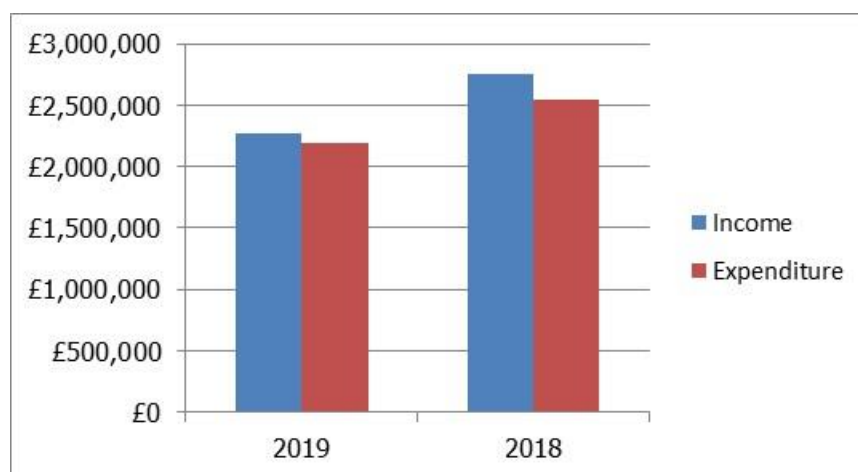


Summary of Annual Accounts 2019

This summary of the Annual Accounts provides a brief overview of the Cathedral's finances in the year to 31 December 2019, some general information on the sources of the Cathedral's income and details of its expenditure. These summary annual accounts may not contain sufficient information to allow for a full understanding of the financial affairs of the Cathedral and those requiring more detail should refer to the audited Annual Report and Consolidated Financial Statements available at www.southwarkcathedral.org.uk

The figures used in this summary are all taken from the audited Annual Report and Consolidated Financial Statements.

In 2019, our income once again exceeded our expenditure with an overall surplus (before investment gains) of £75,172 as can be seen in the chart below. However, there was a decrease in our unrestricted funds (which we use for almost all of our day-to-day activities) of £60,878 (before investment gains) compared with an increase of £157,147 in 2018.



This deficit on unrestricted funds when compared to the previous year is due to the fact that we received £187,500 in donations from a member of the congregation in 2018 which the Chapter decided to allocate to the "Big Shift" project. This project took place in 2019 which is when the money was expended. When the effect of the "Big Shift" project is stripped out of the figures, it shows that our income exceeded expenditure on our normal day-to-day activities. This was a very encouraging result after we had originally budgeted for a deficit for the year.

Southwark Cathedral Enterprises generated almost £110,000 more in profit transferred to the Cathedral than anticipated which was a very good result and a tribute to the then staff now led by Emma Allen, the Commercial Director. Despite some large financial commitments in the form of refurbishing 52 Bankside for the new Director of Music and replacing dumb waiters in the Café, the extra income from commercial activities helped to ensure that our cashflow increased during the course of the year.

Income explained:

The total income for the Cathedral (including Enterprises and investments) was £2,268,432 in 2019 compared with £2,749,443 in 2018.

