

## *Guildford Cathedral: Financial Review 2010*

This brief review summarises the Cathedral's financial position at the end of its 2010 financial year; and what is being done to try to secure the Cathedral's financial future.

Because of its relative 'youth', the Cathedral does not benefit from financial resources accumulated over many generations. We must rely instead on disciplined use of the resources that are available, plus ever more creativity to secure funds to sustain the Cathedral's daily work and its wider mission in the Diocese and beyond. The present harsh economic climate adds to the difficulty. Costs have been going up; income has not kept pace.

However, encouraging progress is being made. The Dean and Chapter have initiated a number of initiatives aimed to address the Cathedral's budget deficit and to find ways to secure the Cathedral's financial future:

- We have appointed a professional Events Director to maximise income from events, including those celebrating the Cathedral's Golden Jubilee.
- We have launched The Patrons of Guildford Cathedral, to help address current and future funding needs for the church's mission, fabric and music; and to build an endowment fund for the future. Since launch in May 2011, Patrons have already committed around £305k (including legacies and pledges).
- We are developing a 3-year budget plan to ensure continuing income generation and disciplined management of costs. The incoming new Administrator will take this forward, in conjunction with the Dean and Chapter.

We are engaging openly with the congregation and the wider Cathedral community on these initiatives; and welcome ideas and other input.

### *Year end position (December 2010)*

#### *Overview*

The final result for the 2010 financial year (see table below) was somewhat better than feared: a deficit (before losses/gains on property and investments) of £13,978, compared with a surplus of £68,575 in 2009. Ignoring large legacies/donations and exceptional expenditure, the underlying operating deficit of £43k was lower than 2009 (£66k). However, one key factor in this result was that expenditure on routine repairs and maintenance was significantly lower than expected. Unavoidable repairs and maintenance costs will be higher in 2011, so the operating deficit is forecast to be higher again in 2011 (£125k, of which £51k is exceptional repairs and maintenance which are being charged to the fabric fund).

Our minimum objective is to 'balance the books' at operating level, which the Cathedral has rarely been able to achieve.

Costs are carefully controlled, but this alone will not balance the books. The key is to grow income, particularly from new sources. In some cases, this requires additional up-front costs (such as on the Events department), which must be seen as investment in longer-term financial stability.

£000s	2007	2008	2009	2010	2011 (budget)
Operating deficit	(77)	(36)	(66)	(43)	(125)**
Increase/ (decrease) in funds after exceptional items	391	459	216	167 *	(125k)
Unrestricted and designated funds in cash and investments	1,213	1,516	1,642	1,686	1,612

\* This 2010 figure takes into account (i) an increase of £188.5K representing Heritage Assets (which have been with the Cathedral for many years but were not previously required to be included in the Cathedral's accounts) and (ii) a decrease of £110k representing a revaluation of the Cathedral's interest in No.6 The Close.

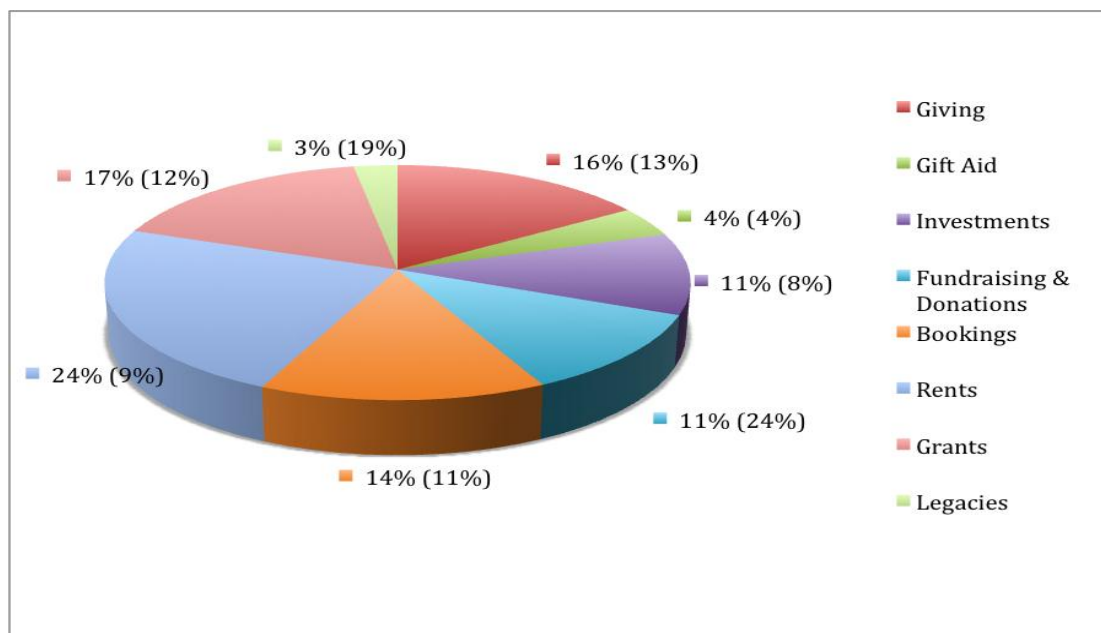
\*\* The 2011 figure includes approximately £30k investment in the new Events department. Ignoring this investment, the underlying operating deficit for 2011 is therefore £95k (including £51k of exceptional repairs and maintenance).

