

Management Report to 30 April 2024

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Portsmouth Diocesan Board of Finance

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General Fund Statement of Financial Activities For the period ended 30 April 2024

The figures presented in this report show the results for April 2024 against both budget and prior year. A forecast also been prepared as we start to have a clearer view of the direction for the remainder of the year.

A detailed review of performance for April is shown below. Please note this is for the month only, not year to date to show the movement over the last 12 months. Both monthly and year to date figures are presented in appendix 1.

Budgeted deficit for April 2024					(112)
Parish share under collection					(27)
Additional rent collected					9
Other income movements					56
Sub total of Deficit after variances in income					(73)
Underspend on clergy remuneration					45
Overspend on Clergy Housing					(18)
Other operational underspend					(26)
Operating deficit as per management accounts above					(72)

The table above represents a loss made in April of £72k against a budgeted deficit of £112k. Much of this loss is driven by the under collection of parish share and overspend on clergy housing costs which continues to run above budget due to cost pressures, offset by additional income generated, including an increase in investment income.

We have had to draw funds off deposit in both January and February to support management of cash flow however we received the full year's LINC grant in January (£598k) which has been placed on deposit. We have also received £278k in March for SDF claims relating to costs that have already been incurred in October - December. We await reimbursement of the claims for quarter 1 of 2024 although these will start to reduce as funding for SDF 2 ceased at the end of March.

The sale of Grindall Field, Wickham completed at the end of April resulting in a surplus on disposal of £97k (this is shown separately as a one off item on the face of the management accounts). The purchase of Lapwing Crescent, Emsworth also completed at the end of April. This is partly financed by a loan from Warblington and Emsworth. The net of the sales proceeds for Grindall Field and purchase price for Lapwing has also been placed back on deposit.

We have also applied the pension surplus from the DBS pension scheme from April (as previously agreed by Bishop's Council) which offsets the employer's contributions for the lay staff. This equates to a saving of c£19k per month.

3. Rental Income:

Rental income continues above budget. The breakdown compared to 2023 is detailed below:

Description	Rental income £	Glebe land rent £	Glebe property rent £	Total £
2024 YTD	204,809	2,548	22,770	230,127
2023 YTD	207,215	3,532	22,397	233,143
Increase/(Decrease) year on year	(2,406)	(984)	374	(3,016)
Increase/(Decrease) year on year %	(1%)	(28%)	2%	(1%)
Budget YTD	166,992	3,532	22,397	192,920
Budget Variance	37,817	(984)	374	37,207

The budget expected a larger reduction to reflect recent and planned clergy appointments. We expect rental income to fall as further properties are held vacant for future appointments.

4. Grants:

Grants are largely in line with expectation and include the LINC grant and the grant from Portsmouth Diocesan Council for Social Responsibility for the recharge of staff costs. There has been a new staff appointment for CSR which has led to a small increase in the amount recharged.

5. Investment Income:

Investment income is ahead of budget. Year on year, there has been an improvement in the returns on all aspects of the investment portfolio except for property (as shown below).

<i>Distribution per income share (in pence)</i>											
		2024		2023				2022			
	% of portfolio	Q1	% change from equivalent period last year	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Global equity	7.52	1.91	3.80%	1.91	1.9	1.84	1.84	1.91	1.91	1.84	1.84
Investment	66.96	15.62	2.23%	15.62	15.61	15.28	15.28	15.62	15.61	15.28	15.28
Property	9.05	1.77	0.00%	1.6	1.57	1.57	1.77	1.6	1.57	1.57	1.77
Fixed interest	1.48	0.9	12.50%	0.82	0.78	0.7	0.8	0.84	0.79	1.05	1.05
Deposit	14.99	5.25%	34.62%	5.30%	5.20%	4.50%	3.90%	3.20%	2.05%	1.10%	0.65%
	100										

Due to declining returns on the property portfolio, the decision was made during 2023 to reduce the holdings here, and as a result a 6 month notice period on the property portfolio, these sales weren't processed until August 2023. For Q1 2023, 16.65% of the portfolio was invested in property compared to just 9.05% now. The results for 2024 therefore reflect the increase in returns and the reallocation of capital; investments which see the highest return have increased from 60.7% of the total holding to 66.96%.

