

# Management Report to 31 December 2022

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Portsmouth Diocesan Board of Finance

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## General Finance Update

Since last report, the Finance team have been focussed on ensuring that the clergy Hardship payments and Energy grant payments were paid across to the relevant recipients by end of December 2022. Payments to staff from the Hardship fund will be made in January 2023, along with any top up payments from the energy grant fund (we expect payments from this to continue throughout early 2023 until the fund is fully utilised).

A further round of recruitment for a payroll administrator has unfortunately been unsuccessful (this is a reflection of the ongoing challenges in the job market) and we are currently reviewing alternative options such as outsourcing to a payroll bureau. In the meantime, the payroll function continues to be resourced by existing members of the team, in addition to their normal job roles.

Work continues towards ensuring the necessary financial systems are in place for the new Charitable Incorporated Organisation (CIO) and to support the education team with this transition.

We are now preparing the year-end figures and undertaking the additional work required for preparation of the statutory accounts and preparation for the audit which is due to commence on 13<sup>th</sup> March.

## General Fund Statement of Financial Activities For the period ended 31

### December 2022

#### Financial Context

The figures presented in this report are the draft results to 31<sup>st</sup> December 2022. They have been prepared on the same basis as the management accounts reported throughout the year and do not include any one-off adjustments completed at year end to meet the reporting requirements of the statutory accounts such as revaluations of investments and properties, among others.

A second lump sum payment was made against the Coronavirus Business Interruption Loan (CIBL) in November 2022 and the balance remaining on the loan at 31 December 2022 was £620k (of the £2m originally borrowed). The monthly payments going forward will now be £13k rather than the original £33k per month. The remaining balance and any further repayments will continue to be reviewed in the light of changes to interest rates and ongoing financial results.

Parish share payments increased in December to 100% of the monthly ask. December payments are usually higher than average, in December 2021 the collection rate was 120%. The figures included in the report reflect cash received by 31<sup>st</sup> December. Any payments received in January 2023 that are specifically for the 2022 parish share ask will be written back into 2022 and therefore the final result for the year is expected to be higher than that reported below. The Energy grant payments to support parishes struggling with the costs of utilities were paid late in December; it is yet to be seen whether this enables parishes to free up any funds towards parish share payments both for 2022 and 2023.

A detailed review of performance to 31 December 2022 is provided below.

The draft result for the year to 31 December shows a deficit of £108k against a budgeted deficit of £1,198k. The variations within these figures have been explored further below but the overall results reflect a reduction in income of £195k against budget, offset by a cost reduction of £1,285k.

	Jan - Dec 2022 £000's				Prior Year Comparison £000's			
	Actual	Budget	Act vs Bud		2022	2021	Act vs Prior Yr	
Parish Share	4,351	5,122	(771)	-15%	4,351	4,405	(54)	-1%
Other Income	2,366	1,790	576	32%	2,366	2,415	(49)	-2%
<b>Total Income</b>	<b>6,717</b>	<b>6,912</b>	<b>(195)</b>	<b>-3%</b>	<b>6,717</b>	<b>6,820</b>	<b>(103)</b>	<b>-2%</b>
<b>Expenditure</b>	<b>6,826</b>	<b>8,110</b>	<b>1,285</b>	<b>16%</b>	<b>6,826</b>	<b>6,513</b>	<b>(312)</b>	<b>-5%</b>
<b>Surplus/(Deficit) for the period</b>	<b>(108)</b>	<b>(1,198)</b>	<b>1,090</b>		<b>(108)</b>	<b>307</b>	<b>(415)</b>	
<b>Collection rate</b>	<b>84.9%</b>	<b>95%</b>	<b>-10.1%</b>		<b>84.9%</b>	<b>151.8%</b>	<b>-66.9%</b>	
<b>Restated Surplus/(Deficit) for the year</b>	<b>(108)</b>	<b>(1,198)</b>	<b>1,090</b>		<b>(108)</b>	<b>307</b>	<b>(415)</b>	

\* Detailed General Fund Income Statement for the period ended 31 December 2022 is contained in Appendix 1