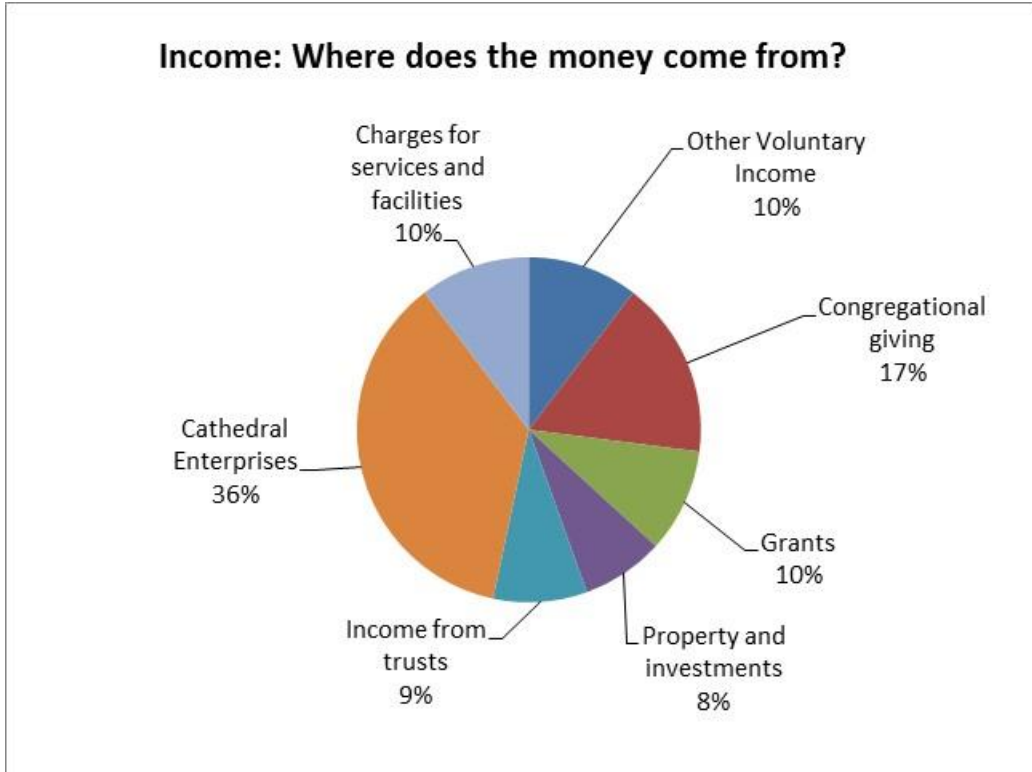
The proportion of income coming from Congregational giving was 17% of the total. This represents £377,570 of income in which Stewardship element is slightly down on the previous year. This source of income is so critical to ensuring we can maintain the daily mission and ministry and we are very grateful for the financial commitment of congregational members in this way and would encourage all members of the congregation to review their level of giving in the coming year.

The turnover of Southwark Cathedral Enterprises Ltd increased by more than £30,000 to £823,367 compared to the previous year due to very good results from the conferences and special events business

stream. This, together with the profits generated by the other business streams (shop and cafe), enabled the company to make a charitable distribution to the Cathedral of £431,623 in 2019.

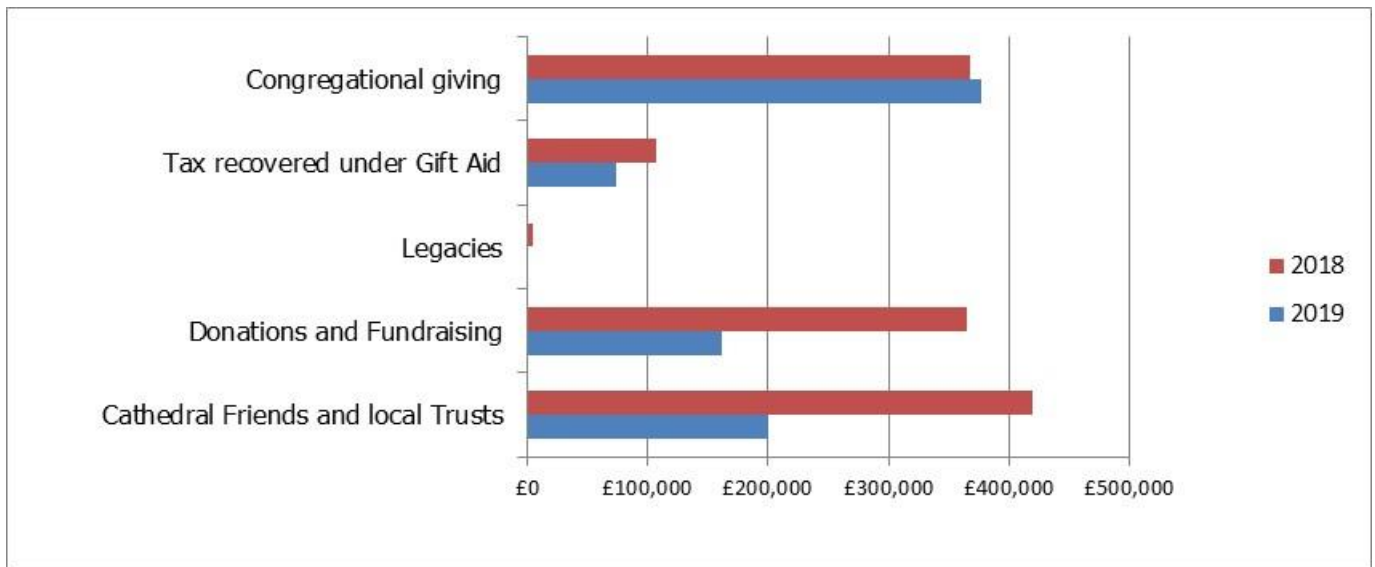
Total Income figures for 2019 were lower overall than in 2018 as there were no major fabric repair projects carried out on the Cathedral for which grants and other fundraising appeal money had been received. In 2018, we had spent nearly £350,000 on re-roofing of the choir and retro choir masonry works.

