

Finance & Support Services Committee
13th October 2018

Summary Report

Financial Report

The **2018** half year accounts report a deficit from Core Operations of £206k and a forecast for the whole year of £433k. This deficit is to be part funded from the Closed Church Fund of £360k with the remaining £73k coming from the CIPT reserves.

Depreciation accounts for some £70k of the deficit.

Additional Operations report a deficit of £64k with a year's forecast of £91k and this is each funded from specifically held reserves. This includes significant works and investment is being undertaken within the trading activities.

No 4 Castle Gate remains empty as does the Manchester site. It is envisaged that No 4 will soon have a long term tenant providing good regular income and that the Manchester site might soon be sold.

Further capital receipts are expected in 2018 resulting in an overall deficit to the charity after Core and Additional deficits are taken into account of around £28k, before recognizing any unrealized investment gains/ (losses).

The latest 2019 forecast reports a deficit from Core Operations of £353k, Additional Operations of £97k and some capital receipts of £27k resulting in an overall deficit to the charity of £423k.

The Core Operations deficit will be funded from the Protected Program Fund £278k (as the Closed Church Fund becomes fully used up) and £75k from the CIPT reserves.

The Additional Operations deficit is funded from specifically held reserves.

Finance Strategy and Funding Requirements – The overall strategy of CF is to break-even by 2020 and on current operations it is now highly unlikely that this will be met. It was noted that of the original finance strategy put forward, that although the overall target had been agreed, some elements had not been completely implemented. As a result, it is now looking likely that the overall target will not be achieved and thus other elements of the strategy will now need to be revoked – namely, the investing of any new capital receipts was to be automatically invested into the money markets in order to increase investment income and the switching of the investment properties into the money markets is now not possible.

The FSSC therefore has to recommend that if deficits remain beyond 2020 that these need to be paid for and funded. It is necessary to revoke some of the previously agreed strategy elements relating to the investment decisions as well as identifying where within the CF reserves the deficits are paid from i.e. the Protected Program Fund to cover most of the Core Operating deficit.

Concerns over cash flow planning, investment decisions and budgeting were identified due to the uncertainty created through missing the finance strategy target set and that clarity on a finance strategy beyond 2020 is required.

There remains at this time a good asset base which produces around 60% of the overall regular income to CF but the expenditure is currently greater. The shortfall is covered either from capital receipts or from CF reserves which then in turn reduces the investment income.

CF has no debt and has no pension fund shortfalls.

Other Matters

Church Affiliation Fees – It was agreed to revoke the membership of some persistent non-paying CF churches unless they pay their outstanding fees by the end of 2018 or indicate positive reasons for non-payment.

A target of getting in £80k overall in fees for 2020 was agreed, compared to £60k-£65k currently. The FSSC therefore recommend increasing the fee for 2020 to £150 per church and £8 per member.

Education Grants – It was agreed to offer a grant in 2019 to households for CF ministers with children up to the age of 18 still in full time education a total of £75 per household.

CF Area Grants (England & Wales) – It was noted that @ 30.6.18 there is £105k available for churches to apply for grants from. That the ITTB had written to all Area's (Eng & Wales) regarding this seeking how they each communicate the availability to the churches in their area and will review this at their next meeting.

HRM Scheme – a new and much more detailed and complete scheme was agreed and is being recommended to Council in November 2018. If agreed, it will come into effect from 2019.

Treasurers Training Day – This had been well attended by a combination of Church and Area Treasurers who overall found it beneficial.

CF Archiving – This is a new CF initiative which currently is in the feasibility stage. A paper is being presented to Council in November 2018 as to how this can be achieved including any on-going costs.

DONM: 13.4.19