



THE CHURCH
OF ENGLAND
DIOCESE OF
WORCESTER



Report of the Directors and Financial Statements
for the year ended 31 December 2020 for
Worcester Diocesan Board of Finance Limited
Registered Charity Limited by Guarantee



2020 REVIEW



THE CHURCH
OF ENGLAND
DIOCESE OF
WORCESTER

Company Registration Number 00271752

Registered Charity Number 00247778

Published June 2021

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2020



1100 people who attended one of our Open Conversations at the start of the year.



96 days when Church buildings were closed for public worship due to Coronavirus



13 ordinations: nine new deacons and four ordained priests

Company Information for the year ended 31 December 2020

The full name of the charitable company is Worcester Diocesan Board of Finance Limited. The directors, who are also the trustees and members of the Bishop's Council of the Diocese, during the year and up to the date the report was approved are:

Directors

The Reverend A Todd
(Chair from 29.02.20)
The Right Reverend J G Inge
The Right Reverend M Gorick
(Appointed 09.03.20)
The Venerable N J Groarke
The Venerable R G Jones
The Very Reverend P G Atkinson
E A Wiles (Vice Chair)
B W Allbut
The Reverend M Badger
The Reverend R M Clark
The Reverend A C Davies
D S Hargreaves (Deceased 01.06.20)
J K Layton
The Reverend C A Lording
J A Lovesy
R C Lunn

D I A R Phillips
The Reverend A M Potter
H A Richards
The Reverend B E Rienstra
D J Sparkes

Company Secretary
J P H Preston

Registered Office
The Old Palace, Deansway,
Worcester WR1 2JE

Registered Number
Company: 00271752
Charity: 00247778

Auditors
Haysmacintyre LLP,
10 Queen Street Place,
London EC4R 1AG

Bankers

Lloyds Bank Plc, 4 The Cross,
Worcester WR1 3PY

Solicitors

SME Solicitors LLP, 8 Sansome Walk,
Worcester WR1 1LW

Investment Advisors

CCLA Investment Management Ltd,
Senator House, 85 Queen Victoria
Street, London EC4V 4ET

Insurance Agents

Ecclesiastical Insurance Group,
Beaufort House, Brunswick Rd,
Gloucester GL1 1JZ

Property Investment Adviser

A N Champion FRICS,
Fisher German LLP,
Chartered Surveyors, Global House,
Hindlip Lane, Worcester WR3 8SB

8.2% reduction in Parish Share contributions

Worship swiftly moved online, through zoom (live video-conference) or live-streamed or pre-recorded.



Simplification of deaneries from 13 to 6



Report of the directors for the year ended 31 December 2020

The directors, who are also trustees for the purposes of charity law, present their annual report, together with the audited financial statements, for the year ended 31 December 2020.

The directors/trustees are one and the same and in signing as directors they are also signing the in their capacity as trustees. This combined report satisfies the legal requirements for:

- a Directors' Report of a charitable company,
- a Strategic Report under the Companies Act 2006 and
- a Trustees' Annual Report under the Charities Act 2011

Chair's Report

Date: 12th May 2021

"... during a severe ordeal of affliction, their abundant joy ... overflowed in a wealth of generosity" (2 Corinthians 8:2)

As I write this Report, the nation is marking the anniversary of the first Covid lockdown with a Day of Reflection, an opportunity (in the words of the Archbishop of Canterbury) "to pause and remember all that has happened over the past year, to mourn those who have died but also to give thanks for those who have looked after us and our communities."

The impact of the pandemic so far on the Diocese of Worcester has been immense. No individual, family or community has been left untouched. Church buildings have been closed for extended periods. Patterns of worship, fellowship and mission have been profoundly altered – including in ways which offer glimpses of hope and new possibilities.

There have also been significant financial challenges. Recognising the very real disruption of revenue streams being faced, parishes were asked simply "to do what they could." The response of parishes to these financial challenges has been nothing short of remarkable, and it is this – of all the many aspects of these financial statements to which I could draw attention – which I wish to note and celebrate here. Sincere gratitude is due to all the parishes which have given sacrificially to sustain ongoing mission and ministry through contributing to Parish Share, with many choosing to draw on reserves to do so, with the result that the total Parish Share contributed in 2020 was only £396k (8.2%) less than in 2019. As St Paul was able to write of the churches in Macedonia in the passage quoted above, a situation of extreme need has become an opportunity to display real generosity.

The financial impact of the suspension of physical services has to some extent been mitigated by the progress which parishes have made in encouraging planned giving, including through the Parish Giving Scheme, with 47% of parishes registered for the scheme at year end (2019: 22%). At the same time, restrictions on staff movements combined with a

focused programme of cost reductions contributed to significant savings in Diocesan expenditure, and we have also benefited from Government support through the Coronavirus Job Retention Scheme and furlough income.

The net result of parishes' generosity and central cost-savings is that it has actually been possible to reduce further the operational deficit in the year (the amount by which the Diocese's expenditure on its core operations exceeds its income) to £251k, from £754k in the previous year, continuing the recovery plan initiated after an operational loss in 2018 of £1.1m.

The Diocese's strategic projects, supported by Strategic Development Funding from the Archbishops' Council with investment by the Diocese, have continued, albeit they have needed to tailor their activities to the evolving context. The Transformation Programme has also continued to engage actively with parishes and to support them in better understanding what a healthy and sustainable future might look like, and in taking meaningful steps towards that future.

There is a broad expectation that 2021 is likely to be a very challenging year financially, perhaps even more so than 2020, especially where parishes' reserves have been depleted. Through a programme of property sales and a sustained focus on central cost management and liquidity, the Diocese has tried to establish as firm a foundation as possible to help face those challenges. Without in any way downplaying the size of the task ahead, the generous response of parishes to date, itself a response to God's own generosity, should give us hope that God can and will continue to guide and sustain His people through this time of unprecedented change.



The Reverend Andy Todd, Chair

Public Benefit

The directors of the Worcester Diocesan Board of Finance Limited are aware of the Charity Commission's guidance on public benefit in The Advancement of Religion for the Public Benefit and have had regard to it in their administration of the Board.

By promoting, facilitating and enabling the work and purposes of the Church of England in the Diocese of Worcester, the Board believes it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the Diocese as a whole and in its individual parishes. In doing so the Board provides a benefit to the public by:

- providing resources for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers: and
- promoting Christian values, and service by members of the Church in and to their communities, to the benefit of individuals and society as a whole.

Structure, Governance and Management

The company is governed by its memorandum and articles of association. The company is controlled by the Bishop's Council. The Diocesan Mission, Pastoral and Resources Committee, the Parsonages Committee and the Investment and Glebe Committee have powers related to their activities delegated by the authority of the Diocesan Synod. In March 2021, Diocesan Synod approved the recommendations of a Governance Review group which clarifies the strategic nature of the Bishop's Council of Trustees, and brings together financial governance into a single Finance and Resources Committee. The report also widens the responsibility of the Audit Committee to expand the challenge it brings to aspects of the DBF's work.

The elected clergy and lay directors are elected by the respective houses of clergy and lay members of the Diocesan Synod and further directors are co-opted by the Bishop's Council so as to seek that among its elected and co-opted members that all the deaneries in the Diocese are represented, subject always to there being a majority of lay elected and co-opted directors. At the start of each triennium, the members of the Bishop's Council are given a full and substantive overview of their duties and responsibilities as directors of the company and trustees of the charity. Training is updated within the triennium as and when required. The company is limited by guarantee and therefore the directors have no beneficial interest to disclose.

The Diocesan Secretary is responsible for the day to day management of the charity as delegated by the charity trustees. The senior management team is made up of the Diocesan Secretary, the Director of Finance, the Director of Education, the Director of Communications, the Director of Ministry and Discipleship and the Deputy Diocesan Secretary - Transformation. The administration of the charity is undertaken by the employed staff, who are based at The Old Palace, Deansway, Worcester.

The Board is associated with a number of other charities and funds, full details are included with the related party transactions within note number 31 to these financial statements.

Objectives and Activities

The principal object of The Worcester Diocesan Board of Finance (WDBF) is to advance the Christian faith by promoting, assisting and advancing the work of the Church of England in the Diocese of Worcester by acting as the financial executive of the Worcester Diocesan Synod. This includes the enabling of public worship, pastoral care and the promotion of Christian values by members of the Church in and to their communities, to the benefit of individuals and society as a whole.

A major part of the Board's responsibilities results from legislation with regard to funding the costs of the clergy in the diocese of Worcester including stipends, pension contributions, maintaining clergy houses and paying council tax and water rates. The Board also supports clergy and lay people with training for Christian mission and ministry including children's and youth work.

The WDBF also has the following statutory responsibilities:

- i) The management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976;
- ii) The repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- iii) The management of investments and the custodian of assets relating to church schools under the Diocesan Board of Education Measure; and
- iv) The custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

The Board's main sources of income are contributions of Parish Share from Parochial Church Councils and income from grants and from investments. The Board is responsible for the custody and management of the Diocesan Synod's financial affairs as well as those of the Diocesan Board of Education which works with church schools and academies.

