

Our Lady of Lourdes Church

Parish Financial Report - June 2017

Presented herein is a summary of the Parish's financial result for the year ended 31 December 2016 and the financial outlook for the Parish.

(1) Parish Financial Result for the Year ended 31 December 2016

Presented below is a summary of Parish cash receipts and payments for the calendar year 2016 ("2016 R&P") and the Parish Indebtedness as at 31 December 2016. The Parish accounts are prepared on a Cash Basis and only include actual cash received or payments made in the year. The Summarised 2016 R&P is derived from the Diocesan Return for 2016 and excludes 2nd collections and other restricted funds not available for general parish use.

As advised at last year's AGM, paying for the Renewal works meant that the Parish would go into debt in 2016 as the summary below:

	General Funds £	Jubilee Funds £	Total £
Opening position as at 1 Jan 2016	240,149	192,749	432,898
Cash generated in 2016 before Capital Costs	34,329	74,106	108,435
Capital/Project Costs paid in 2016	<u>(364,659)</u>	<u>(266,855)</u>	<u>(631,514)</u>
Closing position as at 31 Dec 2016	<u>(90,181)</u>	<u>0</u>	<u>(90,181)</u>
<i>Funded By:</i>			
Inter-Parish Loans (0% interest)	(70,000)	0	(70,000)
Bank Overdraft (1% Interest)	<u>(20,181)</u>	<u>0</u>	<u>(20,181)</u>
	<u>(90,181)</u>	<u>0</u>	<u>(90,181)</u>

The Parish had a cash surplus (General Funds) of £34,329 (2015: £62,007) before Project Costs in the year ended 31 December 2016. The decrease of £27,678 in the Parish surplus from 2015 was due to a fall in cash receipts of £9,490 (primarily offertory) and an increase in operating expenses of £18,189. Other than School Capitation Fees, there were increases in all operating expense categories.

Jubilee Funds received were £73,046 in 2016 (2015: £149,170) and totalled £266,855 at 31 December 2016. This comprised £53,617 from Standing Orders and One-off Donations, £13,598 from events and £5,831 from Cash Donations and Poem book sales. All funds raised as at 31 December 2016 were applied against the cost of the Renewal Works.

Gross Capital/Project costs paid in 2016 were £631,545 of which £625,023 (gross) related to the Renewal Works.

As a result of the inflows and outflows above, the Parish was £90,181 in debt at 31 December 2016. Further detail on the financial result for 2016 is presented on pages 3 and 4 of this report.

(3) 2nd Collections and Other Third Party Fund Raising in 2016.

2nd collections in 2016 totalled £7,852 (2015: £7,801). Funds raised for Buyamba and Cafod were £6,081 (2015: £8,168).

(4) Financial Outlook - 2017 and beyond

Current Year

With the information available to us in late 2015, the aspiration was to fund-raise £375,000 to help complete the Renewal works and enable the Parish to be debt-free by 31 December 2017. For the reasons explained below, this will not be the case and the Parish could be up to £85,000 in debt by the end of 2017.

	£
a) Expected shortfall in Jubilee fundraising	40,000
b) Price increase pre-commencement of works	35,000
c) Brought forward maintenance and project additions and over-runs, net	34,000
d) Higher than forecast net operating income and donations	<u>(24,000)</u>
	<u>85,000</u>

- a) In late 2014, we launched our Golden Jubilee Fund-Raising Appeal to run until 31 December 2017 and set a £375,000 target in late 2015. As at 26 June 2017, the Parish had raised £312,590 (83% of our target) for the Jubilee Building Fund as follows:

Standing Orders £	One-Off Donations £	Sponsored Items £	Events £	Cash and Poems £	Gift Aid £	Total £
54,298	151,485	17,750	49,686	10,848	28,523	<u>312,590</u>

215 Parish families have donated directly, with others contributing by supporting events and/or donating cash anonymously. We are very grateful for the support of those families and hope that they are satisfied with the outcome of the Renewal Works they have supported.

With 6 months to go until the Golden Jubilee Fund-Raising finishes, the likely outcome based upon existing standing order commitments and planned events is that as a Parish we will raise approximately £335,000 (89%) of our target. This will be £40,000 less than the **£375,000 target we had set and will have a negative knock-on effect on the Parish Finances.**

In spite of the additional costs set out in b) and c) below, we did not increase our £375,000 target given we were uncertain as to our true requirement and the fact that we are unlikely to achieve the £375,000 target in any event.

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(4) Future Financial Outlook (cont'd)

- b) As advised at the 2016 AGM, we were informed in March 2015 that the contract costs of the works had increased by £35,000 from the cost we were advised in November 2014. This was due to a combination of rapid cost inflation in the construction industry and more clarity over the cost of certain items. We informed the Diocesan Finance Committee ("DFC") of this unexpected increase who acknowledged the cost pressures we were facing and approved the additional expenditure. The DFC commented that any further delays to the project would have further negative cost implications and we should proceed as planned.
- c) During the course of the works, it was decided to bring forward maintenance works for the flat roofs and lantern (£34,000, net). In the past, the Parish has spent significant sums on temporary repairs to these roofs and in our financial plans we had a rolling 3 year "clean and repair" programme of at a cost of £14,500 each time. With the offer of a 15 year guarantee on the work on the flat roofs, we decided to proceed with those works now in order to save money in future years.