### Investments

Our investment portfolio increased in market value by £185k to just over £2.2 million during 2010, as the financial markets experienced some recovery. Since end of 2010, the portfolio is now being actively managed by our external investment advisers, with delegated discretion so that the portfolio can be adjusted promptly where necessary in response to market developments. The portfolio is managed on a low risk investment profile.

### Income – where the money comes from

**2010 (2009) Income -Actual**  
Total £1,075,980 (£1,544,265)



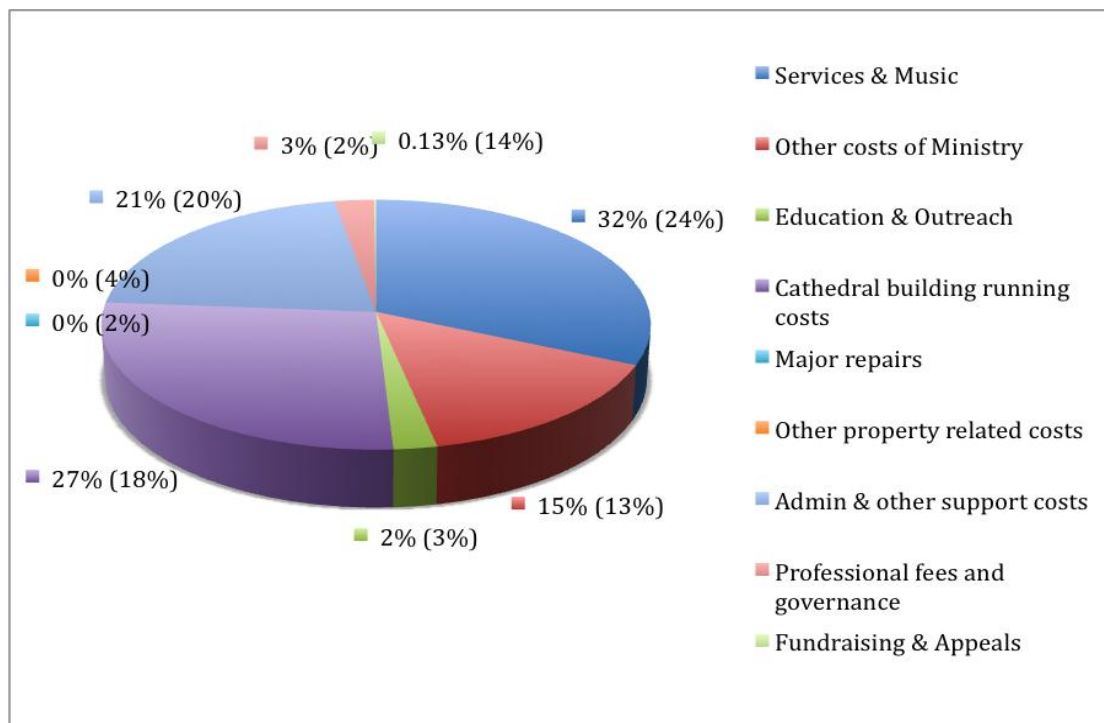
- The annual grant from the Church Commissioners for lay staff salaries is usually less than 7% of total Income and is expected to diminish further (clergy salaries are also paid by the Church Commissioners). There is no direct funding from Government, the Diocese or Parishes.