The increase in deposit interest over this time has also led to a significant increase in investment income, despite a reduction in balances on deposit due to the repayment of the CBIL and use of cash on deposit to fund operations. The base rate has remained at 5.25% throughout 2024 however ranged between 3.5%-4.25% for the equivalent period in 2023.

6. Other Income:

Other income includes various items such as advertising income for the quarterly magazine, recharge for the Bishop’s proportion of the legal and registrar costs and other office costs incurred for Bishops Grove. The balance is above budget due to a large sum for school buildings projects received from the Portsmouth & Winchester School Governors Funds. Winchester DBF are also recharged two thirds of any expenses relating to the education team and this income is also included here until such time as the staff are TUPE’d to the new CIO and all income and expenses are incurred there. We have also invoiced PCCs for their share of web domain fees during April.

7. Clergy Remuneration:

Clergy remuneration is £147k below budget year to date. Clergy headcount levels are below the level expected when the budget was set although there have been several new starters in the first quarter of the year with further appointments planned. Much of the movement in the costs compared to 2023 relates to the 6% stipend increase which was applied in April 2023 although there has also been an increase in average headcount across this period.

An uplift of 5% has been applied to stipends effective April 2024. The pension contributions have also reduced from 28% of the previous year’s national minimum stipend, to 25%.

A breakdown of the costs year to date compared to budget and prior year is shown below:

	Year to date - April 2024		
	Clergy stipend budget 2024	Clergy stipend actuals 2024	Clergy stipend actuals 2023
Stipend	855,003	757,925	698,576
Pensions	206,805	165,338	185,253
NI	69,073	66,142	60,313
Apprenticeship levy	4,196	2,883	3,360
Housing	27,641	22,247	31,965
	1,162,719	1,014,535	979,467

The head count at the end of March was as follows:

	Budget Apr (for month)	Actual Apr (for month)	Var Apr	Budget (average YTD)	Actual 2024 (average YTD)	Actual 2023 (average YTD)
Curates	17.0	12.0	(5.0)	17.0	11.3	13.0
Archdeacons	2.5	2.0	(0.5)	2.5	1.9	1.5
Stipendiary clergy	68.5	63.2	(5.3)	64.8	62.5	60.0
	88.0	77.2	(10.8)	84.3	75.7	74.5

From April, one curate post noted above is funded under the Ryde SMMI bid and therefore although included in the headcount, the costs are charged to the SMMI restricted fund and are not reflected in the costs above.

NB the budgeted levels are split based on the timing of the annual stipend reviews which take effect in April and take an average based on the expected clergy levels to be recruited.

8. Clergy Support:

Clergy support costs are over budget. This includes costs for administrative support for the archdeacons, clergy appointment and removal grants and other associated costs. Due to the number of appointments made in the first few months of the year, appointment and resettlement grants exceed the year to date budget. There are also in vacancy fees included for late claims received from PCCs in relation to 2023 services.

9. Clergy Housing:

Clergy housing costs are over budget year to date, which relates to repair costs where a number of large projects have been underway since the start of the year. The increase compared to last year reflects the quinquennial works and large amount of appointment works continuing to be completed as we recruit into clergy roles, particularly on the Isle of Wight.