Over the course of the works, there were additional items added to the scope of the works (baptismal tiling, narthex vinyl, blinds, etc.) and higher than anticipated costs for particular items of the works (e.g. structure for windows, BT access point, etc.). These additional and unanticipated costs were partially offset by savings on lighting and other planned property and capital spend.

- d) We achieved higher net operating income than forecast given that the anticipated large reduction in offertory due to the closure of the church space did not occur and General Donations were far higher than expected.

Beyond 2017

Just like our forefathers when the church was built in 1965, we will likely enter 2018 with a large debt. This is no surprise given that by the end of 2017 the Parish will have spent almost £940,000 on capital projects and large repairs since 2012:

	<u>Renewal</u>		<u>Stevenson</u>			
	<u>Works</u>	<u>Heating</u>	<u>Roof</u>	<u>Room</u>	<u>Other</u>	<u>Total</u>
	£	£	£	£	£	£
Spend	723,873	88,104	71,378	28,467	25,737	937,558

While it is a high number, this spend was necessary to both address the issues arising within a 50 year old Church and also to prepare it for future generations in the next 50 years.

So how do we plan to address it?

The Golden Jubilee Fundraising campaign ends on 31 December 2017 and while well supported by a large number of families in the Parish, disappointingly it hasn't been supported by as many families as we had hoped. As such, we will probably be £40,000 short of our target. We do not plan to extend the Golden Jubilee campaign for two reasons:

- We asked Parishioners to make donations above their normal offertory donation and we still have over 70 active standing order donors who have committed to contribute until 31 December 2017. It is unreasonable to expect those donors to contribute beyond the end of 2017 given that they have supported the campaign as they were originally asked; and
- In the months since the church re-opened, there has been a significant drop in one-off donations as the campaign has lost its momentum given both the length of the campaign and the fact that its purpose, the Renewal Works, have been completed.

Unlike many other Parishes in the Diocese, the Parish has not received any legacies in recent years and with the expectation that this trend will continue, we need to look to increasing our historic source of funding - the offertory, general donation and regular Parish event income.

Firstly, we need to focus on reversing the decline in our net operating income which has occurred in recent years, most notably in 2016. We have seen income decrease with a reduction in both offertory (reduced by almost £15,000 since 2012) and a drop in general donations and income from Parish events which have been diverted to the Golden Jubilee Fund in recent years.

In addition to this, Parish operating expenses increased significantly in 2016 and while some may be due to one-off's, directionally this is a trend that will continue. We have limited ability to reduce many of these costs should we wish to continue to operate effectively as a Parish. As such, we need to focus primarily on increasing income while continuing to manage costs tightly.

Later this year, we will run another Planned Giving Campaign to encourage Parishioners to donate regularly (preferably by standing order) and in a tax-efficient way where possible. Annual standing order donations have decreased by £12,000 (14%) since 2012 with a net reduction in donors of over 40 families. The Diocese recommends that Planned Giving Campaigns are run every three to four years and we last ran one in 2011.

Given the focus on Golden Jubilee fund-raising in recent years, it did not make sense to run a Planned Giving Campaign until this year. The hope is that many of the existing donors can increase their donation from 2018 onwards and that we attract new regular donors who are either currently only contributing on a regular basis to the Jubilee Fund and/or are currently contributing via the basket collection.

In addition, we should hopefully see an increase in general donations and event income as these have been diverted to the Golden Jubilee Building Fund in recent years.

A positive impact from each of the above should deliver increased net operating income and enable the Parish to clear its debt quickly.

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(5) Questions

Given the short amount of time we will have at the Parish AGM, it would be appreciated if any queries could be sent to the Parish Finance Office via email on finance@olchurch.org.uk or please leave written queries at the Parish Office. Thank you.

(6) THANK YOU

Thanks to all of you who have contributed financially to the Parish. Without your generosity, the spiritual and temporal work of the Parish would suffer the plans to improve our Parish Church could not have proceeded. Many people work behind the scenes, without whom the Parish would not function. From a Finance viewpoint, my thanks to the following people:

Margret Wagner and the team of counters who deal with the collection each week

Leonie Elliott who prepares the monthly accounts and who with **Shelagh Lodge** deals with Gift Aid matters for the Parish.