In addition to their important role in the governance of the company, and as well as contributing to the work of the Church at a parish level, volunteers make a significant contribution to the delivery of the following activities:

- The work of the Diocese's committees and working groups
- Work with children and young people
- The development of vocations and the provision of training for lay and ordained ministry
- Help and advice given to parishes by the Diocesan Advisory Committee for the care of churches
- Mission and social responsibility work under the umbrella of several groups including the Commission for Social Responsibility and the Eco-Church group.

2020 Priorities

The Diocese has a long-established Kingdom People vision, which is underpinned by four values: love, compassion, justice, freedom. By adopting these values, we seek the coming of God's kingdom on earth, and as well as supporting those who currently consider themselves to be Christians in a lifelong journey of faith, hope and love, plan to see more people coming to follow Jesus.

During 2020, we embarked on a significant transformation programme to seek to make greater progress towards that vision through five priorities:

- Holding two series of "Open Conversations" to draw together people from across the diocese to discuss together how we might increase our health and sustainability as individual churches and as a diocese.
- Continuing with our Calling Young Disciples project to support parishes in developing their capacity and capability for youth and children's work.
- Developing our two Resourcing Church projects, being Top Church, Dudley and All Saints, Worcester, as they seek to grow in number and develop plans for church planting.
- Encouraging the development of vocations, and supporting candidates through the process of initial ministerial education, ordination and curacy.
- Working on three enablers of change: simplifying the number of our deaneries, streamlining diocesan governance, especially financial governance and changing the Parish Share system.

Achievements and Performance

Overview

At the start of the year, we set out to engage with the wider diocese to reflect on how we could increase our health and sustainability as a diocese and as individual churches. Through eleven 'Open Conversations' we engaged with just over 1100 people, 13% of our Usual Sunday Attendance. These events allowed us to gather thoughts and feedback on plans, which were shared with Diocesan Synod in March and informed the planning of a diocesan-wide Transformation programme. A second set of 'Open Conversations' were held in September, but this time through video-conferencing. Nevertheless, over 400 people were able to engage in further consideration of our transformation priorities.

During the year we clarified that the vision for our transformation programme is "To grow as Kingdom People, sharing the good news of Jesus' love in Worcestershire and Dudley. As the body of Christ, we join together to worship God creatively, make disciples, share hope, and transform communities."

The aim of the programme is that we might prayerfully enable church communities across the Diocese to grow in health and sustainability. The Transformation Programme has been overseen by a Steering Group, and an initial meeting of a Challenge Group consisting of a range of people from across the country with diverse skills and experience was held at the end of July. The intention of this group is to improve the robustness of our plans.



Achievements and Performance (continued)

Coronavirus

The coronavirus pandemic had a major impact on our churches and diocesan priorities, as it did across the whole world. On March 23rd, the Government announced that church buildings would need to close for public worship. Many churches were able to swiftly move to some form of online worship – either using video-conferencing or live-streaming or through pre-recorded services. Whilst some churchgoers have struggled to access worship during the pandemic, some services such as morning and night prayer have seen a significant increase in take-up. The longer-term impact on churchgoing, and on our communities will be unknown for some time.

The pandemic has also had a huge impact on the wider parish economy. With church halls also closing, and congregations not able to meet or make offerings in person, many churches have suffered a significant loss of income. Despite this, the Board met its key responsibility for funding the maintenance of stipendiary parochial ministry, funding 111 stipendiary positions, including curates. Support for ministry, particularly in training, was provided to clergy and laity including Licensed Lay Ministry (“Readers”), the diocesan Authorised Lay Ministry (ALM) scheme, although this needed to move online. A number of online briefings were held to support Churchwardens and Treasurers.

Progress on Strategic Projects

Progress on the “Calling Young Disciples” project which seeks a strategic, significant and sustained increase in the capacity of many churches across the diocese to engage with children and young people was significantly impacted by the pandemic. Most staff were furloughed for a part of the year, which we hope will enable the project to be extended after the restrictions imposed by the pandemic are lifted. During the Autumn the Hub Gatherings moved to being held by video-conferencing and the Mission Enablers worked on developing online resources, rather than being engaged in face to face parish work.

A full Cohort of 5 new parish placements will start in January 2021. Once this final Cohort is fully up and running 60 individual churches will have worked with a Mission Enabler, considerably ahead of the Project target of 40. As noted last year the number of new volunteers had already exceeded the anticipated outcome of 250, there are now 271 despite the recording of a loss this last year of 7. Over the last year 69 people have taken part in worship for the first time (many online) and there have been 34 new regular worshippers which brings the total so far to 221 new regular worshippers, compared with an overall target of 600. Though not achieved yet recording an increase in worshippers during this very difficult year is an encouragement, 22 of those new regular worshippers are identified by clergy as being on an active discipleship journey. There is inevitably uncertainty as we come out the Covid restrictions as to the ongoing impact on numbers and engagement. This project is co-funded by Strategic Development Funding from the Archbishops’ Council and investment from reserves.

Despite significant impact of the Covid-19 pandemic, both resourcing churches continue to make progress across many aspects of their plans. Throughout the past year, much of both churches’ worship has had to move on line. Top Church’s online and daily prayer services have proved really popular and more engaging for people, with an average of 180 views for each service. It is believed that around 150 people would recognise Top Church as their home church, although at present, it is difficult to assess how attendance will initially respond once in-person services resume. A successful Alpha course has been held, and online youth mid-week groups have continued on Zoom. Pastoral support to church members has been provided throughout lockdown, and food parcels were delivered door to door in partnership with Jessons School and the Love Black Country network.

All Saints Worcester have also adapted well to the restrictions of lockdown, adopting and evolving a strategy of “All Saints Everywhere”, and providing livestreamed Sunday gatherings, online prayer times, midweek resourcing and community events, and moving to a “hybrid” model of church when restrictions allowed. Online methods were used to create fresh approaches to Christmas services which had record levels of engagement. The ongoing Covid-19 restrictions continue to make long term planning a challenge, and the key risks facing both churches centre on the short and mid-term impact of the pandemic on growth in both attendance and financial resources.

Enablers of Change

In support of the overall transformation programme we identified three enablers of change: changing the parish share system, simplifying our deanery structure and seeking to increase the effectiveness of our governance, especially financial governance. Overall progress on these during 2020 was good.

In February 2020, Diocesan Synod approved the basis for a new Parish Share System, moving to adopt a method of calculation of Parish Share requested based on the cost of ministry received adjusted to reflect the incomes of church members. The details of the new system were due to be considered by the July Synod, but this was deferred into 2021 as a result of the pandemic.

A consultation was held between July and December on proposals to simplify our deanery structure, reducing the number from thirteen to six, renaming Rural Deans as Area Deans and strengthening Deanery Leadership Teams. The responses to the consultation made some improvements to the proposal, and a Bishop's Pastoral Order in December was made with new deaneries coming into effect from February 2021.

The third of the enablers of our transformation programme was a review of governance, and especially financial governance. A new structure for governance was approved by Bishop's Council and Diocesan Synod in the autumn, with detailed recommendations on Terms of Reference and composition approved by Synod in March 2021.

Ministry Development

9 new candidates were recommended to start training for ordination, so that by the end of the year we have 21 ordinands in training, 3 non-stipendiary and 18 stipendiary. It was a joy to have 13 ordinations in the year: nine new deacons and four ordained priests, although these had to be delayed by a few months due to the pandemic. Our current cohort of 26 curates is the largest for some time.

In terms of lay ministry, a new cohort of 19 has started training for Authorised Lay Ministry, and a cohort of 5 began training in September for Licensed Lay Ministry, matching the 5 in the second year cohort.

The triennial clergy conference, 'Water in the Wilderness' had to move online, and despite this, feedback indicates that it was widely found to be a renewing and sustaining experience.

People Changes

In February, we welcomed Bishop Martin Gorick as Bishop of Dudley. Bishop Martin has taken on chairing of the Strategic Programmes Group and leading on Church Planting across the diocese. The DBF was successful in gaining a capacity grant from the National Church's Strategic Investment Board to support the transformation programme. This led to Rob Quarton being appointed part-time Deputy Diocesan Secretary – Transformation at the beginning of September. The Chancellor of the Diocese, Dr Charles Mynors, retired from his role after 23 years' service at the end of year; his successor Jacqueline Humphreys (current Deputy Chancellor of Southwell & Nottingham) being appointed in mid-December.

Support for Church Buildings

Throughout the pandemic the Church Buildings Team have sought to adapt their support to parishes as they managed the closure of their buildings for worship and all other activity, gradual reopening, subsequent lockdowns and much uncertainty. Advice and guidance on risk assessment, the hygienic cleaning historic of buildings, temporary permissions, and accessing emergency funding was continually updated and broadcast through the website, presentations at briefings to Churchwardens and Treasurers, and one-to-one discussions.

The Team continued to support churches with major building projects, including two major live National Lottery Heritage Fund supported projects. Four further bids to the fund were placed on hold due to the pandemic but the team supported applications to the various Covid-recovery funds administered by Historic England, National Lottery, numerous trusts and foundations, and the Local Authority Discretionary Grant Schemes. The work of the Diocesan Advisory Committee (DAC) was also affected by the pandemic with only 44 applications for faculty being considered during the year (97 - 2019), along with 93 applications for List B permission (108 - 2019).

