



CHICHESTER
CATHEDRAL

CHAPTER SIMPLIFIED ACCOUNTS

FOR

1 APRIL 2009 – 31 MARCH 2010

FOREWORD

The previous year saw the 900th anniversary of the Cathedral's consecration. The financial year from 1 April 2009 to 31 March 2010 was not dominated by one event: nonetheless it was a year of intense activity.

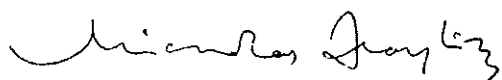
The Cathedral hosted the Anne Frank + You exhibition in October and the Education Department organised a number of imaginative events for children and adults to enhance the impact of this internationally important exhibition. In September a new memorial stone to Gustav Holst was dedicated and a festival weekend of concerts and services was devised to celebrate the 75th anniversary of the composer's death and interment in the Cathedral. A project was launched to commission a contemporary work of art signifying the resurrected Christ to hang above the Arundel Screen and to commemorate the 100th anniversary of the birth of Dean Walter Hussey.

The eastern arm of the cloisters was restored, with heating installed to make the space more widely used, and the opportunity was taken to re-roof 1 St Faith's house at the same time. The new signage in the precincts was completed, an appeal was launched to restore the important Tudor paintings by Lambert Barnard in the north and south transepts and, thanks to the Friends, much needed disabled access was provided to Vicars' Hall.

We were pleased to play host to the Deans of all English Cathedrals for their annual conference and, in July, the Cathedral was the venue for the Episcopal Ordination and Consecration of The Reverend Mark Sowerby as the Bishop of Horsham, by the Archbishop of Canterbury.

Canon Peter Kefford, Treasurer, and Canon Tom Inman, the College of Canons' Representative, both retired from Chapter in the autumn and we welcomed, Canon Ian Gibson, the Diocesan Episcopal Vicar for Ministry, and Canon Clive Everett-Allen in their place.

I very much hope you will find the simplified format of these accounts helpful in interpreting the necessarily complex finances of the Cathedral.



Dean

December 2010

INTRODUCTION

Chapter's full annual report and accounts are required to follow the Church Commissioners' Cathedral Accounting and Reporting Regulations which are similar to the Charity Commission's regulations. These are comprehensive but can make interpretation difficult for the reader not trained as an accountant and the aim of this simplified version is to make the cathedral accounts accessible to a wider readership. They are, in effect, management accounts and are for distribution within the cathedral community.

These simplified accounts have been compiled from the audited accounts of the Dean and Chapter of Chichester Cathedral but do not form a part of those accounts

A full version of the annual report and accounts that follow the Church Commissioners rules are available on request from the Cathedral Office. These full, audited accounts are scrutinised by the Finance Committee, approved in Chapter and presented to both the College of Canons and the Cathedral Council. The annual report contains details of all cathedral committees, associated bodies and Chapter's report on each department's activities over the reporting period. This simplified report contains only those aspects that affect the financial performance during the financial year.

Contained in these accounts is a summary of the annual income and expenditure by category followed by an expanded list of each category. There is then a statement of the capital projects undertaken over the period.

CHAPTER'S FINANCIAL POLICY

General

The cathedral is fortunate in owning a row of shops in South Street, Chichester that forms the eastern arm of Vicars' Close and these premises were refurbished sequentially in the 1990s in a successful bid to gain the maximum rent from them. This rent now provides some 30% of the Cathedral's income and Chapter is aware of the risk of an economic downturn, particularly at this present time that might force retail outlets out of business. In view of this it has been and continues to be Chapter policy to increase revenue from other sources.