Clergy housing costs can be further broken down as follows:

	2024 Actual	2024 Budget	2023 Actual
Repairs	£ 289,003	£ 200,000	£ 123,828
Council Tax	£ 56,297	£ 59,738	£ 44,057
Insurance	£ 6,077	£ 18,731	£ 18,165
Agency fees	£ 18,982	£ 17,743	£ 22,503
Other	£ 56,270	£ 54,367	£ 41,987
	£ 426,630	£ 350,580	£ 250,540

10. Safeguarding costs:

Safeguarding costs are largely in line with budget. There have been recruitment costs incurred for a case worker as one member of the team is due to retire in early May. Offsetting this, there have no legal costs incurred to date; the budget allowed for costs in relation to attendance at core group meetings if required.

11. Lay and Ordained Ministry:

Costs are below budget however excluding salaries (where the new budgeted posts have not yet been appointed), costs are over budget year to date by £28k. A proportion of this (£8.8k) relates to maintenance grants for ordinands which are higher than anticipated when the budget was set. We have also received the fees for Reader training for Trinity term in April and the Michaelmas cohort have attended the Easter school at a cost of £5.9k.

We have been awarded £23k of funding pa for three years from the Community of St Denys towards the costs of one of the youth roles therefore would expect an underspend against this post in the budget line for the full year. This post has not yet been recruited.

12. Social Transformation:

Costs are largely in line with budget and relate to staff costs which are recharged to the Council for Social Responsibility (income included in grants). The small overspend relates to the new fundraising post which wasn't in the original budget. There will be additional grant income to offset this additional cost.

13. Mission and Education

Mission and education costs are over budget due to additional support for the setting up of the CIO and ensuring all the relevant governance and policies are in place. This is being undertaken by a consultant. Two thirds of the additional costs are being recharged to Winchester DBF and so there is a small amount of additional income in relation to these costs included in other income.

During April, a balance of £400k has been paid across to Isle of Wight Council in relation to buying in to Greenmount Primary School. This balance has been carried in the accounts since 2016. We incurred legal fees of £3k in March in relation to settlement of this balance.

14. Communications

Costs are in line with budget year to date.

15. Parish Support Costs

Parish support costs are running above budget. There is an additional post within the strategic programme team which was not included in the budget and is not covered by the existing SDF or SMMI funding.

We have also supported the set up of the office for the new administrator in Paulsgrove, which will be funded by the LINC funding as Paulsgrove is a recipient PCC. There is a similar post being recruited for Wymering as well.

There has also been an overspend on the Parish Giving Scheme costs. Due to a change in administration, the overall costs for 2024 are expected to be below budget however the payments have been accelerated for the first 4 months of the year whilst the budget assumed a higher cost but paid evenly over 12 months.

16. Finance

Staffing costs are £10k below budget due to the vacancies in the team. The Finance Manager started on 22nd April (shared with Winchester), and there remains a small budget for project post which is not yet being recruited into.

The budget also assumed there would be an ongoing interest cost on the CBIL loan which was repaid in full in December, after the budget was approved. Offsetting this, £4.7k of historic costs have been incurred in relation to the implementation of the IT system.

17. Diocesan Office

Costs are over budget in April and year to date due to the receipt of invoices for the works to the Safeguarding offices, the budget for which had been spread over the year.

There have also been legal fees incurred in relation to the Purchase of Lapwing Close in Emsworth which completed in April.

Other overspends include IT costs relating to the property system which needs to be upgraded and relocated from the old server based environment to the cloud. There are some cost savings as a replacement HR post was budgeted however this has not been recruited and the costs reallocated to parish support from mid-February to cover additional hours for the parish support team administrator. Other savings including staff training and staff recruitment.

18. Governance

This includes costs in relation to Bishops Council, Diocesan Synod and General Synod. Costs are in line with budget year to date.

19. Registrar and Legal

Registrar costs are determined by the Legal Officers Fee Order and are not under PDBF control. Costs are in line with budget. There is also a budget for Chancellors fees; the new Chancellor commenced their role at the end of March and we would expect to incur charges moving forwards.

20. National Church Votes

The costs are determined by the Church Commissioners and are not under PDBF control. Costs are as budgeted.

