**Annual Finance Report for Circuit Council – 12th June 2024**

This report covers a summary of the financial position of the Circuit for the previous financial year (2022/23), the current financial year (2023/24) and the projections for the next two years. Overall, the financial position is looking much better than it has in the last couple of years and moving towards a balanced “core” budget will enable the Circuit to utilise the reserves on fulfilling our mission as opposed to holding onto them in order to fund an ongoing deficit.

**Audit and Accounts for 2022/23**

The Report and Accounts for the Connexional year 2022/23 were approved at the Circuit Council in March 2024, and have now been filed with the Charity Commission. The Circuit Council noted the report containing the Audit Findings.

The accounts showed **an overall reduction in Total Circuit Funds of £(296)k**, and the main points are as follows:

* In my December report I highlighted a cash deficit of **£(123)k**, made up of a reduction of £73k in the Circuit’s CAF / CFB bank accounts and a £50k drawdown from TMCP.
* There is a **£(144)k** cost in the accounts which is the Connexional levy paid on completion of the sales of Cornerstone Church and the manse at Headley Close. This is not the full cost of the levy as a portion of it was provided in the previous year. There is a wider question here of how we value the Circuit’s property in the context of the Connexional levy.
* There is a **£(46)k** reduction in the valuation of Circuit property (mainly manses) in the year – by way of context this represents reduction in property value of around 1%.
* There is a **£26k** surplus from our Restricted Funds in the year, most of which relates to Carecent.
* The above numbers come to an overall reduction of **£(287)k**, and other minor adjustments made when moving from cash accounting to accrued accounts make up the remaining difference, which gives a final number of a reduction of **£(296)k**.

***The Circuit Council is asked to note that the Report and Accounts have now been filed with the Charity Commission in advance of the deadline of 30th June 2024.***

**Update on Circuit Finances for 2023/24**

I have not yet reconciled the accounts for the March to May quarter, but the position at the half year point (September 2023 to February 2024) indicated that the position for the year is likely to be significantly better than the deficit of £(118)k approved by the Circuit Council in early 2023. So far this year two drawdowns have been made from our TMCP reserves totalling £75k, and this should be sufficient to cover this year.

There are a number of reasons for the projection being better than the budget, and these are similar to the reasons outlined to the previous meeting around the 2024/25 Budget, namely:

* A reduction in the District Assessment which was finalised after the budget was set;
* A reduction in staffing compared to the budget;
* Increase in lettings from Circuit property, including income from Melbourne Terrace not previously assumed;
* Higher interest received on the Circuit’s TMCP and CFB accounts.

Some of the remaining deficit will relate to the net ongoing costs of the closed Churches which I will segregate for the full year position. There still remains some uncertainty around some property costs, in particular the costs associated with repairing the damage to the Easingwold manse after the water leak.

The Circuit reserves were boosted in February 2024 by the completion of the sale of the former chapel at Stillingfleet, with the proceeds being £65k net of the Connexional Levy. Further income is expected shortly from the completion of the sale of the New Earswick property, although this will be significantly less, with the final net proceeds expected to be less than £20k. There is potential additional income to be received when the sales of Trinity, Dunnington and Stamford Bridge Churches are completed, although there is significant uncertainty as to the amounts these sales may generate.

Finally, the above numbers do not include the Carecent finances.

***The Circuit Council is asked to note the updated financial position of the Circuit for 2023/24.***

**Assessment for 2024/25**

The proposed assessment for 2024/25 was approved at the March Circuit Council. As agreed by Circuit Council the CLT have approved reductions to the full amount to Haxby & Wigginton and Holgate Churches based on their specific circumstances. These reductions were similar to those agreed for this year:

* Haxby & Wigginton – reduced from £112k to £89k;
* Holgate – reduced from £27k to £14k.

***The Circuit Council is asked to note the reductions agreed to Haxby & Wigginton and Holgate Churches.***

**Budget for 2024/25**

The budget for 2024/25 was approved at the March Circuit Council meeting, and this showed an improvement on the budget for this year – a summary of the position is that the deficit is forecast to reduce from a **£(118)k** budget deficit in this financial year to £(65)k in 2024/25 (including the net cost of the closed Churches). The deficit reduces to **£(47)k** when the closed Churches are excluded, which represents the deficit for the core Circuit activities.

This is clearly an improvement on previous years and is mainly due to similar reasons for the improved projections for this year outlined above.

For 2025/26 the current projection is that the budget will be close to being balanced and shows a **£(9)k** deficit. The further improvement in the position is down to assumptions around how known staff changes will be funded going forward.

***The Circuit Council is asked to note the improved financial projections in the budget for 2024/25 and the projection for 2025/26.***

Nick Dawson

Circuit Steward (Finance)

6th June 2024