Measures taken in line with this policy in the last five years have been:

- a. To refurbish Close properties as they fall vacant and convert them in to residential lettings at open market rents. The income from residential rents has risen from £96,932 to £172,365 in six years.
- b. Attempts to improve the visitor experience in the cathedral with the installation of an information and display area and better designed more visible donation boxes. This led to a 20% increase in visitor donations which has been sustained despite the recession.
- c. A more assiduous collection of fees for the use of the cathedral and educational facilities coupled to a more realistic pricing structure and annual reviews of fee levels.
- d. A persistent stewardship drive which has produced an increase in giving of 32% in the last four years, which is far more than the cost of living rise over the same period.
- e. The modernisation and expansion of the Cathedral Enterprises Ltd facilities in 2006/7 to create a more profitable shop and café and to establish a catering operation to exploit other facilities within the precincts such as Vicars' Hall. This business, now boosted by profits from George Bell House, is hoped to produce a surplus for Chapter of £150,000 or even more within two years.

Despite a trend for expenditure to rise faster than income the measures above coupled to attempts to contain costs mean that the Chapter accounts usually show a small operating surplus or deficit. This more-or-less break even budget and Chapter's reserves policy make it impossible to plan any major development, whether in the expansion of mission or in improving facilities, out of the operating budget. Any projects requiring substantial investment have to be funded from other sources and Chapter is immensely grateful for the regular support it receives from the Friends and the Cathedral Trust.

It is Chapter policy that legacies, unless designated by the donor for a specific purpose, should be placed in the Cathedral Property Investment Repair Reserve (CPIRR). CPIRR is a restricted capital sum (currently about £380,000) invested, the interest from which is intended for the repair and maintenance of Cathedral Close properties. The care of the many listed buildings in the precincts is a continuing financial burden for Chapter and it is intended to keep building this reserve until it produces an income that covers the costs of maintaining our property endowment.

In its reserves policy Chapter manages, within its overall asset base, a number of permanent and restricted funds whose aims and purposes are targeted to, and only usable for, specific needs. Chapter will endeavour to keep any balance on income and expenditure accounts as low as practical and will ensure that costs that can be properly attributed to such funds will be charged to those funds before unrestricted reserves are expended. Chapter's aim is to ensure that the amounts contained in its unrestricted funds are maintained at as low a level as possible so that the income can be used for the mission and development of the Cathedral.

In its investment policy Chapter seeks the maximum return to be prudently achieved from a mixture of bonds and equities to serve the missionary objectives of the Cathedral and the income needs of fifteen trust funds. Over a period of years the income and capital values should grow fast enough to counteract the effects of the rise in the cost of living. Risk is controlled by having a portfolio of carefully selected charitable funds and deposits. There are no hedge funds or overseas holdings with currency risks. The Finance Committee reviews the holdings at its regular meetings and monitors performance against other common investment funds in the charitable field. The Committee also monitors costs and ethical investment considerations.

DETAILED COMMENTS

FINANCIAL YEAR

1 April 2009 – 31 March 2010

Income

The income on the summary sheet on page 11 is amplified in the expanded statement on pages 14 -19. Funds received from the Cathedral Trust and the Church Commissioners are restricted and have to be used for the purpose for which they are given: restoration for Trust money and clergy stipends for the Church Commissioners' grant although the latter does include a grant of £15,258 for administration costs.

The pie chart on the next page gives a clear indication of the relative amounts received in income from various sources.