2021 Priorities

As the nation hopefully emerges from the coronavirus pandemic, our Kingdom People vision will continue to guide us in seeking the coming of God's kingdom on earth. As churches re-commence worshipping in person and re-connect with their communities, our priorities will be:

- To continue our transformation programme, helping churches to think through new and creative patterns of worship, to share the hope that Jesus Christ offers, to make disciples and to transform our communities as we live out our Kingdom people values.
- Supporting and enabling churches to become healthier and more sustainable. Within that, we will offer support and training to the six new deaneries to enable effective local discussions about how our churches can most effectively engage with their communities in ministry and mission.
- Enabling our Calling Young Disciples and Resourcing Church projects to review their plans in the light of the pandemic, and assess whether project plans or activities need to change.
- Appointing a Dean of Smaller Churches, and developing a package of support which makes it easier for smaller and struggling churches to remain open, even if that needs to be in a limited way.
- To agree and implement a new Parish Share system which builds financial sustainability and more effectively resources.

To continue our transformation programme

Appointing a Dean of Smaller Churches

Supporting and enabling churches to become healthier and more sustainable

Enabling our Calling Young Disciples and Resourcing Church projects to review their plans



To agree and implement a new Parish Share system



Financial Review

The Statement of Financial Activities on page 18 shows an overall increase in movement of funds of £2,224,000 (2019 - £4,027,000). However, in accordance with the Charity SORP this figure includes surpluses and deficits on sale of property and investments and also a surplus on revaluation of investments at the year end.

The underlying result for the year was an operational deficit of £236,000 plus an investment of £145,000 into our strategic projects (2019 - £754,000 deficit plus an investment into strategic projects of £164,000), which included the cash impact of the clergy pension deficit repayments of £328,000 but excluded the gains on property sales of £1,038,000. The reduction in deficit was ahead of the plan shared with Diocesan Synod in November, despite the financial impact of the pandemic.

The Parish Share contributions were £396,000 (8.2%) down compared to 2019 due to the pandemic. However, significant cost savings were achieved, also as a result of the pandemic, due to restrictions placed on staff movements. The cost savings outweighed the fall in the Parish Share and therefore led to the lower operational deficit. The charity was also financially supported by the Government's Coronavirus Job Retention Scheme and received furlough income of £167,000 in 2020.

Total incoming resources for the year were £9,396,000 (2019 - £9,164,000). The principal funding source was from Parish Share which represents 47.2% (2019 - 52.7%) of total incoming resources. Total Parish Share received during the year was £4,431,000 (2019 - £4,827,000) representing 76% (2019 - 85%) of the total requested. Total resources expended were £8,411,000 (2018 - £9,558,000).

Reserves policy

Free reserves

It is the Board's policy to maintain the net assets of the general unrestricted reserves, excluding tangible fixed assets, at a target of 4.5 months' expenditure, in order to ensure that sufficient liquid funds are available to ensure the Board is able to meet its commitments on a daily basis.

As at 31 December 2020 the general unrestricted fund's net assets, excluding tangible fixed assets was £4,613,000 (2019 - £4,540,000) and during 2020 total resources expended in unrestricted funds was £6,553,000 (2019 - £7,690,000), providing for 8 months of expenditure (2019 - 7 months). However, these figures are distorted by the abnormally low expenditure level due to the impact of the pandemic. The Board have a deficit reduction plan in place, which will bring the free reserves in line with the target of 4.5 months by 2023.

Designated funds

The Board may designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of the designation is no longer considered to be adequate justification for their retention. A description of each reserve together with the intended use of the reserve is set out in note 28. At 31 December 2020 total designated reserves were £675,000 (2019 - £683,000).

Restricted and endowment funds

As set out in note 28 the WDBF holds and administers a number of restricted and endowment funds. As at 31 December 2020 restricted funds totalled £2,533,000 (2019 - £2,390,000) and endowment funds totalled £65,567,000 (2019 - £63,455,000). Neither are available for the general purposes of the WDBF.

Reduced operational deficit in 2020

2020



2019



Operational deficit Strategic project investment

Investment Policy

The Board's investment policy is reviewed regularly by the Investment and Glebe sub-committee, although the ultimate responsibility remains that of the Worcester Diocesan Board of Finance. The Committee seeks to maximise long-term income without exposing capital to undue risk or compromising the Board's ethical investment policy. In the current investment climate, we have maintained regular contact with and received advice from CCLA, our investment advisors. We have sought to maintain and grow the overall income yield, whatever movements in capital values.

Fundraising

Funds were raised in 2020 our partner dioceses of Peru and Morogoro: £2,500 was raised for the Diocese of Peru and £5,400 for the Diocese of Morogoro. In addition, £8,640 was raised and remitted to Berega Hospital, Tanzania.

As a result of the pandemic, we launched a Diocese of Worcester Ministry fund. The aim was to raise enough to cover the stipend of one vicar for one year to assist with the reduced income caused by Covid-19. We encouraged potential donors.

to support their local church as their first priority and if they were able to make an additional gift to this Ministry fund. Through donors' generosity £33,000 was received in 2020.

Risk Policy

The Directors have continued the process of examining the major strategic and operational risks which the DBF faces. They hold and monitor a register of the significant risks, assessing the probability of occurrence and likely impact if they were to occur, divided into six operational areas.

The most significant risks in this analysis, and plans for mitigation, are:

- Income from Parish Share is insufficient to meet the financial commitments and the strategic plans of the Diocese
 - Regular and active communication with parish treasurers to maintain two way communication;
 - Zero increase in parish share requested for 2021
 - Proposed implementation of a new approach to Parish Share for 2022;
 - Monthly monitoring of receipts and projection for the remainder of the year;
 - Active engagement with parishes (including seminars and face-to-face meetings);
 - Appointment of a Stewardship Officer to fill vacancy.
- The effect of COVID-19 has a significant impact on the Diocese in terms of impact on income from Parish Share, investment returns and the potential risk to the health and safety of employees:
 - Careful monitoring of expenditure compared to approved budget and parish share income;
 - Cashflow is continuously monitored and alternative sources of credit finance are available to meet any temporary cashflow shortages; This is reviewed by a special task group on a monthly basis.
 - Sensitivity analysis is applied to our forecasting due to the unknown impact of COVID-19;
 - The Transformation Steering Group is developing scenarios, to seek as many healthy and sustainable churches as possible but also reduce costs to a more sustainable level ongoing;
 - Active engagement with parishes (including via video-conferencing) and training on encouraging parishioners to give via electronic means instead of via the plate;
 - Government and National Church of England guidelines are being fully adhered to as regards the working environment for our employees and clergy.

Risk Policy (continued)

- Falling numbers and ageing of attendance / membership within the Church in the diocese leading to churches becoming unsustainable.
 - Continue to invest in the “Calling Young Disciples” project;
 - Ensure the Resourcing Churches projects are effective, including the planting and renewing of a number of additional churches. These projects are funded by a mixture of Strategic Development Funding from the Archbishops’ Council and a planned investment of reserves;
 - Quarterly monitoring of the above projects by the Strategic Programmes group;
 - Continuing to develop lay and ordained ministry through the development of discipleship, through supporting the exploration of vocations, and by providing or enabling access to training;
 - Development of a clear focus on encouraging ‘healthy and sustainable’ churches.
- Serious safeguarding case
 - Ensure swift action taken if a situation does arise;
 - Ensure effective safeguarding provision is available, through the diocesan safeguarding team; training officers and caseworkers. This will include use of core groups to bring in a wider team where appropriate;
 - Implementation of actions arising from the PCR2 review of safeguarding cases and files;
 - Ensure safer recruitment, training, policies applied and audited at diocesan and parish level;
 - Ensure adequate insurance is in place.

It is recognised that there are reputational risks to the DBF associated with each of these key risks. As well as mitigating risk in each of these areas the DBF’s Communications team bring expertise to support parishes and the bishops in facilitating the mission of the church across the Diocese.

The directors have established a framework of six risk registers, each of which is reviewed periodically by an appropriate committee. An overview of key risks is considered by Bishop’s Council along with the Risk Policy. The Audit Committee reviews the DBF’s approach to risk management on an annual basis, including reviewing the risk policy.

Remuneration Policy

The Board’s policy regarding level of remuneration is that salaries are those appropriate to recruit and retain staff in the context of the job market. Remuneration for more senior roles is set so as to involve an element of “sacrifice” compared to the secular market.

Investment Performance

Overall performance

Investments are held in both glebe and general funds. The total value of investments at 31 December 2020 was £40.7m (2019 - £37.3m) and the total return on investment was 9% (2019 – 11%).

Glebe investments

Investments are in glebe funds, primarily to generate a sustainable income to continue funding clergy stipends. Agricultural, commercial and residential land and buildings were valued at £14.20m at 31 December 2020 (2019 - £14.405m). Rents receivable amounted to £222,000 (2019 - £235,000) – an income yield of 1.6% (2019 – 1.6%).

Investment securities (Glebe and General)

Investments in equity and fixed interest securities were valued at £22.3m at 31 December 2020 (2019 - £21.8m). Income from these securities amounted to £718,000 (2019 - £732,000) – a yield of around 3.2% (2019 – 3.4%), which is considered satisfactory.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware, there is no relevant audit information of which the charitable company's auditors are unaware; the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to Disclosure of Information to Auditors

As far as the directors are aware there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware and each director has taken all the steps he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In approving this Directors' Report, the Board are also approving the Strategic Report included herein in their capacity as company directors.