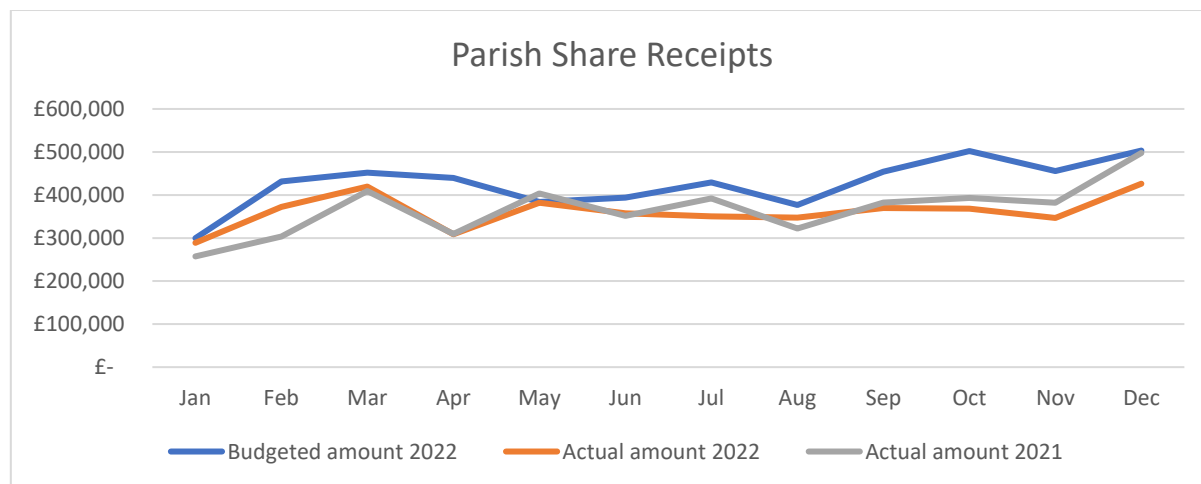
## Reconciliation of Budgeted Deficit to Actual Surplus for the period to 31 December 2022

Detailed variances are explained below, however this table shows a summary of how the budgeted deficit of £1,198k became an operating deficit of £108k at the end of December.

<b>Budgeted deficit to 31st December 2022</b>			<b>(1,198)</b>
Parish share under collection (adjusted for provision for uncollected share)			<b>(515)</b>
Additional rental income collected			318
Reduction in fee income collected			<b>(19)</b>
Increase in investment income collected			74
Other variances			203
Sub total of Deficit after variances in income			<b>(1,137)</b>
Unexpected underspend on clergy remuneration			776
Savings on Clergy Housing			422
Unexpected operational overspend			<b>(169)</b>
<b>Operating deficit as per management accounts above</b>			<b>(108)</b>

1. Parish share for January to December is £515k below budget (after taking account of the expected under-collection of 5% for which provision was included in the budget). This reflects a collection rate of 84.7%. There was a significant uptake in collection rates in December with 100% of the monthly ask being collected (please note this included catch up payments from earlier in the year and bulk payments from some parishes who had paid very little rather than each parish paying their full December ask).

The graph below shows the uptake in parish share ask against prior year. Although the uptake is smaller, the 2021 figure will include payments received in January 2022 which were allocated against the 2021 ask.



As we look forward to 2023, the individual ask for each parish will remain the same as for 2022, however with the addition of the Bishop’s Challenge whereby those more able to pay have been challenged to support those less able to pay by increasing their share by up to 5%. To date, there has been a positive response to this ask however it is too early to have a clear indication of how much of a financial impact this may have.

2. Fee income is behind both prior year and budget. The pandemic resulted in an increased number of deaths which would have impacted on fees from funerals. In the prior year there was also a catch up on weddings once these were able to be held again and so there was an inflated number of events for which fees were generated in 2021. Anecdotally, it has been noted that in some areas, the lack of clergy is impacting on fees, for example it has been suggested that on the Isle of Wight services are being turned down due to lack of clergy.

