts	(1,682)	(708)	(974)
Total Mutual Support Fund	(6,982)	(5,480)	(1,502)
Net Expenditure	13,846	15,975	(2,129)
Net Share apportionment	(15,885)	(15,975)	90
Surplus / (deficit) belonging to Parish Share scheme	2,039	-	2,039
General Funds - excluded from Parish Share			
Investment Income (not supporting Parish Share)	1,084	900	184
Rental of Houses DBF Net surplus/(deficit)	137	275	(138)
National Church Covid Support	500	-	500
Share Shortfall Forecast	(2,208)	(2,000)	(208)
Surplus / (deficit) outside Parish Share scheme	(487)	(825)	338
General Fund Surplus/(Deficit)	1,552	(825)	2,377