On Behalf of the Board : The Reverend Andy Todd

Date: 12th May 2021

Independent Auditor's Report to the Members and Trustees of the Worcester Diocesan Board of Finance Limited

Opinion

We have audited the financial statements of Worcester Diocesan Board of Finance Limited for the year ended 31 December 2020 which comprise Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2020 and of the charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report (which includes the strategic report and the directors' report prepared for the purposes of company law) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report (which incorporates the strategic report and the directors' report).

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the charitable company; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 14, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the and the environment in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to charity and company law applicable in England and Wales, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Charities Act 2011.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Audit procedures performed by the engagement team included:

- Inspecting correspondence with regulators;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing the controls and procedures of the charity relevant to the preparation of the financial statements to ensure these were in place throughout the year, including during the Covid-19 remote working period;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions;
- Challenging assumptions and judgements made by management in their critical accounting estimates in particular valuation of property assets and investment properties; and
- Reviewing the assumptions and judgements used by the professional actuary in relation to the charitable company's pension valuation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Halsey (Senior Statutory Auditor)

For and on behalf of Haysmacintyre LLP, Statutory Auditors
10 Queen Street Place, London EC4R 1AG

Date: 26th May 2021

Statement of Financial Activities for the Year Ended 31 December 2020

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2020 £'000	Total 2019 £'000
INCOME AND ENDOWMENTS						
Donations						
- Parish contributions	2	4,431	-	-	4,431	4,827
- Archbishops' Council		725	647	-	1,372	1,450
- Other donations	3	475	304	-	779	769
Charitable activities	4	404	60	-	464	527
Other activities	5	366	-	-	366	413
Investments	6	99	847	-	946	976
Other – gains on sale of tangible fixed asset properties		529	-	509	1,038	202
		7,029	1,858	509	9,396	9,164
EXPENDITURE						
Raising funds	7	-	58	-	58	90
Charitable activities						
- Contributions to Archbishops' Council	8	439	-	-	439	519
- Parish Ministry	9	4,898	1,289	-	6,187	6,917
- Support for Ministry	10	801	511	-	1,312	1,396
- Support for Schools	11	327	-	-	327	422
Other	12	88	-	-	88	214
		6,553	1,858	-	8,411	9,558
Net income/(expenditure) before investment gains						
		476	-	509	985	(394)
Net gains on investments		(69)	331	,304	1,268	3,312
Net income						
		407	33	1,813	2,253	2,918
Transfers between funds	26	(438)	1103	28	-	-
Other recognised (losses)						
Actuarial (loss) on defined benefit pension scheme	24	-	-	(29)	(29)	1,109
Net movement in funds						
		(31)	143	2,112	2,224	4,027
Total funds brought forward	25	6,764	2,390	63,455	72,609	68,582
Total funds carried forward	25	6,733	2,533	65,567	74,833	72,609

All incoming resources and resources expended derive from continuing activities.
The notes on pages 21 to 44 form part of these financial statements.

Income and Expenditure Account Year Ended 31 December 2020

	2020 £'000	2019 £'000
Total income	8,887	8,962
Expenditure	(8,411)	(9,558)
Operating surplus/(deficit) for the year	476	(596)
Net (losses)/gains on investments	(36)	662
Net income for the year	440	66
Other comprehensive income:		
Net assets transferred from endowments	(328)	1,398
Total comprehensive income	112	1,464

*The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.
The notes on pages 21 to 44 form part of these financial statements.*

Balance Sheet

Balance Sheet as at 31 December 2020

Company Number 00271752

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
FIXED ASSETS					
Tangible assets	16		33,325		34,689
Investments					
Investment property	17		14,220		14,405
Investments	17		26,486		22,892
			<u>74,031</u>		<u>71,986</u>
CURRENT ASSETS					
Debtors	18	1,030		1,113	
Cash at bank	19		896		833
			<u>1,926</u>		<u>1,946</u>
CREDITORS					
Amounts falling due within one year	20	(846)		(743)	
			<u>1,080</u>		<u>1,203</u>
NET CURRENT ASSETS			1,080		1,203
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>75,111</u>		<u>73,189</u>
CREDITORS					
Amounts falling due after more than one year	21		(278)		(580)
NET ASSETS			<u>74,833</u>		<u>72,609</u>
FUNDS OF THE CHARITY					
Endowment funds	25		65,567		63,455
Restricted Income funds	25		2,533		2,390
Unrestricted Income funds:					
- General funds	25		6,058		6,081
- Designated funds	25		675		683
			<u>74,833</u>		<u>72,609</u>

Note: The above funds include investment revaluation reserves as follows:

Endowment funds £23,847,000 (2019 £22,603,000)

Restricted Income funds £1,022,000 (2019 £702,000)

General funds £36,000 (2019 £1,077,000)

The financial statements were approved by the Board of Directors on 12th May 2021 and were signed on its behalf by:

The Reverend Andy Todd

The notes on pages 21 to 44 form part of these financial statements

Cash Flow Statement for the Year Ended 31 December 2020

Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Net cash flow from operating activities		(1,123)		(1,880)
Cash flows from investing activities				
Dividends, interest and rent from investments	946		976	
Proceeds from the sale of:				
- Tangible fixed assets	2,386		924	
- Investments	5,215		891	
Purchase of:				
Tangible fixed assets for the use of the WDBF	(5)		(1,121)	
Fixed asset investments	(4,272)		(672)	
Net cash provided by investing activities		4,270		998
Change in cash and cash equivalents in the year		3,147		(882)
Cash and Cash Equivalents at 1 January		1,903		2,785
Cash and Cash Equivalents at 31 December		5,050		1,903
Reconciliation of net movements in funds to net cash flow from operating activities				
Net income / (expenditure) before investment gains for the year ended 31 December		985		(394)
Adjustments for:				
Depreciation Charges	21		196	
Dividends, interest and rent from investments	(946)		(976)	
Actuarial (loss)/gain on pension scheme	(29)		1,109	
(Surplus) on sale of functional assets	(1,038)		(202)	
Decrease in debtors	83		173	
(Decrease) in creditors	(199)		(1,786)	
Net cash used in operating activities		(1,123)		(1,880)
Analysis of cash and cash equivalents				
Cash in Hand		896		833
Notice Deposits		4,154		1,070
		5,050		1,903

The notes on pages 21 to 44 form part of these financial statements

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in e), and fixed asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP 2019), the Companies Act 2006 and applicable accounting standards (FRS102).

The principal accounting policies and estimation techniques are as follows:

a) Income

All income is included in the Statement of Financial Activities (SoFA) when the WDBF is legally entitled to them as income or capital respectively, ultimate receipt is probable and the amount to be recognised can be quantified with reasonable accuracy.

- i) **Parish Share** is recognised as income of the year in respect of which it is receivable.
- ii) **Rent receivable** is recognised as income in the period with respect to which it relates.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- v) **Parochial fees** are recognised as income of the year to which they relate.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets for the WDBF's own use** (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.
- viii) **Stipends fund income.** The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953 as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

b) Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

- i) **Costs of raising funds** are constrained to investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese and expenditure on education and Church of England schools in the diocese.
- iii) **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the WDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- iv) **Support costs** consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis.
- v) **Pension contributions.** The WDBF's staff are members of the Church Workers Pension Fund and clergy are members of the Church of England Funded Pensions Scheme (see note 24). The pension costs charged as resources expended represent the WDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes in which WDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

c) Tangible fixed assets and depreciation

Freehold properties

Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The WDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Trustees perform annual impairment reviews in accordance with the requirements of FRS102 to ensure that the carrying value is not more than the recoverable amount.

Properties subject to value linked loans

Properties which have been bought with the assistance of value linked loans from the Church Commissioners are stated using the value of the related loan at the balance sheet date. Each year end the respective property and loan are carried at an index linked current valuation basis.

Investment properties

Glebe properties which are held for investment purposes and rented out have been included at their fair value.

Parsonage houses

The WDBF has followed the requirements of FRS102 in its accounting treatment for benefice houses (parsonages). FRS102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The WDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to carry them at their estimated current market value. Parsonage houses are revalued on a five year cycle.

d) Other tangible fixed assets

All capital expenditure over £1,000 is capitalised and depreciated as follows. Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of other fixed assets over their currently expected useful economic lives at the following initial rates:

Fixtures and Fittings 20% per annum straight line basis

e) Other accounting policies

- i) **Fixed asset investments** are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.
- ii) **Leases.** The WDBF has entered only into operating lease arrangements for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates.
- iii) **Taxation.** The company is a registered charity and is not liable to corporation tax in this year.

f) Fund balances

Fund balances are split between unrestricted (general and designated), restricted and endowment funds.