This final figure for this income line is also expected to increase as some fee income for 2022 has yet to be received and so any amounts received in January 2023 will be allocated back to 2022.

Fee income is an area to be reviewed in 2023 to ensure that PCC’s are maximising provision of these services were possible.

3. Rental income continues to be ahead of both budget and prior year as a result of the number of vacant properties that are available for let. Rental income for DBF properties is currently generating around £35-£40k per month.

Description	Rental income	Glebe land rent	Glebe property rent	Total
2022	588,035	22,612	45,855	656,502
2021	430,926	37,493	43,979	512,398
Increase/(decrease) year on year	157,109	(14,881)	1,876	144,104
Increase/(decrease) year on year %	36%	-40%	4%	28%

4. Grant income is largely in line with budget. The majority of the balance is made up of 3 large grant amounts as follows:
- The Benefact Trust (previously All Churches Trust) grant of £112k
  - Low Income Communities (LINC) funding grant of £495k
  - Grants from Portsmouth Diocesan Council for Social Responsibility (PDCSR) £94k

Each of these grants is expected to continue into 2023; in particular the LINC grant will increase to £578k.

5. Investment income is ahead of budget but behind prior year, largely due to market performance in the final quarter. Investment Advisory Group (IAG) recently met with CCLA and they are confident that the returns will continue at the current levels into 2023. The portfolio valuation is however still impacted by the ongoing economic challenges.
6. Other income is ahead of budget due to several receipts including:
- £26k for insurance claims, the associated costs of which are included within clergy housing.
  - £20k in respect of a refund of an overpayment for the service charges paid in 2021 in relation to the diocesan offices at Peninsular House.
  - Reclaim of PCR2 costs of £30k

Bank interest is also included here which has benefitted from the significant increase in interest rates during the year. Interest of £55k has been received in 2022 compared to just £1.6k in 2021. The budget was set at the prior year level.

7. Clergy remuneration costs are £776k below budget and £205k below the prior year. Clergy headcount is below the levels budgeted (65.3 FTE against a budget of 70.5). Recruitment has commenced towards the end of the year and so we expect to see numbers increasing into 2023.

The main areas of saving are:

- £58k underspend on resettlement and removal grants
- £678k underspend on stipends (including clergy, curates and Archdeacons, all costs include NI and Pensions)

	Clergy		Curates	
	Dec-22	Dec-21	Dec-22	Dec-21
Number of FT Posts	84.5		84.5	
Average Budgeted no. incl. vacancy factor	70.5	78.0	17.5	17.0
Actual Average no. of persons	65.3	67.1	16.3	17.8

8. Clergy housing costs have continued to run below budget by £422k. Spend is £31k higher than the prior year however. Commitment had been made to a large amount of works at the year end and we will work with the auditors to ensure that any works that can be included in the 2022 figures will be reflected.
9. Costs for lay and ordained ministry are largely in line with both budget and prior year. There is an overspend on the ordinand grants offset by a reduction against budgeted salary cost. This is due to inclusion of a salary cost that is recharged and therefore not a PDBF cost.
10. Social transformation costs are consistent with budget. This mainly relates to staff costs charged to PDCSR. The increase compared to prior year reflects additional staffing levels for current projects. There have also been appointments to support with the Ukrainian refugees the costs of which remain in PDBF.
11. Mission and Education costs are also higher than both budget and prior year. There is a small amount of legal costs in relation to the DBE measure of c£2k incurred to date. Salary costs are also above the budgeted level due to recruitment costs for the new Schools Building officers. Two new staff members were recruited at a cost of £10.5k for advertising and agency fees.
12. Safeguarding costs are over budget by £151k. The majority of the overspend relates to consultancy. £79.5k has been incurred in relation to the PCR2 review and £12k for the DSAP chair. Staffing costs are also over budget as the team have increased their capacity to meet the current demands including recruitment of a part time safeguarding manager. The team are now fully recruited (at a higher headcount than budgeted) but have also incurred costs at a higher agency rate whilst in vacancy. This increased headcount was approved by Bishops Council.
13. Communication costs are above both budget and prior year. There has been an increase in the hours worked by the Communications Officer in the final 2 months of the year (from 0.4 FTE to 0.6 FTE). There are also magazine printing costs of £6k included here.
14. Mission and support costs including finance, diocesan office and registrar and legal costs are above budget (by £106k) and prior year (by £211k).