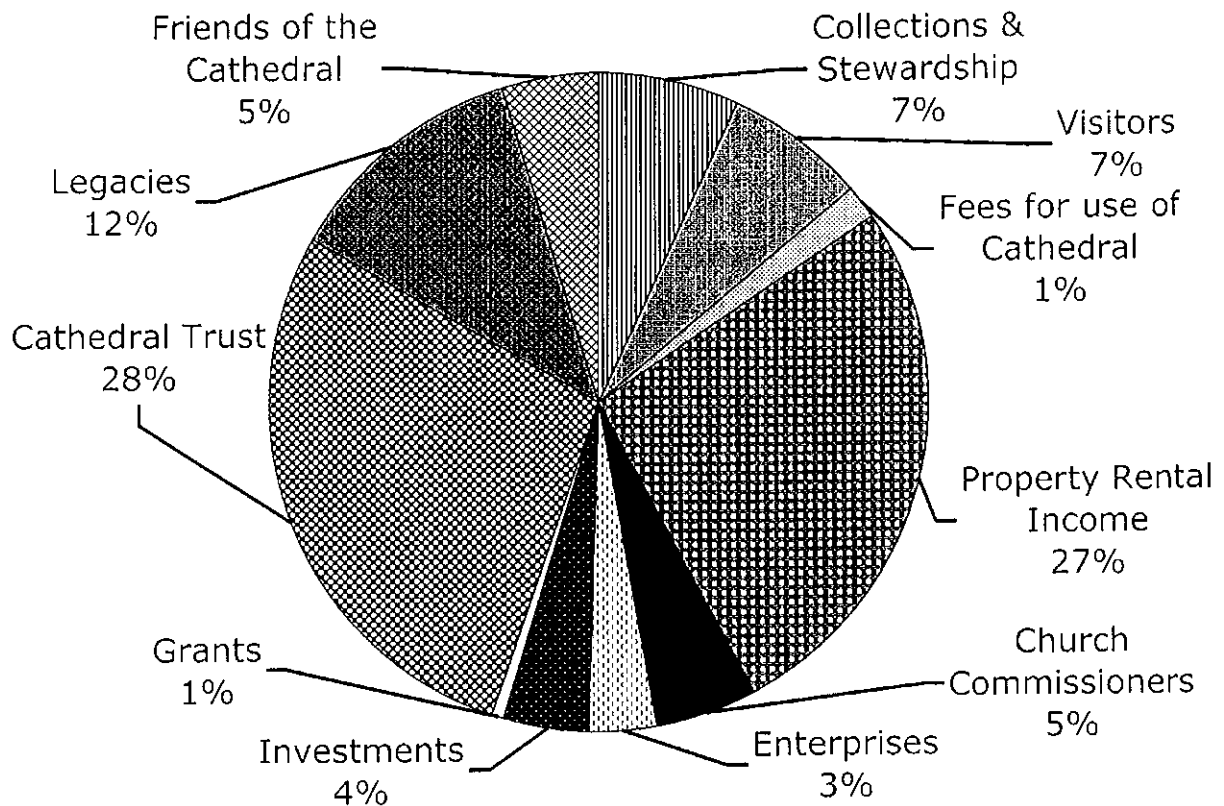
During this year the average financial investment yield dropped from 8% in the previous year to 4.7% in a mixed portfolio of M&G Charifund and Charibond units with an average holding of about 62% in equities but there was an increase in capital value of £451,089 in this year compensating, to some extent, to the fall in values in the previous year. It is worth noting that interest from monetary investments accounts for only 4% of the total income.

The cathedral's main endowment is in property and income from that source accounted for 27% of the whole. It should be born in mind however that without the variable contributions from the Trust, Friends and legacies the income from property accounts for 49% of Chapter's revenue.

It was anticipated that the recession and poor returns on investment income that many retired people rely on to boost their pensions might adversely affect voluntary giving. In the event the stewardship income increased slightly and the weekly collections yielded 8.7% more than last year for which we are very grateful.

The hard economic times were still reflected in the visitors' donations which, having dropped 5% in the previous year recovered slightly but were still below the 2008 level. The education income in the year before had been exaggerated by a grant of £5,000 and this year's income held to the same level if the grant is disregarded. The fees for use of the cathedral showed a pleasing increase of £3,386: a 10% rise on the previous year.