- Unrestricted funds are the WDBF's charity corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the WDBF. There are two types of unrestricted funds:
 - General Funds which the WDBF intends to use for the general purposes of the WDBF and
 - Designated Funds set aside out of unrestricted funds by the WDBF for a purpose specified by the Trustees.
- Restricted Funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- Endowment Funds are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment funds administered by the WDBF (Stipends Fund Capital and Parsonage Houses) there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

"Special trusts" (as defined by the Charities Act 2011) and any other trusts where the company acts as trustee and controls the management and use of the funds, are included in the company's own financial statements as charity branches. Trusts where the WDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the notes to the financial statements.

g) Key judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

1. The Trustees perform annual impairment reviews (as explained in c above), and have concluded that there are no indications of material impairment.
2. Freehold properties are not depreciated for the reasons set out in c) above.
3. The assumptions underpinning the pension scheme liabilities are set out in note 24 below.
4. Receipts of Parish Share are recognised in the year under review up to 5th February (prior year was 14th February) of the following year.

h) Going concern

Having reviewed the funding facilities available to Worcester DBF together with the forecast cash flows, the trustees conclude that that charity has adequate resources to continue its activities for the foreseeable future and consider that there were no material uncertainties over the charity's financial viability. Accordingly, the financial statements are prepared on the going concern basis.

	Total Funds 2020 £'000	Total Funds 2019 £'000
Current year's allocation	5,775	6,190
Less grants and allowances	-	(528)
	5,775	5,662
Shortfall in contributions	(1,395)	(926)
	4,380	4,736
Arrears for previous years	51	91
TOTAL	4,431	4,827

	2020 Parish Share Requested £'000	2020 Shortfall £'000	2020 Total Received £'000	2020 Total Received %	2019 Total Received £'000	2019 Total Received %	(Decrease) Increase / £'000	(Decrease) Increase / %
Worcester Archdeaconry								
Evesham	385	120	265	68.8	358	94.9	(93)	(25.9)
Malvern	585	138	447	76.4	474	82.6	(27)	(5.7)
Martley & Worcester West	268	65	203	75.7	223	84.7	(20)	(8.9)
Pershore	539	142	397	73.7	490	92.8	(93)	(19.0)
Upton	237	40	197	83.1	206	88.4	(9)	(4.4)
Worcester East	621	148	473	76.2	513	84.2	(40)	(7.8)
	2,635	653	1,982	75.2	2,264	87.6	(282)	(12.5)
Dudley Archdeaconry								
Bromsgrove	593	116	477	80.4	514	88.4	(37)	(7.2)
Droitwich	480	203	277	57.7	284	60.4	(7)	(2.5)
Dudley	406	84	322	79.3	344	86.4	(22)	(6.3)
Kidderminster	492	63	429	87.2	423	87.7	6	1.5
Kingswinford	399	88	311	77.9	365	93.3	(54)	(14.7)
Stourbridge	609	157	452	74.2	496	83.1	(44)	(8.9)
Stourport	161	31	130	80.7	137	86.7	(7)	(5.2)
	3,140	742	2,398	76.4	2,563	83.3	(165)	(6.4)
TOTALS	5,775	1,395	4,380	75.8	4,827	85.5	(447)	(9.3)

3. OTHER DONATIONS

	Total Funds 2020 £'000	Total Funds 2019 £'000
Allchurches Trust	112	106
Education Training Courses	-	2
Education Service Level Agreements	65	204
Education Academy Conversion Fees	3	24
Parsonage Houses Income	23	74
Ministry Restricted Donations	33	-
Archbishops' Council – RME grant	236	202
Sundry Income	35	96
Registry-Church Commissioners	44	40
Safeguarding Income	31	21
Safeguarding PCR2 Grant	30	-
Furlough Grant	167	-
	779	769

4. CHARITABLE ACTIVITIES

Statutory fees	404	483
Trust Income		
- Clergy Widows and Orphans Fund	10	9
- Ordination Candidates Fund	30	25
- Church Schools Improvement and Maintenance Fund	7	-
- Sundry Trust Funds	13	10
	464	527

5. OTHER ACTIVITIES

Rental income from parsonages	223	224
Rental income from other property	45	78
Bishop's office – rent and service charge	98	111
	366	413

6. INVESTMENTS

Dividends receivable	718	732
Interest receivable	6	9
Rents receivable	222	235
	946	976

7. RAISING FUNDS

Glebe Agent's fees and expenses (including registration costs)	58	90
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8. OTHER DONATIONS

CONTRIBUTIONS TO ARCHBISHOPS' COUNCIL

	Total Funds 2020 £'000	Total Funds 2019 £'000
Training for Ministry	212	215
National Church responsibilities	188	192
Retired clergy housing costs	77	74
Pooling of ordination candidates' costs	(40)	32
General Synod Representatives' Expenses	2	6
	439	519

9. PARISH MINISTRY

Stipends and national insurance	3,115	3,107
Pension costs	748	762
Housing costs – Council Tax	268	259
Parsonage Houses maintenance	572	1,072
Removal, resettlement and other grants	72	102
Lowest Income Communities projects	50	98
Resourcing Churches	524	577
Other expenses	196	222
Support costs - Administration (see note 13)	642	718
	6,187	6,917

10. SUPPORT FOR MINISTRY

Ministry and Discipleship	261	407
Calling Young Disciples project	253	303
Diocesan Advisory Committee	120	73
Restructuring	15	-
Heritage Buildings & Community Development Officer	-	5
Social Responsibility	-	2
Mission Development Officers	31	30
Safeguarding	179	117
World Church Links	3	8
Ordination Candidates Allowances and tuition fees	330	316
Support costs – Administration (see note 13)	120	135
	1,312	1,396

11. SUPPORT FOR SCHOOLS

Education team	287	377
Support costs – Administration (see note 13)	40	45
	327	422

12. OTHER EXPENDITURE

	Total Funds 2020 £'000	Total Funds 2019 £'000
Old Palace costs	23	194
Holland House Grant	65	-
Demolition of Redundant Church	-	20
	88	214

13. ANALYSIS OF SUPPORT COSTS

Central Administration	632	739
Governance:		
- External audit	16	18
- Registrar and Chancellor	152	137
- Synodical costs	2	3
	802	897

	Activities Undertaken Directly £'000	Support Costs £'000	Total Funds 2020 £'000	Total Funds 2019 £'000
Cost of generating funds	58	-	58	90
Contributions to Archbishops' Council	439	-	439	519
Parish Ministry	5,545	642	6,187	6,917
Support for Ministry	1,192	120	1,312	1,396
Support for Schools	287	40	327	422
Charitable activities	7,463	802	8,265	9,254
Other resources expended (note 12)	88	-	88	214
	7,609	802	8,411	9,558

*Support costs are apportioned as 80% Parish Ministry, 15% Support for Ministry and 5% Education.
Support costs are not allocated to the Glebe Agent's fees and expenses because the Glebe Agent provides his own administrative support.*

14. STAFF COSTS

	2020 £'000	2019 £'000
Gross wages and salaries	1,392	1,427
Employers National Insurance Costs	129	131
Other Pension Costs - Annual	298	313
	1,819	1,871

The average monthly number of employees during the year was as follows:

	No. in 2020	No. in 2019
Full time	26.3	27.5
Part time	25.8	27
	52.1	54.5

In terms of full-time equivalent employees, the average number employed and their funding was as follows:

	No. in 2020	No. in 2019
Operational posts funded by the DBF	30.4	30.1
Project posts and operational posts funded from other sources*	11.2	14.1
	41.6	44.2

* other sources include Strategic Development Funding from the National Church, Bishops' office funding from the Church Commissioners, grants from trust funds and a contribution from reserves to the Calling Young Disciples project.

There are two employees with emoluments above £60,000 per annum (2019: two employees). Pension contributions are paid for 53 employees (2019: 56 employees).

As part of a fixed term contract coming to an end, there was one redundancy in 2020. Accordingly, the total paid during the year in termination and redundancy payments was £2,000 (2019: £40,554).

Worcester Diocesan Board of Finance is responsible for funding via the Church Commissioners the stipends of licensed stipendiary clergy in the diocese, other than the bishops and cathedral staff. The WDBF is also responsible for the provision of housing for stipendiary clergy in the diocese, again excluding the diocesan bishop and cathedral staff.

The WDBF paid an average of 109 (2019-108) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2020 £'000	2019 £'000
Stipends	2,896	2,832
National insurance contributions & apprenticeship levy	248	243
Pension costs - current year	713	676
Pension costs - deficit reduction	328	322
	4,185	4,074

14. STAFF COSTS (continued)

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2020 they were:

Diocesan Secretary and Company	Secretary John Preston
Director of Finance	Helen Archer-Smith
Director of Education	Margaret James
Director of Ministry and Discipleship	Jonathan Kimber
Director of Communications	Samantha Setchell
Deputy Diocesan Secretary - Restructuring	Robert Quarton (from 14.09.20)

Remuneration and pensions for these six employees amounted to £295,605 (2019: £266,464).

Trustees' emoluments

No trustee received any remuneration for services as Trustee. Six (2019 – ten) Trustees received travelling and out of pocket expenses, totaling £5,437 (2019 - £14,576) in respect of General Synod duties, duties as archdeacon or rural dean and other duties as Trustees.

The following table gives details of the Trustees who were in receipt of a stipend and/or housing provided by the WDBF during the year:

	Stipend	Housing
The Revd M Badger	Yes	Yes
The Revd R M Clark	Yes	Yes
The Revd A C Davies	Yes	Yes
The Right Revd M Gorick	No	Yes
The Ven N J Groarke	Yes	Yes
The Ven R G Jones	Yes	Yes
The Revd C A Lording	Yes	Yes
The Revd A M Potter	Yes	Yes
The Revd B E Rienstra	Yes	Yes
The Revd A Todd	Yes	Yes

The WDBF is responsible for funding, via the Church Commissioners, the stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The WDBF is also responsible for the provision of housing for stipendiary clergy in the diocese including the suffragan bishop but excluding diocesan bishop and cathedral staff.

