

SLIDE 4

A presentation of the main highlights from the Annual Report and the Consolidated Financial Statements for the calendar year 2018.

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Directors and Trustees Report

The purpose of the report is to

- ❖ To outline the progress of the Board against its objectives for the year in question and to outline any future perspective also highlighting any principle risks and uncertainties.
- ❖ To clarify structure, governance, and management
- ❖ To provide legal and financial information
- ❖ To include the Auditor's report

This year is a slightly different and we hope a more attractive presentation commencing with a letter from the Chairman and adding some pictorial comment.

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Our objectives

Underpinning the objectives is the vision affirmed by Bishop John Gladwin in his recent report, of Renewing Hope; Pray Serve Grow.

The more detailed objectives are

- Deepening Discipleship
- Nurturing vocations
- Sustaining ministry
- Engaging with children and young people

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How then has the DBF performed against the objectives?

Just some key points.....

Rural Hope is beginning to make an impact with most key officers in post by the end of the year. The Rural Training Pathway at Sarum College, Germinate Leadership Programme and Thrive Learning communities form the building blocks of this programme. The 4 Rural Field Officers are busy working with local ministry teams to develop worshipping initiatives.

The DBE is responsible for ensuring the development of a body of;

1. confident, effective, church schools and academies that are deeply Christian
2. The DBE is responsible for leading on Children and Young People (CYP) in the diocese this is not the case for most DBEs. The Diocese pays
3. The total annual budget of the DBE for the year ending 31st March 2019 is £1.3m of which the DBF contributes £323k (25%)

The Diocese is here to serve the parishes – this is one of the basic tenets of the strategy and of the Review Process. In 2018 it manifested itself as follows;

- 216 schemes were submitted to the DAC for consideration: 169 List B approvals were made: A very successful National conference was hosted
- Diocesan Trust Officer: 42 requests from parishes were submitted to Finance Committee by the trust officer
- The Property department managed 235 houses as well as dealing with rentals of properties that have become vacant
- The Comms team helped with the flow of information across the Diocese- the Advent Calendar was a particular highlight
- Diocesan links overseas continue to provide much needed support to the Sudan

IN 2018 Salisbury became the first **ECO DIOCESE**

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The report looks to the future – this has been covered by David in the first part of the evening and will be referred to also below under the Budget section

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Auditors Report

This is the second year we have had haysmacintyre LLP as auditors. The report is once again unqualified with few management info points – the essence of their opinion is on the slide

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Statements of account

There are 3 main statements of account

- ❖ The Statement of Financial Activities
- ❖ The Balance Sheet
- ❖ The Cashflow statement

In case of not being able to read figures on slides a handout is also provided.

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Statement of Financial Activities

This is the income and expenditure account of the DBF.

Performance compared with 2017

It can be seen from the slide that funds increased by £2.48m in 2017 but decreased by £1.66m in 2018.

Reasons for this are as follows

- ❖ The net total before the movement on investments is £623k worse in 2018. There are many contributing factors but share contribution was lower in 2018 and the income generated from the property trading company was substantially higher in 2017.
- ❖ Investments rose 2.3m in 2017 and fell £1.2m in 2018
 - A) Investment properties were revalued in 2017. These properties are revalued once every three years and contributed £1m to the investment increase of £2.3m in 2017.
 - B) Investments with fund managers fell in value during the last part of 2018 losing £1,2m in the year. In 2017 these investments increased by £1.3m. Since the year end the investments have performed well recovering much of their loss.
- ❖ Movements in investment are only book movements not cash movements and only significant if there is a need to sell investments.

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Operating Deficit

The way the SOFA has to be prepared masks the fact that there is an underlying operating deficit.

This is a different way of presenting the figures clearly arriving at the same total at the bottom, but also showing why there is an operating deficit.

- ❖ **Deficit against share budget £262k (2017 23k)**

While our share collection remains high we do not receive 100%. Therefore there is always a deficit against the share request as well as variances in the actual figures against budget. In 2017 this was mitigated by the fact by higher share collection % and by the fact that the property trading company was able to contribute more profit with a bigger fee income than in 2018.

- ❖ Capital repairs and ingoing works to clergy houses **£534k (2017 510k)**. This is **significant** expenditure not matched by income.
- ❖ Movement on other funds £369k (2017 £179k) is mainly rental of clergy houses; clergy recruitment and wellbeing again not covered by income; and significant expenditure on Milton Abbey in 2018 amounting to just £88k Overall expenditure on Milton Abbey past 3 years has been £35k – it depends where the grant income falls as to whether there has been a surplus or deficit in recent years. Despite the loss of funding from HLF much has been achieved.

After the operating deficit movement on investments and on the clergy pension creditor takes the figures from the operating deficit to the overall movement in funds. The Diocese has to pay a contribution to the Clergy Pension Scheme amounting to 39.9% of the National Minimum Stipend for each clergy. Part of this payment goes towards reducing the clergy pension deficit. In 2018 this payment was £586k; £688k in 2017. The amount owed to the clergy pension scheme in 2017 was £4.23m: the £586k paid in 2018 reduces this creditor to £3.65m. This payment is not shown in the income and expenditure account as it reduces the creditor on the Balance Sheet but it is a cash payment

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Income and Expenditure in more detail

Since some of the headings are not helpful a more detailed breakdown of income and expenditure is provided on your chairs. The Income pages 2 and 3 of handout

Biggest income remains the Parish Share receipts

- ❖ Share receipts lower 2018 than 2017 but still a great result for which thank you

National Church receipts higher 2018 as the RME Scheme paying for ordinands college training was only introduced last part of 2017, plus Rural Hope only commenced last quarter of 2017

Other donations covers Grant income Milton Abbey: donations to the Sudans and the very generous grant from the All Churches Trust

Charitable activities covers parochial fees and contributions from other bodies towards chaplains' stipends

Other trading activities covers rental income and the fee income from the property trading company

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Expenditure

Raising funds is the fees paid to agents for letting properties

Charitable activities covers all other costs – the details are on your hand-out pages 4 and 5

Other is the costs relating to the property trading company and in 2017 a loss on sale of properties

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Balance Sheet

The Balance Sheet is the snapshot at a particular point in time – in this case at 31 December 2018 – of the assets and liabilities of the Diocese.

At first glance it looks very healthy at £122m so what is the concern?

Of the £122m at 31 December £92m 75% of all funds are tied up in clergy housing and unless any become vacant these are not readily useable assets.

Of the investments £19m relates to investments with our 3 fund managers. £12m is the Glebe Investment Property. One of the focus of the current reviews is to take a more proactive approach to the Glebe property.

So available for use is only investments but most in restricted and endowed funds and cash which is just over a million.

Debtors are made up of prepayments in respect council tax water rates: January receipts share – all share debt fully provided for and accrual for income eg parochial fees after year end

Creditors > 1 year: mainly the PENSION deficit £3.64m due to be repaid in 2023

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Cashflow

Total decrease in cash £915k which goes back to the operational deficit.

Cash movement is essentially the operational deficit with a few small adjustments for non-cash items and then – or + purchases and sales of houses.

So that is a quick run through the main statements of account.

Hand back to Nigel for questions