Income 2009 - 2010



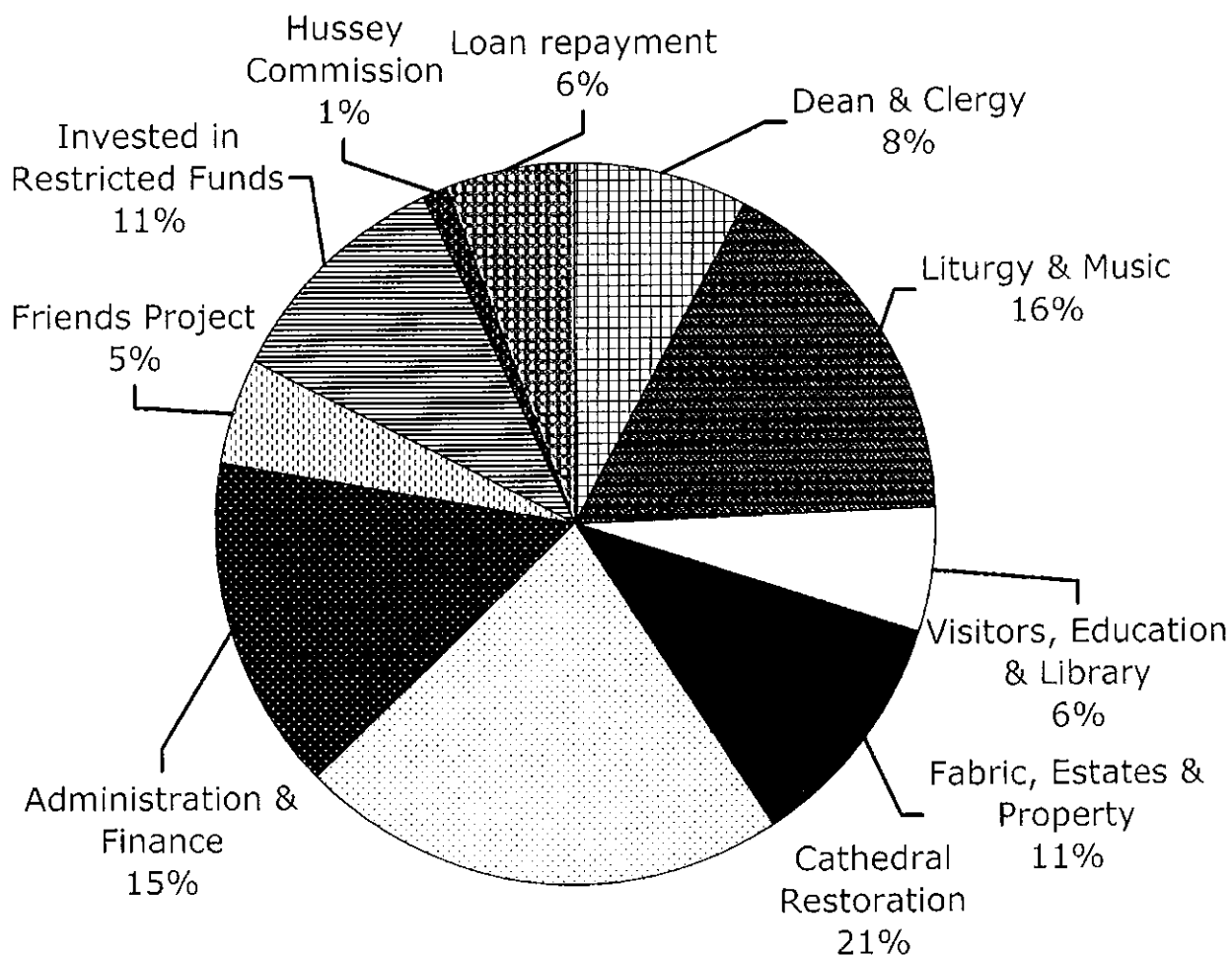
The amount from legacies is unpredictable but we were fortunate last year to receive £319,280 in bequests of which £16,850 was invested in the CPIRR in accordance with Chapter policy and the remainder in the Fabric Fund in accordance with the legatee's wishes.

The revenue covenanted across to Chapter from Cathedral Enterprises of £86,798 was only a slight increase in the previous year and was disappointing therefore. The excellent trading performance for much of the year fell off in the last quarter and the management has learned it must keep expenditure down and control staff wages in the low trading months. It was good to see a profit from the operation of George Bell House however and it is still believed there is much more growth potential in this company.

Expenditure

The main categories of expenditure are shown on the pie chart below and reveal the heavy cost of maintenance and restoration of the cathedral and buildings within the precinct.