15. SURPLUS FOR THE FINANCIAL YEAR

Is stated after charging / (crediting):

	2020 £'000	2019 £'000
Depreciation	21	196
(Surplus)/deficit on disposal of fixed assets	(1,038)	(202)
Operating Lease – Rent	21	21
Auditors Remuneration – external scrutiny	16	18

16. TANGIBLE FIXED ASSETS

Unrestricted Funds

COST

	Board Houses £'000	Fixtures and Fittings £'000	Totals £'000
At 1 January 2020	1,488	312	1,800
Disposals	(75)	-	(75)
At 31 December 2020	<u>1,413</u>	<u>312</u>	<u>1,725</u>

DEPRECIATION

At 1 January 2020	-	259	259
Charge for year	-	21	21
At 31 December 2020	<u>-</u>	<u>280</u>	<u>280</u>

NET BOOK VALUE

At 31 December 2020	<u>1,413</u>	<u>32</u>	<u>1,445</u>
At 31 December 2019	<u>1,488</u>	<u>53</u>	<u>1,541</u>

Restricted Funds

COST

	Glebe Team Vicarages & Curates' Houses £'000	Parsonages Houses £'000	Pastoral Buildings £'000	Totals £'000
At 1 January 2020	13,114	19,812	222	33,148
Additions	-	5	-	5
Disposals	(1,150)	(123)	-	(1,273)
At 31 December 2020	<u>11,964</u>	<u>19,694</u>	<u>222</u>	<u>31,880</u>

DEPRECIATION

At 1 January & 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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NET BOOK VALUE

At 31 December 2020	<u>11,964</u>	<u>19,694</u>	<u>222</u>	<u>31,880</u>
At 31 December 2019	<u>13,114</u>	<u>19,812</u>	<u>222</u>	<u>33,148</u>

Total Tangible Fixed Assets

Unrestricted funds – Net Book Value
Restricted funds – Net Book Value

2020 £'000	2019 £'000
1,445	1,541
31,880	33,148
<u>33,325</u>	<u>34,689</u>

16. TANGIBLE FIXED ASSETS (continued)

The parsonage houses are legally vested in the Incumbent as a freeholder during their incumbency. The Incumbent is not free to dispose of the house and is not responsible for the maintaining the house. The charitable company has both the benefits and obligations of ownership. The Trustees consider the difference between the carrying value and the market value of the interests in land and buildings not held as investments is not quantifiable.

Included in land and buildings is freehold land valued at £9.9m (2019- £9.9m) which is not depreciated. The freehold property of Board, Parsonage, Glebe and Pastoral buildings and the fixtures and fittings are held in the direct furtherance of the charity's objects.

17. FIXED ASSET UK INVESTMENTS

	Property £'000	CBF Shares £'000	Cash £'000	Total £'000
Valuation				
At 1 January 2020	14,405	21,822	1,070	37,297
Additions	-	1,188	3,084	4,272
Disposals	(491)	(1,555)	-	(2,046)
Increase in revaluation	306	877	-	1,183
At 31 December 2020	<u>14,220</u>	<u>22,332</u>	<u>4,154</u>	<u>40,706</u>
At 31 December 2019	<u>14,405</u>	<u>21,822</u>	<u>1,070</u>	<u>37,297</u>

	Total 2020 £'000	Total 2019 £'000
UK investment property	14,220	14,405
Unlisted UK investment shares	22,332	21,822
CBF Investments	4,154	1,070
	<u>40,706</u>	<u>37,297</u>

Investment property was valued on an open market basis as at 31 December 2020 by A N Champion FRICS, who is Glebe Agent. Historical investment costs are not readily available as much of the investment properties was acquired a considerable time ago.

	Total 2020 £'000	Total 2019 £'000
18. DEBTORS		
Current year Parish Share	320	415
Fee receivable	51	52
Other debtors	453	438
Prepayments	135	145
Accrued Income	71	63
	1,030	1,113
19. CASH AT BANK		
Lloyds Bank PLC Accounts	896	833
20. CREDITORS: Amounts falling due within one year		
Trade creditors	82	112
Other taxes and social security	72	68
Other creditors	23	104
Deferred income	20	91
Accruals	35	55
Parsonage houses maintenance	97	84
Clergy Pension Scheme	328	319
	846	743
21. CREDITORS: Amounts falling due after more than one year		
Loans (see note 22)	171	171
Repayable Grant (see note 22)	33	33
Clergy Pension Scheme	74	376
	278	580
22. LOANS Amounts falling due in more than five years:		
Repayable otherwise than by instalments:		
Church Commissioners – Value Linked Loans (secured on Board Houses)	171	171
Church Commissioners – Repayable Grant	33	33
	204	204
23. OPERATING LEASES		
Total commitments under non-cancellable operating leases are as follows:		
Land and Buildings		
Payable within one year of the balance sheet date	15	10

24. PENSION COMMITMENTS - Church of England Funded Pension Scheme

The Worcester Diocesan Board of Finance, as a Responsible Body, participates in the Church of England Funded Pension Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the scheme separately from the company and the other participating Responsible Bodies. Each Responsible Body in the scheme pays contributions at a common contribution rate applied to pensionable stipends. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific Responsible Bodies and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out as at 31 December 2018. The 2018 valuation revealed a deficit of £50m, based on assets of £1,818m and a funding target of £1,868m, assessed using the following assumptions:

- An average discount rate of 3.2% p.a.;
- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a.;
- Mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CMI2018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter" of 7 and an initial addition to mortality improvements of 0.5% pa.

Following the 31 December 2018 valuation, a recovery plan was put in place until 31 December 2022 and the deficit recovery contributions (as a percentage of pensionable stipends) are as set out in the table below.

% of pensionable stipends	Jan 2018 to Dec 2020	Jan 2021 to Dec 2022
Deficit repair contributions	11.9%	7.1%

As at 31 December 2017 and 31 December 2018 the deficit recovery contributions under the recovery plan in force at that time were 11.9% of pensionable stipends until December 2025. As at 31 December 2020 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2020 and over 2019 is set out in the table below.

	2020		2019	
	£'000	£'000	£'000	£'000
Balance sheet liability at 1 January		695		2,083
Deficit contribution paid	(328)		(322)	
Interest cost	6		43	
Remaining change to the balance sheet liability*	29		(1,109)	
		(293)		(1,388)
Balance sheet liability at 31 December		402		695

*Comprises change in agreed deficit recovery plan and change in discount rate and assumptions between year-ends.

Church of England Funded Pension Scheme (continued)

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	Dec 2020	Dec 2019	Dec 2018
Discount rate	0.2% pa	1.1% pa	2.1% pa
Price inflation	3.1% pa	2.8% pa	3.1% pa
Increase in total pensionable payroll	1.6% pa	1.3% pa	1.6% pa

The legal structure of the scheme is such that if another Responsible Body fails, Worcester DBF could become responsible for paying a share of that Responsible Body's pension liabilities.

Worcester DBF (DBS) participates in the Defined Benefits Scheme section of CWPF for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the scheme separately from those of the Employer and the other participating employers.

The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

The Defined Benefits Scheme ("DBS") section of the Church Workers Pension Fund provides benefits for lay staff based on final pensionable salaries.

For funding purposes, DBS is divided into sub-pools in respect of each participating employer as well as a further sub-pool, known as the Life Risk Pool. The Life Risk Pool exists to share certain risks between employers, including those relating to mortality and post-retirement investment returns.

The division of the DBS into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the DBS are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Section, is exposed to actuarial risks associated with the current and former employees of other entities participating in DBS. This means that contributions are accounted for as if DBS were a defined contribution scheme.

If, following an actuarial valuation of the Life Risk Pool, there is a surplus or deficit in the pool, further transfers may be made from the Life Risk Pool to the employers'

sub-pools, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the Church of England Pensions Board on the advice of the Actuary.

A valuation of DBS is carried out once every three years. The most recently finalised was carried out as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m was notionally transferred from the employers' sub-pools to the Life Risk Section. This increased the Employer contributions that would otherwise have been payable. The overall deficit in DBS was £26.2m.

A valuation as at 31 December 2019 was under way as at 31 December 2020. The contributions agreed at that valuation will be reflected in the figures disclosed in the 2021 accounts. Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay expenses of £12,400 per year.

A valuation of the Pension Builder Scheme is carried out once every three years. The most recent was carried out as at 31 December 2016. A valuation as at 31 December 2019 was under way as at 31 December 2020.

For the Pension Builder Classic section, the valuation revealed a deficit of £14.2m on the ongoing assumptions used. At the most recent annual review, the Board chose not to grant a discretionary bonus, which will have acted to improve the funding position. There is no requirement for deficit payments at the current time.

For the Pension Builder 2014 section, the valuation revealed a surplus of £1.8m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

The legal structure of the scheme is such that if another employer fails, Worcester DBF could become responsible for paying a share of that employer's pension liabilities.