- A large proportion of total Income (£625k or around 60%) is congregational and other Giving (20%, with Gift Aid) and money which the Cathedral generates on its own initiative, such as Fundraising, Rents and Bookings (charging for use of the Cathedral for concerts etc.).
- Total Income for the year was down by £468k (30%). As shown in the chart above, this was mostly due to significant decreases in Fundraising (down 41% from £247k to £146k), Donations (down 77% from £369k to £83k), Legacies (down 87% from £229k to £29k) and income from the shops (down 18% to £144k).
- Congregational Giving (excluding legacies) for the year was basically static (£160k).
- On the plus side, more income was generated from Investments (up 27% to £113k) and Bookings (especially hiring to businesses - which was up 13% to £83k).
- The primary initiatives for increasing income in 2011 were (a) the recruitment of an Events team (forecast to generate new income of £28k for 2011 and also heavily involved in supporting the Golden Jubilee events) and (b) the Patrons initiative.

*Expenditure – what the money is spent on*

**2010 (2009) Expenditure - Actual**

Total £1,092,958 (£1,475,690)



- Day-to-day operational costs are being kept under control but increase for unavoidable reasons, such as increases in utility bills (up 49% over the past four years and, with recently announced increases, set to rise further) plus unexpected repair and maintenance costs.
- The two largest areas of expenditure, as usual, were (a) repair and maintenance of the Cathedral and staff housing (categories 'Cathedral building running costs', 'Major repairs' and 'Other property related costs' in the pie-chart above) and (b) Services and Music.

- Repair and maintenance was much lower than expected because no major repairs or other exceptional repairs and maintenance were carried out during 2010. However, these costs will be incurred in the future. Essential repair and maintenance of the buildings, put off over several years due to lack of available funds, is now becoming an unavoidable priority. The Chapter has a rolling programme of works for maintenance of the Cathedral Estate over the next five years, as required in the Cathedrals Measure 1999. This includes repointing of brickwork and work on drains, footpaths, stonework, copper roofs and monitoring of the asbestos. These repairs are expected to cost well in excess of £100,000.
- Less was spent on Services and Music than in 2009 (down 6% from £368k to £347k). This was a larger slice of overall expenditure than 2009 only because of the unusually low expenditure on repair and maintenance last year.
- Under its Outward Giving policy, in 2010 the Cathedral gave £8k (5% of congregational Giving and collections at regular and special services) to a wide range of charities (church, local, national and international).

### *Financial objectives for the future*

Although the Cathedral does not currently generate enough income to cover its operating expenses (and must rely on its reserves to finance the gap), promising initiatives to address this by generating new and sustainable longer-term funds, such as the Patrons and the appointment of an Events Director, have been launched during 2011 and are well underway.

Key financial objectives for the next 3 to 5 years include:

- Build up a capital endowment and additional income from outside the Cathedral's regular worshipping community, through the Patrons initiative.
- Address the on-going operating deficit by creative fundraising and raising money from other new sources of income. New sources of income are a key priority of the newly appointed Events Director, Caroline Simcox. Already the Cathedral has been registered as a potential film location and the grounds have been hired for a Taste of Summer Fair and a Taste of Christmas Fair.
- Maximise investment portfolio income, whilst looking at prudent ways of enhancing capital funds through market investments.
- Increase regular congregational giving.
- Continue to explore cost-effective ways of developing the Cathedral estate to generate additional capital for the Cathedral (as well as enhancing the Cathedral's mission and connection with the Diocese and local community).
- Continue to be disciplined on expenditure.
- Carry out unavoidable repair and maintenance to preserve the value and safety of the Cathedral and other buildings.

If you have any questions on the above or any other aspect of the Cathedral's finances, please contact me or Peter Hounslow (Treasurer). On behalf of the Finance Committee, I would like to thank you sincerely for your continued financial support of the Cathedral.

*Clive Cunningham  
Chairman of Finance  
July 2011*

*Kindly printed at the expense of a member of the congregation*