The chart below shows the sources of the Cathedral's income:



The grants income shown above includes £203,679 from the Church Commissioners that pays the stipends for the Dean, Sub Dean and Canon Precentor as well as contributing to the salaries of lay staff.

The chart below shows the sources of voluntary income in 2019 and 2018:

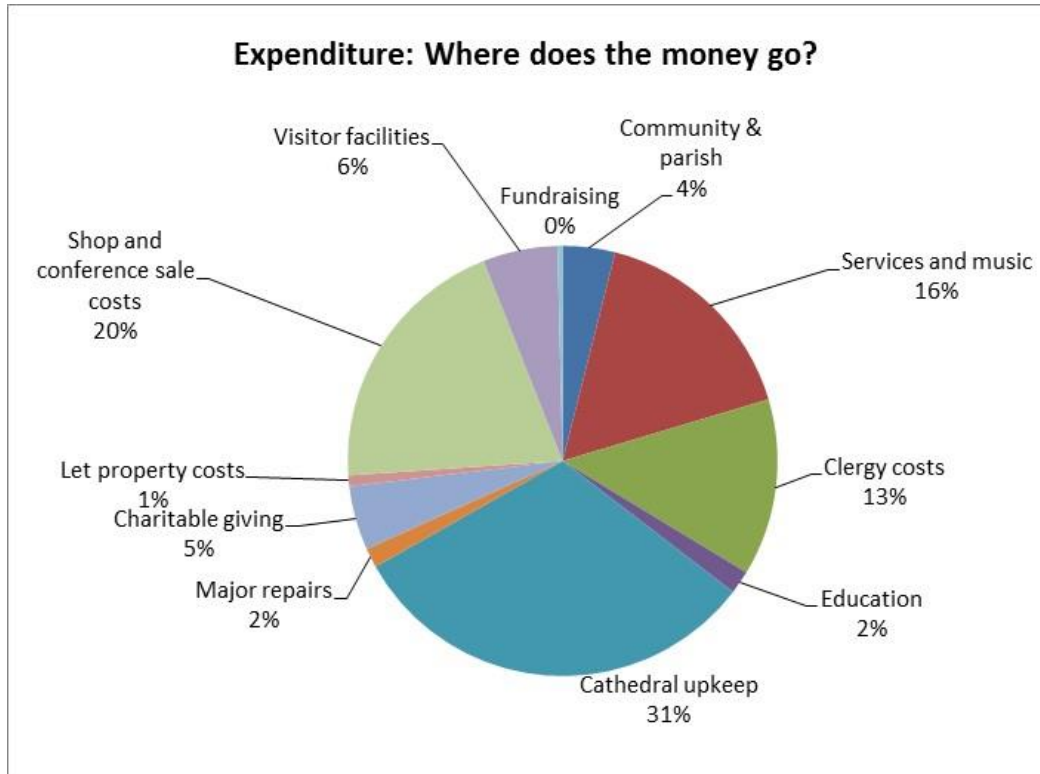


As mentioned earlier, income from Trusts and fundraising decreased substantially compared with 2018 as there were no major works to the fabric taking place during the 2019.

Expenditure explained:

The total expenditure by the Cathedral (including Enterprises) was £2,193,260 in 2019 compared with £2,548,261 in 2018. Again, the absence of major fabric projects meant less was expended overall. The effort by all departments to manage their budgets extremely carefully and to minimise waste also played a part in keeping costs down.

The chart below shows how the money was spent:



Major areas of expenditure are Clergy Costs (£291,810), the cost of maintaining the Cathedral and its precincts, including major repair and restoration works, (£720,694), and the cost of conference and shop sales (£440,365), the largest part of which covers staff costs and purchasing stock for the Shop. 10% of income from the planned giving scheme is given away for a variety of local, national and international charitable purposes. In 2019, this amounted to £28,131 and is included within the Charitable Giving total in the chart above.