24. PENSION COMMITMENTS - Church of England Defined Benefits Scheme

Section 28.11A of FRS102 requires agreed deficit recovery payments to be recognized as a liability. The movement in the provision is as set out below:

	2020		2019	
	£'000	£'000	£'000	£'000
Balance sheet liability at 1 January		-		-
Deficit contribution paid	-		-	
Interest cost	-		-	
Remaining change to the balance sheet liability*	-		-	
		-		-
Balance sheet liability at 31 December		-		-

*Comprises change in agreed deficit recovery plan and change in discount rate and assumptions between year-ends.

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	Dec 2020	Dec 2019	Dec 2018
Discount rate	0%	0%	0%

The legal structure of the scheme is such that if another employer fails, the employer could become responsible for paying a share of that employer's pension liabilities.

Church of England Pension Builder Scheme

During 2020 the Worcester DBF (DBS) Defined Benefits Scheme section of CWPF for lay staff was closed and was replaced with the Pension Builder Scheme. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes. Pension Builder Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the Church of England Pensions Board from time to time. Bonuses may also be declared, depending upon the investment returns and other factors. Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no

requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age. There is no sub-division of assets between employers in each section of the Pension Builder Scheme.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and means that contributions are accounted for as if the Scheme were a defined contribution scheme.

A valuation of the Pension Builder Scheme is carried out once every three years. The most recent was carried out as at 31 December 2016. A valuation as at 31 December 2019 was under way as at 31 December 2020.

For the Pension Builder Classic section, the valuation revealed a deficit of £14.2m on the ongoing assumptions used. At the most recent annual review, the Board chose not to grant a discretionary bonus, which will have acted to improve the funding position. There is no requirement for deficit payments at the current time. For the Pension Builder 2014 section, the valuation revealed a surplus of £1.8m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

The legal structure of the scheme is such that if another employer fails, Worcester DBF could become responsible for paying a share of that employer's pension liabilities.

25. SUMMARY OF MOVEMENTS IN FUNDS

	Balance at 1 January 2020 £'000	Income and Endowments £'000	Expenditure £'000	Investment and actuarial Gains and (Losses) £'000	Transfers £'000	Balance at 31 December 2020 £'000
Unrestricted Funds						
General fund	6,081	6,304	(5,820)	(69)	(438)	6,058
Designated Funds						
Conferences Fund	10	-	-	-	-	10
World Church Links Fund	31	-	(3)	-	-	28
Holland House Fund	65	-	(65)	-	-	-
Lowest Income Communities Fund	183	725	(665)	-	-	243
Calling Young Disciples	394	-	-	-	-	394
Designated Funds	683	725	(733)	-	-	675
Total Unrestricted funds	6,764	7,029	(6,553)	(69)	(438)	6,733
Restricted Income funds						
Education fund	217	-	-	13	-	230
Diocesan Stipends fund	-	847	(847)	-	-	-
Resourcing Churches	-	500	(500)	-	-	-
Calling Young Disciples	-	132	(132)	-	-	-
Capacity Grant Restructuring	-	15	(15)	-	-	-
Diocesan Pastoral Account fund	2,164	-	-	19	-	2,183
Ordination Candidates fund	-	25	(25)	-	-	-
Clergy Widows and Orphans fund	-	10	(10)	-	-	-
Lay Staff Support fund	9	-	-	1	-	10
Ministry Restricted Donations	-	33	(33)	-	-	-
RME fund	-	236	(236)	-	110	110
Other	-	60	(60)	-	-	-
Restricted funds	2,390	1,858	(1,858)	33	110	2,533
Endowment Funds						
Diocesan Stipends Capital fund	44,316	509	-	1,238	328	46,391
Diocesan Parsonage Capital fund	19,139	-	-	37	-	19,176
Endowment funds	63,455	509	-	1,275	328	65,567
TOTAL FUNDS	72,609	9,396	(8,411)	1,239	-	74,833

26. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted General fund £'000	Unrestricted Designated fund £'000	Total Unrestricted fund £'000	Restricted funds £'000	Endowed funds £'000	Total 2020 £'000
Historical correction of RME Fund	(110)	-	(110)	110	-	-
General fund to Endowment due to reduction in pension deficit	(328)	-	(328)	-	328	-
Total	(438)	-	(438)	110	328	-

27. SUMMARY OF NET ASSETS BETWEEN FUNDS

	Tangible Fixed Assets £'000	Investment Property £'000	Investments £'000	Current Assets £'000	Creditors £'000	Inter Fund Loan £'000	Net Assets £'000
Unrestricted Funds							
General fund	1,445	-	2,816	467	(722)	2,052	6,058
Designated Funds							
Conferences Fund	-	-	-	10	-	-	10
World Church Links Fund	-	-	-	28	-	-	28
Lowest Income Communities Fund	-	-	-	243	-	-	243
Calling Young Disciples	-	-	-	394	-	-	394
Designated Funds	-	-	-	675	-	-	675
Total Unrestricted funds	1,445	-	2,816	1,142	(722)	2,052	6,733
Restricted funds							
Education fund	-	-	219	11	-	-	230
Diocesan Pastoral Account fund	222	-	1,298	663	-	-	2,183
Lay Staff Support fund	-	-	10	-	-	-	10
RME fund	-	-	-	110	-	-	110
Restricted funds	222	-	1,527	784	-	-	2,533
Endowment Funds							
Diocesan Stipends Capital fund	11,964	14,220	21,341	-	(402)	(732)	46,391
Diocesan Parsonage Capital fund	19,694	-	802	-	-	(1,320)	19,176
Endowment funds	31,658	14,220	22,143	-	(402)	(2,052)	65,567
TOTAL FUNDS	33,325	14,220	26,486	1,926	(1,124)	-	74,833

28. PURPOSE OF FUNDS

General fund is the WDBF's unrestricted undesignated fund available for any of the WDBF's purposes without restriction.

Conference designated fund is an amount set aside to help fund the periodic clergy conference.

World Church Links designated fund relates to funds which are earmarked for the mission work with the World Church Links.

Holland House designated fund is the remaining unspent net proceeds of sale of Vine Cottage which was sold off several years ago as part of Holland House. This remaining balance of this fund was given to the Trustees of Holland House during 2020 to help them manage the effects of the pandemic.

Lower Income Communities designated fund is income received to support stipendiary ministry in the most deprived areas of the Diocese. Due to the pandemic not all of the planned projects could take place and hence the increase of the funds held at the year end.

Resourcing Churches is income received from Archbishops' Council for the Dudley and Worcester Resourcing churches.

Calling Young Disciples (CYD) designated fund relates to the cost of CYD which will need to be funded by WDBF over the course of the project which is above the restricted income which will be received. It is budgeted that these funds will be spent by 2023.

RME fund is the resourcing Ministerial Education fund from which block grants are received by WDBF, out of which training and maintenance costs are met. Any unused funds at the end of each year can only be used to fund future training and maintenance costs.

Ministry Restricted donations related to the Diocese of Worcester Ministry fund which was launched as a result of the pandemic, due to the effects of reduced Parish Share. All income was expended during the year towards a stipend of a vicar.

Restricted Education Fund provides for income to be used for educational purposes.

The Restricted Stipends Capital and Income Funds have arisen from, and are governed by the provisions of Section 35 of the Endowment and Glebe Measure of 1976 (as amended), which provides for the income to be used to pay clergy stipends and pension premiums. The capital can only be expended as provided by the Measure.

The Restricted Parsonage Capital Fund has arisen from the Mission and Pastoral Measure 2011 and can only be used for the provision of parsonage houses.

The Restricted Diocesan Pastoral Account Fund has arisen from the Pastoral Measure 2011 and can be used for purposes laid down in Section 94 of the Pastoral Measure 2011. This includes expenditure on any property vested by or under this Measure in the Church Commissioners of the DBF, and grants and loans for parsonage and church provision, restoration, improvement or grant.

Where the DBF is satisfied that any monies in the Diocesan Pastoral Account are not (likely to be) required for meeting the costs referred to in this section it may:

- a. Apply those monies by way of grant or loan to the provision, restoration, improvement or repair of church and parsonage house in the diocese, including the repair of any building closed for regular public worship vested in the Board pending the coming into operation of arrangement under a pastoral (church buildings disposal) scheme, or to other purposes of the diocese or any benefice or parish in the diocese; or
- b. Apply those monies by way of grant or loan for the benefit of another diocese; or
- c. Transfer monies to the Diocesan Stipends Fund Capital or Income Account (which cannot be reversed).
Sufficient funds must be held in the Fund to finance all redundant buildings in the Diocese; or
- d. Transfer those monies to one or more other accounts of funds held by the Board.

The Restricted Ordination Candidates Fund is to finance the costs of Ordinands in the Diocese. The expenditure is funded by income from a registered charity, the Ordination Candidates Trust Fund. No reserves are held in this fund.

The Restricted Clergy Widows and Orphans Fund is to finance the cost of clergy widows and orphans in the Diocese. The expenditure is funded by a grant from a trust fund, the Clergy Widows and Orphans Trust. No reserves are held in this fund.

The Restricted Calling Young Disciples Fund is to finance the cost of Mission Enablers. The expenditure is funded by grants from the Archbishops' Council.

