Synod Presentation 22.6.2021

Liz Ashmead

SLIDE 2

Trustees report

The foreword written by Bishop Nick to the trustees report sums up the shock in March 2020 when the year changed shape in a dramatic fashion as the first lockdown was announced. People across the Diocese rose to the challenges posed- hastening changes which remains with us to this day. I remember it well as the auditors (2019 accounts) had just arrived = spent 2 days in Church house and then the whole process was removed to home.

The trustees report seeks to highlight examples of resilience in face of adversity – to pick just a few

- Quick and fundamental change to remote working - In remarkably short order we were all experienced in Teams and Zoom as an efficient method of conducting business and Diocesan business continued successfully albeit in a different way. Programmes such as Rural Hope (p8) and the most important work of the safeguarding team continued – there was a backlog in training but most of this has now been cleared.
- There have been many inspiring stories of parishes quickly moving worship online – and even encouraging new members to join.
- Equally many inspiring examples of care in the community with the less vulnerable helping those most at risk
- Integration of the C Is has proceeded -awaiting final sign off
- Sudan income received a boost from the generous giving of donors to the appeal making up for loss of fund raising.

So how did all this reflect itself in the figures for 2020?

SLIDE 3

There are 3 main statements of account Statement of Financial Activities; Balance Sheet and Cash flow statement and the presentation takes each of these in turn starting with the Statement of Financial Activities (sofa) essentially the income and expenditure account for the year ended 31 December 2020.

In April and May of last year the finance team were busy calculating many different scenarios for discussion at Finance committee with dire predictions as to the possible loss of income that might be experienced. Fortunately the worst of these predictions were not realised.

Our budget was for operating deficit of £900k- we ended the year with an operating deficit of £1.5m – loss of expected share receipts being the biggest contributor – accounting for £750k of the £843k loss of income. Parishes did however manage to contribute 89.8% of the expected share request for which we are immensely grateful. We do not underestimate that this represented a huge amount of effort from many and is very much appreciated. The continued support of our parishes via the share system is essential to our ability to function.

Expenditure fell by £111k – particularly in mission and ministry deliverance of CMD and in delays to the property repairs programme through difficulty of accessing houses. All essential property repairs were concluded.

Capital and any non-essential expenditure was put on immediate hold in March 2020 except for IT (p9) where investment has increased bringing many very old systems up to date as the increased need to rely on IT has been self-evident throughout the pandemic. Migration to the Microsoft Office 365 cloud-based solution enabled an almost seamless transfer from office to home. Main other expenditure was on a new accounting and property management package giving better and quicker visibility on figures – aligning with national church on CMS; people system; safeguarding .

After the operating deficit 2 factors contributed to reducing the deficit from £1.5m to £730k for the year.

SLIDE 4

The first of these is net gains on props investment glebe +300k

Total Realised losses £38k- properties / glebe and investments

- On sale 3 curates houses £45k
- On sale Glebe £65k
- On sale investments -£148k

Unrealised loss on book value of investments £722k

All investments fell sharply to March 2020 : the 2 CCLA investments recovered more quickly and ended the year as follows

- CCLA Investment fund + 6.9%
- CCLA Property – 5%
- M&G predominantly based in the UK has taken the longest to recover and at the end of the year was down 17.3% Since the year end its recovery has continued (31/5/2021 -7.9%)- continuation of investments in this fund is under review in 2021 – with independent advice being sought to provide possible alternatives.

In 2019 investments rose by £2.6m – all these movements are only book movements and the performance of all investments in the first quarter of 2021 shows that continued upward trends cannot necessarily be relied on.

In 2020 the glebe portfolio has been revalued – 93% by STRUTT AND PARKER and has gone up JUST OVER £1m since its last valuation in 2017. Again this is a book movement only and significant only on sale of assets.

The second of these is the continued decrease on amounts owed on the clergy pension deficit – adjustment this year of £483k removing payments made in the year against deficit to the balance sheet to reduce the amounts owed. The Clergy pensions board is still on track to eliminating the deficit by the end of 2022. This will materially reduce the pension costs of clergy going forward but equally there are no guarantees as to this – and the next triennial valuation could just as easily show an increased not reduced deficit. 2019 saw a much bigger decrease in the deficit with a change in the valuation of the funds.

Effect of these 2 movements is to taken the movement of funds from operating deficit £1.5m to an overall decrease in funds £730k. The important figure to concentrate on is the **operating deficit of £1.5m especially realising that 2021 is going to be an equally if not more difficult year. It is these continuing deficits that the 5 year plan seeks to address looking towards achieving breakeven by 2025.**

SLIDE 5 Balance sheet

- So looks very healthy at £125.7m – you could be forgiven for saying what is the problem ?
- £93.5m tied up in housing – fixed assets include Church House 2 houses; 234 clergy properties; Computer equipment £227k
- Investments with fund managers and Glebe £31m
- Cash in current assets has increased but only because of Coronavirus loan taken out

SLIDE 6 BALANCE SHEET

- Level of unrestricted funds 3.7m only 3% of the whole

The Coronavirus bank loan of £2.5m was taken out in October 2020 taking advantage of favourable terms being offered. There has been a 1- year capital and interest holiday with interest being charged from October 2021 at 1.81% over base. Capital repayments are in monthly instalments of £42k every 5 years with no penalties for early repayment. It would be fair to say that the loan was adopted at a time when the need for the full amount of money was not absolutely essential as can be seen by the fact that cash increased by £2.3m by the end of the year. If we had not taken it out, however, further investments would have had to be sold in 2021 so it was a prudent decision giving the DBF sufficient cash buffers to be able to weather 2021 and beyond. It was obvious even in 2020 that 2021 was going to be a difficult time financially as some parishes had used their reserves just to eb able to pay their share in 2020. Even as of now the full effects of the Coronavirus on our income and that of the parishes remains difficult to quantify fully with the timing and length of any future lockdowns a matter of speculation.

SLIDE 7 Cash

What has happened to cash? – look at slides

SLIDE 8 Going concern

Why do the trustees think that Salisbury DBF is a going concern?

- Strong balance sheet even with restrictions does give options

- Moving to adopt total return in 2021 which means we can use cash raised from for example glebe sales sitting in endowment funds
- Credible plan not underestimating the challenges

Unqualified audit report

Delighted to hand over to Adam to say a few words about the audit opinion

Adam – points as discussed this am with him

Robust discussion going concern in the course of audit – in current circumstances this is not an absolute guarantee but strong balance sheet even with all the provisos that Liz has mentioned and credible plan for eliminating the deficit does give us some options and on that basis they are comfortable with the trustees opinion

Able to deliver an unqualified opinion based on this and based on properly prepared financial statements. Its not an easy challenge to eliminate the operating deficit – heavily dependent on continued support of parishes