Expenditure 2009-2010



In general the expenditure for Liturgy and Music over the year was much as predicted and in line with the preceding year although, unlike last year, we were nearly at full strength for choristers and, for good reason therefore, expenditure on choir bursaries increased.

The major restoration project was the cleaning and conservation of the eastern arm of the cloisters and the re-roofing of 1 St Faith's along with other minor ones for which the Cathedral Trust paid £582,345 from their fund-raising.

Whilst the Cathedral Trust's fund-raising enables Chapter to carry out its restoration programme there is the more mundane maintenance and cleaning to contend with including heat, light and insurance costs. The heat and light costs were £7,400 lower this year which reflected better management but until the planned project to fit controls to the Cathedral heating system is complete it will be difficult to economise effectively.

Added to this is Chapter's responsibility for the eighteen grade 1 and grade 2 listed properties in the Cathedral Close together with walls, gardens, roads and trees all requiring regular attention from contractors as well as our own small staff of groundsmen and maintenance staff. This essential task cost £276,571 in the period.

Further savings were made in Administration and Finance expenditure which reduced for the second year running showing a decrease of £21,860 on the previous year.

Chapter is required by the accounting rules to make a statement on the 'balance of payments' between the cathedral and the diocese and historically it has always been agreed between Chapter and the Diocesan Board of Finance (DBF) that what each does for the other in terms of use of facilities, services provided and clergy time should be considered to be cost neutral. The Cathedral contribution to the diocese is simply a donation and, having been raised to £4,875 in 1990 has been increased broadly in line with RPI ever since to its current level of £10,287.

Chapter donates 15% of all collections money to external causes and a list of beneficiaries is contained in the annual report.

Capital Projects

Chapter is indebted to the Friends for funding some very useful development that would otherwise have been impossible to accomplish. The major contributions in this year were £41,771 for the much-needed provision of disabled access to Vicars' Hall; £16,613 for completely new signage in the Cathedral precincts and £16,148 for the second tranche of guide books. There were, in all, 17 projects funded by the Friends every one of which made a significant contribution to the life of the Cathedral Community and a full list of these is on page 20.

In the past 9 years capital projects in the Close have included, the conversion of the Chantry into four flats, the division of the Residentiary, the provision of a much-needed maintenance store and mess room for the Cathedral groundsmen, the conversion and refurbishment of 4 Canon Lane into George Bell House and the extension and refurbishment of the old Bell Rooms into Cloisters Café. In addition, the Deanery, 4 Vicars Close, 6 Canon Lane, and 2 St Richard's Walk have all been refurbished to accommodate new members of staff and Canon Lane has been re-surfaced. In the year under report there were no major capital projects although the Deanery gates continued to be restored by Mathew Howard.

The Cathedral Enterprises project to refurbish and extend the old Bishop Bell Rooms to create Cloisters Café and Shop was made possible by means of a loan of £750,000 from St Mary's Hospital. This loan attracts interest, paid by Chapter, at a rate set by the Cathedral Finance Committee and is currently 0.5% above Barclays Bank base rate. Interest payments in this year amounted to only £3,522 (£21,650 last year) – listed under Investment Property Costs in the simplified accounts. This diminishing burden is the result of record low interest rates and the sterling efforts of the Cathedral Trust which has undertaken to repay the capital over five years and by the end of this financial year had repaid £450,000.

In 2002 Chapter negotiated to buy back the remaining years of the long lease on 1 St Faith's House from the then leaseholders at a cost of £90,000. Rather than pay a lump sum, which Chapter could not have afforded, an agreement was reached whereby, although the lease was transferred immediately, Chapter paid the leaseholder in installments over the remaining 13 years of the lease with added interest set at 6.25%. Monthly payments of £844.11 are made which comprise an interest and capital element and have been calculated to provide fixed monthly payments throughout the term which terminates on 1 February 2015.

Summary

It cost some £2.56 million to run and restore the cathedral in this financial year and, apart from a grant of £129,462 from the Church Commissioners (a contribution of 5% of the total); the operation has to be funded from the Cathedral's own resources.