29. FINANCIAL INSTRUMENTS

	2020 £'000	2019 £'000
Financial assets measured at fair value	22,332	21,822
Financial assets measured at amortised cost	6,080	3,016
Financial liabilities measured at amortised cost	(1,139)	(1,323)
Financial liabilities measured at fair value	(171)	(171)

Financial assets measured at fair value comprise unlisted investments.

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and receivables and a parish loan.

Financial liabilities measured at amortised cost comprise accruals, other creditors, the Clergy Pension Scheme liability and amounts held for other bodies.

Financial liabilities measured at fair value comprise value linked loans.

30. FUNDS HELD AS CUSTODIAN TRUSTEE

The Worcester Diocesan Board of Finance acts as Diocesan Authority or custodian trustee for many trust funds by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are Parochial Church Councils and others. Assets held in this way are not aggregated in these financial statements as the Board does not control them. The financial assets held in this way may be summarized as follows:

	2020 £'000	2019 £'000
Church of England Investment Fund income shares	15,086	14,224
CBF Church of England Fixed Interest Securities Fund shares	380	367
CBF Church of England Property Fund shares	229	241
CBF Church of England Deposit Fund	2,713	1,908
Total assets held as Custodian Trustee	18,408	16,740

31. RELATED PARTY TRANSACTIONS

The Board is associated with various charities and trusts due to the majority of their trustees being trustees of the Board. The trustees consider that this relationship does not inhibit either charity from pursuing its own separate interests. The amounts due to / (from) the DBF at 31 December 2020 are as shown below. During the year ended 31 December 2020 the Board has received grants from the charities and trusts as follows:

	Grants Receivable 2020	Grants Receivable 2019	Amounts due to/(from) the DBF at 31 Dec 2020	Amounts due to/(from) the DBF at 31 Dec 2019
Worcester Diocesan Social Responsibility Fund	17,500	20,188	17,500	81,472
Worcester Diocesan Sites and Buildings Fund	-	90	-	(40,298)
Worcester Diocesan Ordination Candidates Fund	30,000	25,000	5,000	25,840
Worcester Diocesan Church Schools Improvement and Maintenance Fund	6,530	4,840	9,350	8,290
Worcester Diocesan Clergy Holiday Fund ³	,624	3,650	-	3,050
Lye Church Estate Trust	8,172	7,934	-	-
Cholmondeley Bequest Fund	1,148	1,129	-	-
Trust Administration Fund	770	748	-	-
Special Purposes Fund	7,832	7,769	-	-
Redditch Holy Trinity Charity	25,000	25,000	50,000	25,000
Worcester St Johns Meeting Room Income Fund	-	-	-	(594)
Diocesan Records Office Income Fund	-	-	16,278	18,668
Clergy Widows & Orphans Income	9,502	-	18,502	10,932
Clent Hall Parish Hall	-	-	12,000	6,000
Bourneheath Trust Income Fund	-	-	3,070	1,241
Belbroughton Village Hall Fund	-	-	-	320
Abberton Spire Trust Fund	-	-	500	6,365

The Board acts as Trustee for a number of funds and has delegated its role, by virtue of a resolution dated 26 June 1934, to its Trust Committee (Diocesan Trustees). These funds objects all fall within the wider objects of the DBF. These funds are:

- Mary Bottjer Trust
- Lye Church Estate Trust
- Queen Victoria Clergy Fund
- In Service Training Fund
- Redditch Holy Trinity Fund
- Pendock Church of England Voluntary School Fund
- Ronkswood Holy Trinity & St Matthew Trust Fund
- St Edmund King & Martyr Dudley Fund
- Worcester Diocesan Church Schools Improvement and Maintenance Fund

32. CONTINGENT LIABILITY

The operating premises for the Worcester Diocesan Board of Finance are based at the Old Palace, Deansway, Worcester but this will cease on 28th September 2021. In accordance with the lease for the Old Palace, the Worcester Diocesan Board of Finance is required to keep the premises in no worse state of repair than when the lease was entered into. Considering the significant investment in the Old Palace over the years, the Board is of the opinion that the premises are currently in a better state compared to when the lease was entered into. Accordingly, the Board have decided that no provision is required to be made for any potential repair works under the lease. However, at the date of sign off of these financial statements, the discussions for repair works with the landlord were still ongoing and therefore considered to be a contingent liability.

33. PRIOR YEAR COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2019 £'000	Total 2018 £'000
INCOME AND ENDOWMENTS						
Donations						
- Parish contributions	2	4,827	-	-	4,827	4,579
- Archbishops' Council		734	716	-	1,450	897
- Other donations	3	525	244	-	769	652
Charitable activities	4	482	45	-	527	697
Other activities	5	413	-	-	413	373
Investments	6	105	871	-	976	900
Other – gains on sale of tangible fixed asset properties		-	-	202	202	1,665
		7,086	1,876	202	9,164	9,763
EXPENDITURE						
Raising funds	7	-	90	-	90	53
Charitable activities						
- Contributions to Archbishops' Council	8	519	-	-	519	515
- Parish Ministry	9	5,617	1,300	-	6,917	6,684
- Support for Ministry	10	918	478	-	1,396	1,189
- Support for Schools	11	422	-	-	422	440
Other	12	214	-	-	214	48
		7,690	1,868	-	9,558	8,929
Net income/(expenditure) before investment gains		(604)	8	202	(394)	834
Net gains on investments		204	458	2,650	3,312	4,190
Net income/(expenditure)		(400)	466	2,852	2,918	5,024
Transfers between funds	26	1,479	(81)	(1,398)	-	-
Other recognised gains / (losses)						
Actuarial gain on defined benefit pension scheme	24	-	-	1,109	1,109	101
Net movement in funds		1,079	385	2,563	4,027	5,125
Total funds brought forward	25	5,685	2,005	60,892	68,582	63,457
Total funds carried forward	25	6,764	2,390	63,455	72,609	68,582

34. PRIOR YEAR COMPARATIVE ANALYSIS OF MOVEMENT IN FUNDS

	Balance at 1 January 2019 £'000	Income and Endowments £'000	Expenditure £'000	Investment Gains and (Losses) £'000	Transfers £'000	Balance at 31 December 2019 £'000
Unrestricted Funds						
General fund	4,935	6,352	(6,944)	204	1,534	6,081
Designated Funds						
Conferences Fund	10	-	-	-	-	10
World Church Links Fund	39	-	(8)	-	-	31
Holland House Fund	69	-	(4)	-	-	65
Lowest Income Communities Fund	183	734	(734)	-	-	183
Calling Young Disciples	394	-	-	-	-	394
Old Palace External Decorations and Major Repairs Fund	55	-	-	-	(55)	-
Designated Funds	750	734	(746)	-	(55)	683
Total Unrestricted funds	5,685	7,086	(7,690)	204	1,479	6,764
Restricted Income funds						
Education fund	188	-	-	29	-	217
Diocesan Stipends fund	-	871	(871)	-	-	-
Resourcing Churches	-	519	(519)	-	-	-
Calling Young Disciples	-	197	(197)	-	-	-
Diocesan Pastoral Account fund	1,817	-	-	428	(81)	2,164
Ordination Candidates fund	-	25	(25)	-	-	-
Clergy Widows and Orphans fund	-	9	(9)	-	-	-
Lay Staff Support fund	-	8	-	1	-	9
RME fund	-	202	(202)	-	-	-
Other	-	45	(45)	-	-	-
Restricted funds	2,005	1,876	(1,868)	458	(81)	2,390
Endowment Funds						
Diocesan Stipends Capital fund	42,060	202	-	3,759	(1,705)	44,316
Diocesan Parsonage Capital fund	18,832	-	-	-	307	19,139
Endowment funds	60,892	202	-	3,759	(1,398)	63,455
TOTAL FUNDS	68,582	9,164	(9,558)	4,421	-	72,609

35. PRIOR YEAR COMPARATIVE OF NET ASSETS BETWEEN FUNDS

	Tangible Fixed Assets £'000	Investment Property £'000	Investments £'000	Current Assets £'000	Creditors £'000	Inter Fund Loan £'000	Net Assets £'000
Unrestricted Funds							
General fund	1,541	-	2,761	190	(624)	2,213	6,081
Designated Funds							
Conferences Fund	-	-	-	10	-	-	10
World Church Links Fund	-	-	-	31	-	-	31
Holland House Fund	-	-	69	-	(4)	-	65
Lowest Income Communities Fund	-	-	-	183	-	-	183
Calling Young Disciples	-	-	-	394	-	-	394
Designated Funds			69	618	(4)	-	683
Total Unrestricted funds	1,541	-	2,830	808	(628)	2,213	6,764
Restricted funds							
Education fund	-	-	206	11	-	-	217
Diocesan Pastoral Account fund	222	-	421	1,521	-	-	2,164
Lay Staff Support fund	-	-	9	-	-	-	9
Restricted funds	222	-	636	1,532	-	-	2,390
Endowment Funds							
Diocesan Stipends Capital fund	13,114	14,405	19,032	-	(695)	(1,540)	44,316
Diocesan Parsonage Capital fund	19,812	-	-	-	-	(673)	19,139
Endowment funds	32,926	14,405	19,032	-	(695)	(2,213)	63,455
TOTAL FUNDS	34,689	14,405	22,498	2,340	(1,323)	-	72,609