Other funds:

- SDF2 has come to the end of its funding period from the end of March therefore the last retrospective claim has been made to Church Commissioners. We still have some commitments under our matched funding which we will continue to meet from PDBF designated and general funds.

SDF3 continues and we receive funding in arrears for the project through submission of a claim at the end of each quarter.

There are two members of PDBF staff funded either through SDF funding or through transformation funding between January and March (2.0 FTE in total).

- SMMI funding – we have now received the first tranche of the SMMI funding for Ryde. We are able to request funds for 6 months costs up front. The funds have been placed on deposit and will be drawn down as spent on a monthly basis. It is proposed that any interest earned on the funds will be used to top up the mission fund to help meet the commitment to matched funding on the project.

As noted above, there is one clergy post (curate) funded under SMMI.

- Net Carbon Zero – the initial £15k awarded in 2023 has now largely been spent and the next tranche of funding has been received. This covers the salaries for two members of the PDBF team (0.8 FTE in total). The project manager is also funded but is employed through Guildford diocese and the associated grant payments for this post are made directly to Guildford.
- The new churches buildings officer post for the Isle of Wight commenced on 1st March. This is a funded role where the DBF is required to cover 10% of the costs (0.5 FTE). The funding for this also been requested in the same way as above for the Ryde SMMI bid.
- Minor repairs and improvements grant funding has been awarded and applications for the first tranche of this have been received from parishes. The first panel meeting has allocated £23.5k of this funding has been received from Archbishops Council in readiness to be paid out to the successful parishes.

The following assumptions have been made when preparing this forecast:

Income	
Parish share	<p>Parish share collection rates have historically improved in the latter part of the year as parishes have greater knowledge of their financial commitments and what funds they have available to meet their share. There are also some parishes who pay from funds held at CCLA and so draw these down towards the end of the year.</p> <p>We are currently sending communication to those parishes who have not yet paid anything in 2024 and have not shared any reason for this. As a result, the forecast remains cautious for the remainder of the year as we gather this information.</p>
Fees	<p>Fees are expected to remain largely in line with the budget for the remainder of the year. In the coming months we will be reviewing the forms in light of the recent update to the policy to ensure we are receiving complete information from all PPC's (or declaration of nil returns) on a quarterly basis. We would also anticipate an increase in parochial fees and reduction in costs paid to officiants as more vacant clergy posts are filled.</p>
Rental Income	<p>The rental forecast reflects a reduction in rent over the course of the year as properties continue to be held vacant for clergy appointments and moves. Current rental levels exceed those expected when the budget was set.</p>
Grants	<p>Grant income is forecast to largely continue at the budgeted level, allowing for the additional staff post in CSR. This reflects unrestricted grant income only.</p> <p>The grant from the Benefact Trust is budgeted to be received in October.</p>
Fund transfers	<p>This reflects the expected transfer from the education fund to cover the shortfall of income over the expenditure for the team. At the moment, the education team costs remain directly within PDBF while we await the opening of the bank account for the new CIO to enable the income and costs to be transferred across.</p>
Investment income	<p>The forecast is based on the projections in the latest quarterly investment report from CCLA. It allows for a reduction in interest where funds have been taken off of deposit to support with cashflow, and clearing of balances not previously moved</p>