The largest area of expenditure is our staff. An increase of over 3.5% in 2019 in the London Living Wage rate that we apply as the minimum for our paid staff had an effect as it was in excess of the inflationary pay increase budgeted for. This increase has also meant some adjustment of salaries for those earning just above the London Living Wage in order to maintain differentials. The Chapter was very happy to implement the London Living Wage for all its employees responding to an appeal by the congregation. However, the above-inflation rises in recent years are putting a strain on our finances (especially in our facilities and retail and visitor services departments) and we hope that the congregation will bear this in mind when reviewing their levels of stewardship giving so that we can continue to afford to pay our staff a Living Wage.

The Balance Sheet explained:

The balance sheet contained within the full annual report and accounts (on pages 26-27) summarises the total assets of the Cathedral (including Southwark Cathedral Enterprises) at £17,774,035. This figure is made up of the total of endowment, restricted and unrestricted funds.

It is important to note that the Cathedral and Millennium Buildings (potentially worth a great deal of money and insured for £40million) are not included in these accounts and are therefore excluded from the Endowment Funds shown in the balance sheet. The reason they are not included is because we follow the

Church Commissioners guidelines for annual accounts that require buildings forming part of the Cathedral precinct to be specifically excluded from the balance sheet.

Looking ahead:

At the end of 2019, the Cathedral's financial position was much healthier than had been feared when we passed a deficit budget for the year at the end of 2018. The financial situation had been the subject of much discussion in the Finance Committee and action was taken to introduce an even more rigorous expenditure approval regime to ensure all departments work within their budgets, and to undertake budgeting on a three-year basis instead of one year at a time.

A professional survey of all our residential properties was undertaken during the year and identified more than £600,000 of expenditure that would be required within the next 5 years. This presents a real challenge to the Chapter at a time when its reserves are still not as high as we would wish but with our new Commercial Director in place we were hoping to achieve increased surpluses year on year to allow us to make the necessary investment in our property portfolio.

This was before the coronavirus blew everything off course. With the Cathedral shut down between mid-March and early July and the majority of our commercial activities operating well below their normal levels, if at all, we are now facing the most serious financial situation in the past 20 years. We had originally predicted a budget surplus for 2020 of £76,000. This now looks like being a deficit of well in excess of £300,000 for 2020 and early projections for 2021 are similarly bleak as a return to normality is expected to be a lot slower than originally thought. The ongoing social distancing requirements have had a devastating impact on our conference and special events business which accounts for the majority of profits made by Southwark Cathedral Enterprises and we are only expecting a slow recovery during 2021 and 2022.

The Chapter have taken advantage of all available government financial assistance (including the temporary furloughing of staff who cannot work from home and a local authority grant to the shop), and we have been actively pursuing financial support from the Church Commissioners through their Cathedrals Sustainability Fund from which we have already secured support for lay clerks fees for the autumn term and to whom we have made further grant requests for support for salary costs.

We have also secured a temporary loan from the Diocese to support our cashflow during the hardest months which are due to be in the first part of 2021. Without this we would run the risk of running out of money completely by Easter which would have been unthinkable a year ago when we were well on our way towards building up reserves of six month's expenditure to cushion against the unexpected. It was our misfortune to encounter a global emergency that rendered 6 months of reserves completely inadequate.

We continue to look for ways to bring in additional income from the small number of events we can host and from the continuing generosity of our congregation who supported us so well in the lockdown period. We need that support now more than ever.

The next 2-3 years are going to be very different from what we had originally set out in our masterplan covering the next five years. We now need to prioritise our financial sustainability over some of the plans we would like to have been working on and to focus on our core mission and ministry and how to resource that at a time when we will not be able to rely on commercial income. We have had to make some painful staff cuts through job losses and also reducing the hours of many of our staff, especially those in customer-facing roles. Our present visitor numbers are barely 20% of those we would normally expect which is a situation mirrored throughout London with the absence of foreign and domestic tourists. We can only hope and pray for the early development of a vaccine that allows normal life to resume. In the meantime, we are planning for the worst and bringing all our efforts to bear to ensure the Cathedral has sufficient cash to maintain its core functions.

Matthew Knight
Comptroller
September 2020