Legal and registrar costs are large in line with both budget and prior year.

Staffing in the finance team is £25k over budget due to changes in the team during the year.

Within Diocesan office costs, IT costs are higher than budgeted due to the project to implement Sharepoint. Staffing costs have been impacted by the departure of the diocesan secretary and subsequent changes in the senior staffing team to cover this role on an interim basis.

15. National church costs are below budget however higher than prior year. The pooling of ordinands figure is lower than in the previous year and was not anticipated in the budget.



Appendix 1: General Fund Income Statement for the period ending 31 December 2022

PDBF	YTD						
	Actual	Budget	Actual	Variance		Variance	
	2022	2022	2021	Act vs Bud		Act vs 2021	
	£'000s	£'000s	£'000s	£'000s	%	£'000s	%
<b>INCOMING RESOURCES</b>							
Parish Share	4,351	5,122	4,405	(771)	-15%	(54)	-1%
Fees	211	230	360	(19)	-8%	(150)	-42%
Rental Income	657	339	512	318	94%	144	28%
Grants	705	700	673	5	1%	32	5%
Fund transfers	152	106	150	46	44%	2	1%
Investment Income	370	296	427	74	25%	(57)	-13%
Other Income	272	120	292	152	127%	(20)	-7%
<b>Total Income</b>	<b>6,717</b>	<b>6,912</b>	<b>6,820</b>	<b>(195)</b>	<b>-3%</b>	<b>(103)</b>	<b>-2%</b>
<b>RESOURCES EXPENDED</b>							
Clergy Remuneration	3,432	4,208	3,637	776	18%	205	6%
Clergy Housing	795	1,217	764	422	35%	(31)	-4%
Lay and Ordained Ministry	387	393	381	6	1%	(6)	-2%
Social Transformation	136	137	101	1	1%	(35)	-35%
Mission and Education	207	143	157	(65)	-45%	(51)	-32%
Safeguarding	292	141	186	(151)	-107%	(106)	-57%
Communication	74	65	64	(9)	-14%	(10)	-15%
Provision for unpaid parish share		256		256	100%	-	
<b>Mission Development Total</b>	<b>5,324</b>	<b>6,561</b>	<b>5,290</b>	<b>1,237</b>	<b>19%</b>	<b>(33)</b>	<b>-1%</b>
Finance	280	247	192	(33)	-13%	(88)	-46%
Diocesan Office	796	726	677	(70)	-10%	(119)	-18%
Registrar and Legal	81	78	77	(3)	-4%	(4)	-6%
<b>Mission Support Total</b>	<b>1,157</b>	<b>1,051</b>	<b>946</b>	<b>(106)</b>	<b>-10%</b>	<b>(211)</b>	<b>-22%</b>
Training for ministry	139	259	57	120	46%	(82)	-146%
National Church responsibilities	113	168	129	55	33%	16	12%
Grants and provisions	16		16	(16)		0	
Mission agency support	8	2	8	(6)	-279%	1	7%
Clergy retirement housing	70	70	68	(0)	0%	(2)	-3%
<b>National Church Votes 1-5</b>	<b>345</b>	<b>498</b>	<b>277</b>	<b>154</b>	<b>31%</b>	<b>(67)</b>	<b>-24%</b>
<b>TOTAL EXPENDITURE</b>	<b>6,826</b>	<b>8,110</b>	<b>6,513</b>	<b>1,285</b>	<b>16%</b>	<b>(312)</b>	<b>-5%</b>
<b>Deficit prior to one off Income</b>	<b>(108)</b>	<b>(1,198)</b>	<b>307</b>	<b>1,090</b>	<b>-91%</b>	<b>(415)</b>	<b>-135%</b>