	<p>between funds but also allows for the increased interest rate applying throughout the year. CCLA expect a 2% increase in returns across the portfolio.</p> <p>As we see a decline in inflation but interest rates remain high, we will review whether higher levels should be held in deposit rather than investments over the next quarter.</p>
Other income	This is expected to continue at the budgeted level for the remainder of the year.
Expenditure	
Clergy Remuneration	The forecasts reflect all current known appointments and an assumption around additional appointments for posts in the pipeline.
Clergy support	The forecast assumes expenditure continues largely on budget for the remainder of the year. There will be additional appointment and resettlement grants paid in the coming months as ordinations take place.
Clergy Housing	The forecast assumes that overall property repairs spend remains largely in line with budget for the remainder of the year.
Safeguarding	Safeguarding costs are expected to remain in line with budget for the remainder of the year. Recruitment is underway to replace the member of the team who retires in May.
Lay and Ordained Ministry	The forecast expects the additional budgeted staff posts to be recruited into over the coming months with the saving against budget reflecting that the roles won't be filled for the full year, and that funding has been received for one of the youth posts.
Social Transformation	The forecast expects expenditure to continue at current levels for the remainder of the year.
Mission & Education	The forecast for education assumes ongoing operations will continue at the current level for the remainder of the year and that the additional support for setting up the CIO will cease.
Communication	The forecast expects expenditure to continue at the budgeted level for the remainder of the year.
Parish Support	The forecast expects costs to remain on budget for the remainder of the year with the reduction in Parish Giving Scheme costs commencing from April. Additional admin support hours

	have also been put in place which were budgeted under the Diocesan Office cost centre therefore an overspend is expected here, offset by an underspend against the diocesan office line.
Finance	The forecast expects expenditure to continue to run slightly below budget for the remainder of the year due to the cost saving on the CBIL interest.
Diocesan Office	The forecast expects expenditure to remain largely on budget for the remainder of the year with some of the savings related to the budgeted HR post being transferred to parish support for additional administrative support.
Governance	Costs are expected to remain in line with budget for the remainder of the year.
Registrar and Legal	The forecast expects expenditure to continue at the budgeted level for the remainder of the year now that the Chancellor is in post.
National Church	The forecast expects expenditure to continue at the current level.

The forecast currently shows a deficit of £508k before one off items, against a budgeted deficit of £481k. This budgeted deficit assumed 100% collection on a parish share budget of £5,223k. The budget included the following scenarios if differing collection rates were achieved:

If 95% collection achieved	(741)
If 92% collection achieved	(898)
If 88% collection achieved	(1,107)

The forecast suggests the result for 2024 will fall within these scenarios. The forecast takes into account the savings resulting from the use of the pension surplus.

Appendix 1: General Fund Income Statement and forecast for the period ending 30 April 2024