The bar graphs on the next pages covering the last five years show a steady rise in income although the drop in dividends from investments caused a slight overall decrease in the year. Funds from the Cathedral Trust vary to meet the demands of the restoration programme as do Legacies and Friends' contributions so these have been excluded. There has been a steady, if unspectacular, increase in income from all other sources in these years. The revenue from Cathedral Enterprises was particularly low in 2006 whilst the refurbishment and extension works were underway and the new, more complex operation has yet to reach its full potential. Property income has risen and although there is always concern that in a recession that the South Street shops may struggle to pay their rents there has not yet been any evidence of this.

The expenditure trends are a little distorted by the uneven spending on Close properties but every effort has been made to economise. Salary increases, chorister school fees and the cost of utilities are hard to control and the upward pressure is likely to increase. It is particularly pleasing therefore to see a steady drop in expenditure over the last three years.

Note:

The financial summary on pages 14 to 19 has been agreed by Sheen Stickland LLP Chartered Accountants as being consistent with the full financial statements and the annual report for the year ended 31st March 2010.

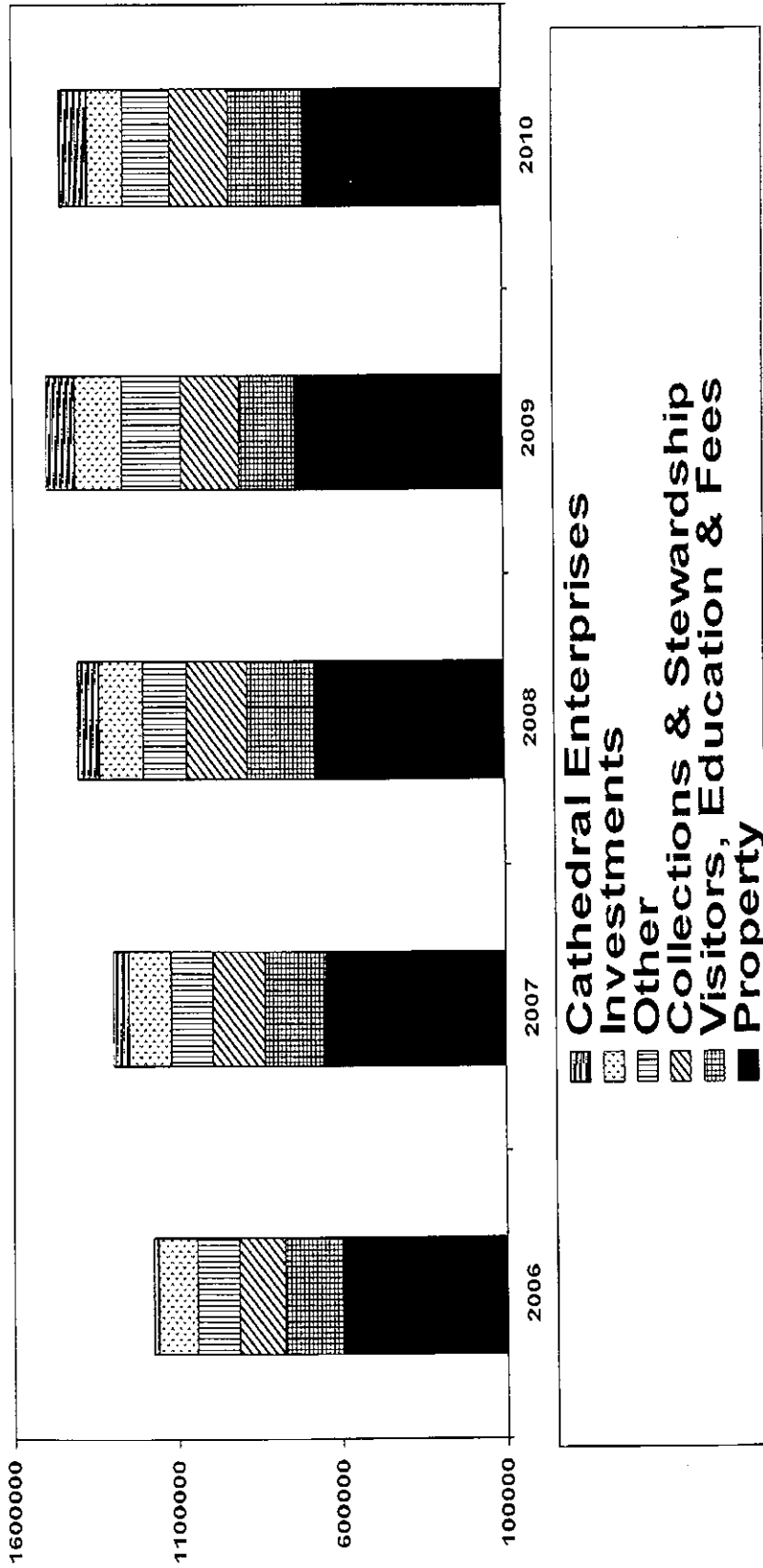
These were prepared in accordance with the 'Guidelines on Accounting and Reporting by English Anglican Cathedrals' and received an unqualified audit opinion.

