ST ALBANS DIOCESAN SYNOD

13 June 2026

Annual Report and Consolidated Financial Statements 2025
Covering Paper

Objective
The 2025 Annual Report and Consolidated Financial Statements for the St Albans Diocesan Board of Finance are presented for Synod to receive.

This covering paper reviews the expenditure in 2025 in comparison to budgeted expenditure, outlines the purpose of budgets, management accounts and financial accounts for an organisation and explains the differences between the key high-level figures found in each set of accounts.

Introduction
Synod votes on budget figures and the DBF monitors actual figures against budget via Management Accounts. Financial Accounts and Management Accounts are produced using the same figures, but they fulfil different roles in the life of any organisation.

The Management Accounts are internal reports that are used by the key decision-makers to monitor the day-to-day health of an organisation and to make interventions as necessary. This will be against the plan that the budget provides.

The Financial Accounts are the formal, statutory statements created at the end of each financial year. They are intended for external consumption and designed for comparison against similar bodies. The format is set under charity and company law and by independent accounting standards. This accountability requires transparency and consistency, which is why Financial Accounts contain considerable detailed information.

This means that whilst information in both types of accounts are derived from the same source, their presentation can look very different.

Expenditure in Management Accounts
The Management Accounts show that expenditure on the Common Fund for 2025 was £17,002k. Synod voted to authorise the DBF to "expend … a sum not exceeding £16,792k". The management accounts show that this was exceeded by £210k. In accordance with Standing Order 92 of the Diocesan Synod, we are reporting this overspend.

The reason for the overspend is entirely the result of extra expenditure on parsonage houses, an area where Synod has requested the DBF to concentrate resources. The excess in expenditure has been met by increased income, particularly in rental income.

Difference of emphasis between Management and Financial Accounts

The Management Accounts primarily concentrate on the Common Fund and specifically items which impact the Parish Share requested for the year. We are moving to a more comprehensive presentation in the budget for 2026, because the Common Fund is supported by other funds, but the reasoning still holds broadly true.

Finding the income and expenditure for the Common Fund in the financial accounts and reconciling these to the management accounts requires understanding of what each of the statements is showing.

The Financial Accounts provide a full presentation of activity for the year across all funds – endowment, restricted and unrestricted. They also include the financial activities in the two trading subsidiaries, which is why the financial accounts are referred to as consolidated. These statements are then broken down into the three main funds, with a further column for the subsidiary companies.

The individual funds within these accounts can be found in the notes to the accounts. Note 21 shows the assets attached to each fund. Notes 23, 24 and 25 show the movements on the funds through the year.

Note 25 is where income and expenditure on the Common Fund can be found. This is where presentation of figures produces differences between the two sets of accounts. The Financial Accounts also include movements due non-cash elements which are not included in budgets – such as gains and losses on investments.

Reconciliation to Management Accounts

The income and expenditure for the Common Fund is stated differently in the Management and Financial Accounts, including different resulting surpluses. The Common Fund in the Management Accounts shows a surplus of £438k. The Financial Accounts show a surplus of £53k. The reconciliation between all three figures is shown at A**ppendix One**. Below is a brief explanation of the reconciling items.

1. *Income/Expenditure grossed up*

   These are items which are netted off in the management accounts but not in the financial accounts. Curate costs and grants given to a small number of parishes for specific reasons lead to reductions in parish share requests. We are taking a different and less complicated approach for these items from 2026.

   Other items relate to staff who work for the diocese but with partial secondment to the NCIs, where we have paid full salaries but received appropriate reimbursement. None of these nettings off impact our costs in management accounts terms but the full income and expenditure has to be recognised in the financial accounts.

2. *Timing differences*

   In 2024, the Diocese was given a holiday on pension contributions to the Church Worker's Pension Scheme, due to a surplus in the scheme. This suspension of payments runs from 2024 to 2026. In the management accounts we recognise the impact on costs as it occurs. In the financial accounts we had to recognise the total surplus in 2024 and release it over the next two years. As a result the 2024 pension cost in the financial accounts was higher than in the management accounts. In 2025 and 2026, the pension cost in the financial accounts is lower than in the management accounts. Over the three years the costs in both sets of accounts will be the same. Other items are a result of reconciling a number of small accounts and writing off/writing back several small entries.

3. ***Figures presented differently in the accounts***
   Interest from the Property Ring-Fenced Fund (PRF) has been used, to supplement expenditure on property. The management accounts have shown this as an offset against expenditure. The financial accounts show it as a fund transfer. It does not impact the surplus as it is just in different areas of the accounts. The assets held in the PRF are being employed in a much more pro-active way towards property for 2026.

   Glebe expenditure forms part of the management accounts as they represent the costs of running the portfolio and so must be matched against income. In the financial accounts, these must be shown within the fund and the total return then shown as a transfer.

4. ***Items not included in the management accounts***
   These are the non-cash elements not included in the 2025 budget and the transfer of the designated funds agreed in 2024 but which could not be applied until the 2024 financial results were known.

<u>Other matters connected to the Financial Accounts</u>
Two items were picked up during the audit which need to be brought to the attention of Synod for completeness. Neither impact the workings of the Diocese or the Common Fund.

1. <u>Prior Year Adjustment</u>

In 2024, transactions for the investment property in Chesham were recorded in the books of the charity due to the length of time it took to set up the bank account for the Chesham property company. This was not removed when the accounts of the parent charity and subsidiary were consolidated, leading to a double counting of the property in the group accounts. In 2024, this overstated investments and unrealized gains by £2.595M. The accounts have been restated, reducing these figures by this amount. The Endowment Funds and Total Funds are thus £2.595M lower. This was an error in consolidation and therefore in reporting. It had no material effect.

2. <u>Grant commitments</u>

Grants committed for future years should be recognised in the year in which they are committed if no conditionality is attached to them. 2025 is the first year where this has a material impact as the introduction of the Parish Grants Committee has formalised and expanded how and in what areas the Diocese provides grants, with commitments now and into the future.

As a result, we undertook a full review of grants committed for the future. Removing those with a conditionality attached has yielded an increase in grants payable of £540k - £253k on designated funds and £287k on restricted funds. None impact the common fund.

Glyn Barker
Finance Director
4 June 2026

Appendix One – Reconciliation of Financial Accounts to Management Accounts

	Income	Expenditure	Surplus
	£'000	£'000	£'000
Income shown in statutory accounts	15,129		
Transfer of total return from Endowment funds	2,776		
Figures Per Financial Accounts (Note 25)	**17,905**	**17,502**	**53**
Income/Expenditure grossed up in FA:			
Parish Share Support Grants	(165)	(165)	
Curates Housing applied through Parish Share	(164)	(164)	
Other items where expenditure matches agreed income	(89)	(89)	
Timing differences:			
Pension Holiday		(117)	117
Small audit adjustments	(47)	(23)	(24)
Figures presented differently in Financial Accounts:			
Interest from Property Ring-Fenced Fund		(223)	
Glebe costs reflected in Glebe Fund		281	(281)
Items not included in Management Accounts:			
2024 Designated Transfers			500
Other transfers in 2025			13
Revaluation on investments			60
Figures per Management Accounts	**17,440**	**17,002**	**438**