Apologies if I have missed anyone,

Eoin Connaughton (Parish Treasurer)

Summary of Parish Income and Expenditure for the Year Ended 31 December

(all amounts in £'s)	Notes	2016 £	2015 £	Variance £
Parish Income				
Offeritory	(2)	100,652	105,822	(5,170)
Tax Rebates	(3)	18,626	20,427	(1,800)
Donations and Legacies	(4)	789	2,085	(1,296)
Hall Rental Income, net		6,976	7,198	(222)
Interest Income		734	794	(60)
Fundraising, net of costs		644	1,318	(674)
Repository Income, net		297	564	(267)
		128,719	138,209	(9,490)
Parish Operating Costs				
Property Running Costs	(5)	22,155	17,121	5,034
Diocesan Levies	(6)	36,023	28,599	7,424
Personnel	(7)	17,513	15,354	2,159
Liturgical/Pastoral, net of donations	(8)	7,295	4,700	2,596
Other	(9)	11,404	7,878	3,526
School Capitation Fees	(10)	0	2,550	(2,550)
		94,390	76,201	18,189
Parish Surplus before Capital/Project Costs		34,329	62,007	(27,678)
Capital/Project Costs, net	(11)	364,659	42,149	
Parish Surplus after Capital Costs		(330,330)	19,859	

Parish Cash and Borrowings as at 31 December 2016

(all amounts in £'s)	Notes	31-Dec 2016 £	31-Dec 2015 £	Movement £
Parish (Indebtedness)/Cash at Bank				
Parish (Overdraft)/Cash at Bank in Main Account	(12)	(20,181)	240,149	(260,330)
Inter-Parish Loans	(13)	(70,000)	0	(70,000)
	(14)	(90,181)	240,149	(330,330)
Restricted Funds				
Restricted Parish Funds in Main Account	(14)	48,113	36,328	11,785
Jubilee Building Fund Account	(15)	0	192,749	(192,749)
		48,113	229,077	(180,964)

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Notes to the 2016 Accounts

- (1) In accordance with Diocesan instructions, Parish accounts are prepared on a Receipts and Payments basis with the only Parish asset presented being our bank account. Liabilities are only recognised when paid for.
- (2) The 2016 offertory decreased by £5,170 (4.9%) from 2015 levels with standing order donations falling by £4,435 (5.9%). The basket offertory decreased by £786 (2.6%).
- (3) The decrease in Tax Rebates reflects both a lower offertory and a delay in receipt of final 2016 monthly submission until early 2017.
- (4) The decrease in donations between 2015 and 2016 of £1,296 is due to certain funeral, baptism and one-off donations being donated to the Jubilee Building Fund rather than General Donations. No Legacies were received in 2016.
- (5) Property Running Costs in 2016 were £5,034 higher due to a number of one-off costs including hedge cutting (£1,557), temporary heating (£1,391) and deposit for replacing cracked windows (£810).
- (6) The increase in Diocesan Levies of £7,414 is due to a re-calculation of Levies every three years. When the Levies were set in 2013, they were based upon the offertory for the years 2008 to 2011. The current levies are based upon the offertory for the years 2012 to 2014, which were considerably higher than in 2008 to 2011 following the Planned Giving Campaign in late 2011.
- (7) Higher Personnel Costs reflect the addition of some further administration resource in the Office during 2016.
- (8) The increase in Liturgical/Pastoral costs was primarily due to higher costs of Liturgical programmes and the fact that the most of the costs of both the 2016 and 2017 Confirmation courses were paid for in 2016.
- (9) Other, which includes donations plus parish house, office and travel costs, increased by £3,526. This reflects an increase in donations (£2,279) and office costs (£1,511). The former relates to our Parish's share of the cost of In-Service Religious Education Training for certain of St. Pauls Staff (£2,610) and the latter, new computer equipment (£1,133).
- (10) In accordance with the new Diocesan Policy, School Capitation Fees are no longer payable by the Parish.
- (11) Capital/Project costs comprise:

	<u>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Renewal Costs. gross	625,023	29,514
Transfer from Jubilee Fund	(266,855)	0
Other Roof Repairs, net	1,498	5,712
Stevenson Room Repairs, net	4,198	1,318
Nursery Doors	0	4,805
Other	795	800
	<u>364,659</u>	<u>42,149</u>

- (12) The Parish did not have sufficient cash to fund the 2016 Deficit of £330,330. This deficit was partially funded by an overdraft of £20,181 and borrowings of £70,000 from other Parishes.
- (13) The Parish has a Diocesan approved overdraft facility of up to £125,000 with a current rate of interest of 1.0%.
- (14) The Parish received two Inter-Parish Loans. Both are interest free. A loan of £20,000 is repayable on demand and the remaining loan of £50,000 is due to be repaid by July 2023.
- (15) Restricted Funds in the Main Account comprise funds collected by the Parish on behalf of third parties which are not available for General Parish use. This balance represents balances still to be distributed as at 31 December 2016.
- (16) Jubilee Building Fund Account comprises funds collected by the Parish to be spent only on our Renewal Works. All of the balance was transferred to the General Bank account to contribute toward the cost of the Renewal Works in 2016.