PDBF	Apr-24						Year to date						Notes	Full Year						
	Actual	Budget	Actual	Variance		Variance		Actual	Budget	Actual	Variance			Variance		Forecast	Budget	Actual	Variance	
	2024	2024	2023	Act vs Bud		Act vs 2023		2024	2024	2023	Act vs Bud			Act vs 2023		2024	2024	2023	Forecast vs Bud	
£'000s	£'000s	£'000s	£'000s	%	£'000s	%	£'000s	£'000s	£'000s	£'000s	%	%	£'000s	%	£'000s	£'000s	£'000s	£'000s	%	
INCOMING RESOURCES																				
Parish Share	387	413	346	(27)	-7%	40	12%	1,364	1,632	1,339	(268)	-16%	25	2%	1	4,497	5,223	4,323	(725)	-16%
Fees	39	37	36	2	5%	3	9%	51	59	57	(8)	-13%	(6)	-10%	2	222	230	283	(8)	-3%
Rental Income	53	44	55	9	20%	(2)	-4%	230	195	233	35	18%	(3)	-1%	3	563	524	698	38	7%
Grants	60	56	56	3	6%	4	8%	235	226	233	9	4%	2	1%	4	798	762	771	36	5%
Fund transfers	18	14	14	3	23%	3	23%	48	57	48	(9)	-16%	0	0%		192	178	140	14	7%
Investment Income	36	-	-	36	0%	36	0%	133	67	74	65	97%	58	78%	5	535	501	517	33	6%
Other Income	19	7	16	12	171%	3	16%	66	37	45	29	79%	21	48%	6	142	120	176	21	15%
Total Income	610	572	523	38	7%	87	17%	2,128	2,273	2,030	(145)	-6%	99	5%		6,949	7,538	6,908	(590)	-8%
RESOURCES EXPENDED																				
Clergy Remuneration	278	323	266	(45)	-14%	12	5%	1,014	1,161	979	(147)	-13%	35	4%	7	3,155	3,640	3,077	485	15%
Clergy Support	34	28	28	6	21%	6	23%	134	122	107	12	10%	27	25%	8	384	388	413	4	1%
Clergy Housing	113	95	79	18	19%	35	44%	425	351	251	74	21%	174	70%	9	1,137	1,108	1,427	(29)	-3%
	425	446	372	(21)		53		1,573	1,633	1,337	(61)		236			4,676	5,136	4,918	460	
Safeguarding	25	30	21	(5)	-18%	3	16%	111	120	81	(9)	-7%	30	37%	10	327	363	276	36	11%
Lay and Ordained Ministry	49	44	46	5	12%	3	7%	154	174	151	(21)	-12%	2	2%	11	482	538	426	56	12%
Social Transformation	9	9	9	0	5%	0	0%	37	36	38	1	3%	(1)	-2%	12	114	107	106	(6)	-5%
Mission and Education	18	15	14	2	16%	3	23%	77	60	59	17	28%	18	31%	13	210	181	182	(29)	-14%
Communication	7	8	7	(2)	-18%	(0)	-2%	34	36	31	(2)	-6%	3	9%	14	102	110	96	9	9%
Parish support	20	17	5	3	17%	15	291%	94	69	11	25	36%	83	724%	15	210	208	43	(2)	-1%
Mission Development Total	552	569	474	(17)	-3%	78	16%	2,080	2,129	1,708	(49)	-2%	372	22%		6,120	6,644	6,046	524	9%
Finance	15	19	18	(3)	-18%	(3)	-15%	68	75	65	(6)	-9%	4	6%	16	208	223	180	14	7%
Diocesan Office	74	54	62	20	37%	13	21%	236	216	243	20	9%	(7)	-3%	17	628	649	749	22	3%
Governance	0	1	0	(1)	-93%	(0)	-75%	5	4	5	2	43%	(0)	-1%	18	12	11	14	(2)	-12%
Registrar and Legal	9	10	8	(1)	-11%	1	12%	35	39	31	(4)	-11%	4	12%	19	113	117	96	4	4%
Mission Support Total	98	83	88	15	18%	11	12%	344	334	344	11	3%	1	0%		961	1,000	1,039	39	4%
Training for ministry	14	14	14	(0)	0%	0	1%	56	56	56	-	0%	0	1%		168	168	167	-	0%
National Church responsibilities	9	9	9	-	0%	0	3%	37	37	36	(0)	0%	1	3%		111	111	108	0	0%
Grants and provisions	2	2	2	-	0%	0	1%	6	6	6	0	0%	0	1%		19	19	19	(0)	0%
Mission agency support	-	-	0	-	0%	(0)	-100%	-	-	2	-	0%	(2)	-100%		-	-	6	-	0%
Clergy retirement housing	6	6	6	-	0%	0	6%	26	26	24	(0)	0%	1	6%		77	77	73	0	0%
National Church Votes 1-5	31	31	31	(0)	0%	0	1%	125	125	124	(0)	0%	1	1%	20	376	376	373	0	0%
TOTAL EXPENDITURE	682	684	593	(2)	0%	(89)	-15%	2,549	2,588	2,176	39	1%	(373)	-17%		7,457	8,019	7,457	563	8%
Deficit prior to one off income and transfers	(72)	(112)	(70)	40		(2)		(421)	(315)	(147)	(106)		(275)			(508)	(481)	(549)	(27)	
Gain/Loss on Sale of Fixed Assets	97	0	0	97		97		97	0	0										
Surplus / (Deficit) after one off income and transfers	25	(112)	(70)	137		95		(324)	(315)	(147)	(9)		(177)							