

MORESTEAD CHURCH - TREASURER'S REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

INDEPENDENT EXAMINER

Our Independent Examiner, Michael Cleary, has duly examined and approved the accounts which accompany this report. He has also raised some issues to which the PCC should give consideration:

1. Internal controls.

There is increasing emphasis these days on ensuring internal control, or risk management measures, are adequate for the size and complexity of the entity under review. The PCC needs to be comfortable that there is a reasonable system of internal controls in operation sufficient to protect the Church's assets. It does not need to be a sophisticated system - simply one that reduces the current over-reliance on the integrity of the Treasurer. It is up to the PCC to consider the best way forward but some of the matters they might consider include:

- a. a requirement for every monetary transaction to need two authorised signatories - this is the best way forward but would involve changing the banking mandates; or
- b. banking and investment statements being sent to another PCC member for review before being passed-on to the Treasurer. Whilst this is not ideal as it would not stop misuse of funds, at least any discrepancies would be identified at an early stage.

2. Investment policy.

The Church has sizeable investments and should have a formal investment policy. It can be as simple as stating investments will only be placed in low-risk assets which can be readily converted to cash as and when required by the Church.

3. Financial sustainability.

The underlying deficit over the last four years (before taking account of dividends or realisation of investment funds) has increased substantially from £1,665 in 2017 to £2,959 in 2019, fell slightly to £2,629 in 2019 and then rose substantially to £5,562 in 2020. Hopefully, it will reduce substantially in 2021. At present there is no concern as to short term financial sustainability as the assets are at a high level. However, there clearly is an issue for the longer term.

OVERVIEW

The impact of the covid-19 pandemic has had a major effect on our income reducing it by 22%. The principal shortfalls were caused by the fact that our main fundraising event had to be cancelled and collections at Sunday services were much reduced due to church closures over the lockdowns during the year.

Our expenditure has exceeded receipts in the financial year ending 31 December 2020, showing a significant loss of £926. This was only achieved, however, by selling £4,000 of shares in our CBF C-of-E Investment Fund without which the shortfall would have been very significant.

INCOME

Regular Giving – Regular giving (including gift aid tax recovered) remained constant in 2020.

Donations/bequests – Donations, which fluctuate every year, were £2,250 (up from £780 in 2019) largely due to a £2,000 bequest from Betty New.

Church offering (collections) – As mentioned earlier, the covid-19 effect on collections, at £589, led to a significant fall over 2019 (£1,720). The amount of tax recovered from the HMRC (£540) has been inflated as it includes the refund claim for 2019 collections, which was claimed after the close of the previous annual accounting period for Morestead Church.

Fund-raising – It was not possible to hold the annual lecture, normally our major fund-raising activity, so there was no income from this. Another major covid-19 related shortfall of some £1,700.

Fee income – In 2020 Fee Income was zero as there were no funerals or weddings.

EXPENDITURE

Common Mission Fund (Parish share) – Morestead Church's contribution to the Common Mission Fund remained similar to that of 2019 at £7,340. Due to the parlous state of many parishes' finances the Diocese has generously reduced requests for contributions for 2021 and in Morestead's case this will be to £6,394.

Rector's expenses – no expenses have been included for 2020.

Services to Church (i.e. Church running costs) – These costs show an increase of £1,541 over the figure for 2019. The significant variances are:

- Electricity – an increase of £663. As indicated in the 2019 Treasurer's Report, our supplier SSE only submitted three quarterly invoices for the 2019 year instead of four and the balance has worked through in the current year.
- Churchyard labour – an increase of £655 largely due to the work required in preparing the ground, planting and maintaining a new hedge along the church's N-E border.
- Repairs at £2,231 were mainly due to refurbishing the porch of the church which had needed attention for some years. The PCC agreed that the funds from Betty New's bequest should be devoted to this as an appropriate memorial to her.

Fees to diocese – No fees were paid to the diocese as no weddings or funerals took place in 2020. It should be noted that the Deanery Synod generously cancelled its membership fees to parishes for the years 2020 and 2021.

Donations/Gifts – Morestead Church made no charitable donations in 2020. A small gift was made to Michael Jackson on his leaving the village in recognition of the long service he had devoted to Morestead Church over many years.

ASSETS/BALANCE SHEET

The value of Morestead Church's assets stands at £127,849. Given that it was necessary to realise some £4,000 of capital during the year it is encouraging to see that the value of our assets, chiefly in the CBF C-of-E Investment Fund, have increased marginally. The same cannot be said for the holding of M&G Units which decreased by nearly 20% over the year. The PCC may wish to consider re-investing this capital in a better performing fund.

Morestead Church's balance sheet continues to show a healthy surplus of assets over liabilities, but against a background of continuing drawdown from its investments and dwindling income, the PCC needs to be conscious of the long-term financial sustainability of the church.

2021 FINANCIAL YEAR

Projections for the 2021 show that Morestead Church will again have significant deficit by the end of the second quarter. This follows the unenviable pattern of the past few years and will be further exacerbated until at least the end of the current lockdown.

In order to meet this deficit it will again be necessary for Morestead Church to sell further shares in the CBF C-of-E Investment Fund to meet the shortfall.

WLM – 3 March 2021