Copies of the full Annual Report and Financial Statements can be obtained from the Cathedral office at The Royal Chantry, Cathedral Cloisters, Chichester, West Sussex PO19 1PX.

These were approved by the Dean and Chapter on 13 September 2010.

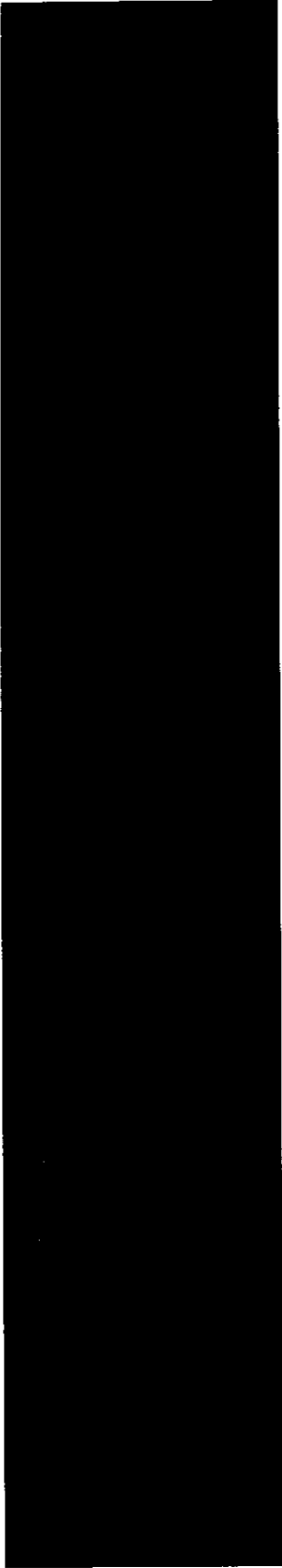
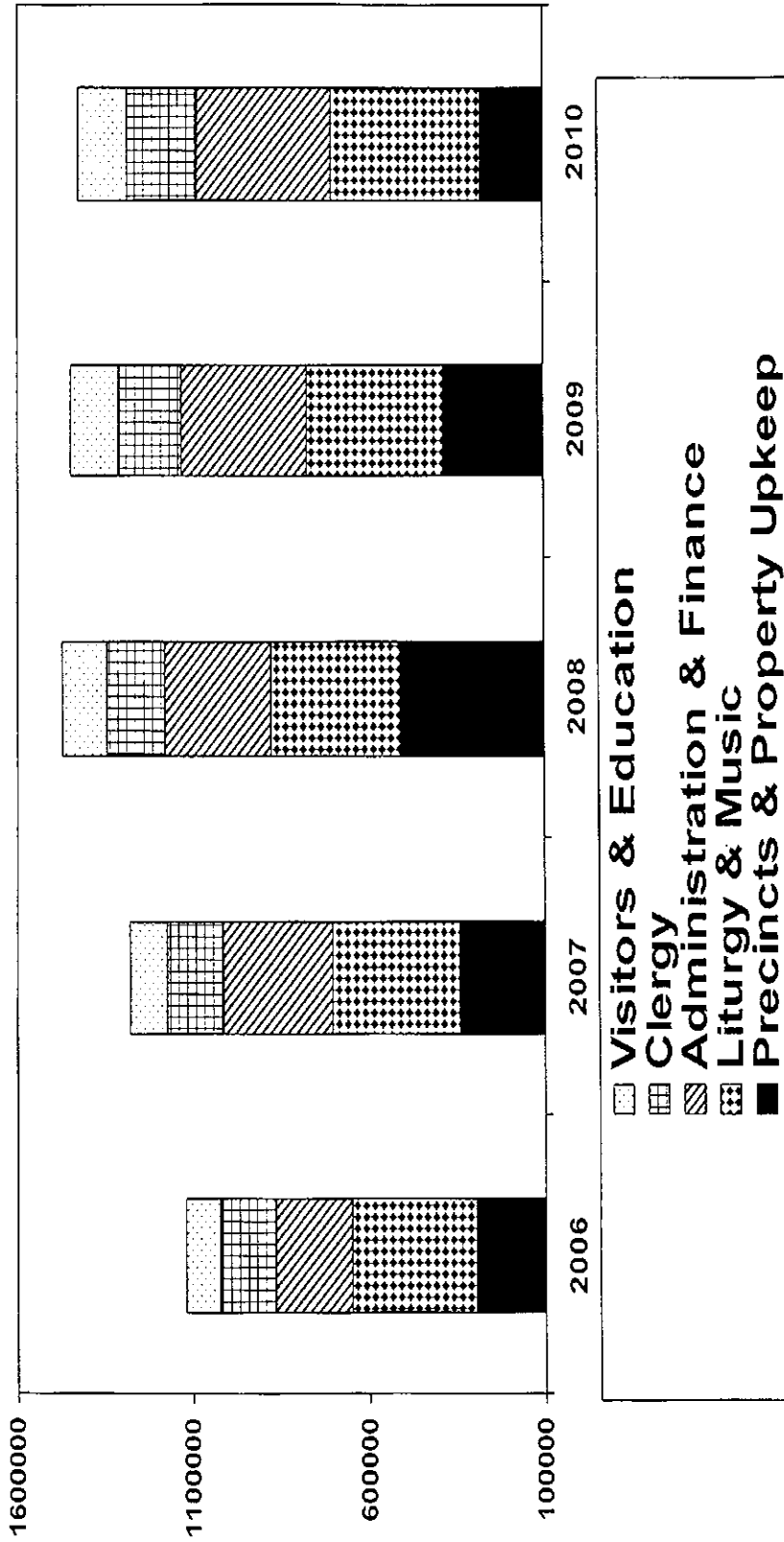
Income

(Excluding Legacies, Trust and Friends)



Expenditure

(Excluding restoration, capital projects or Friends projects)



ACCOUNTS SUMMARY

**Year Ended
31st March 2010**

*Year Ended
31st March 2009*

CHAPTER INCOME

Collections & Stewardship	179,858	177,543
Visitors	188,084	174,220
Fees for use of Cathedral	37,515	60,941
Property Rental Income	708,529	731,507
Church Commissioners	129,462	137,273
Enterprises	86,798	85,707
Investments	110,564	144,724
Grants	16,217	11,435
Cathedral Trust	732,345	115,000
Legacies	319,280	190,320
Friends of the Cathedral	121,244	100,874

Total Income

£2,629,896

£1,929,544

MAIN EXPENDITURE

Dean & Clergy	200,609	182,188
Liturgy & Music	426,010	385,386
Visitors, Education & Library	141,830	138,031
Fabric, Estates & Property	276,571	385,214
Cathedral Restoration	560,840	202,483
Administration & Finance	382,882	358,605
Cathedral 900 Celebrations	-	14,218
Friends Project	121,244	100,874
Invested in Restricted Funds	269,280	166,220
Hussey Commission	30,102	-
Loan Repayment	150,000	
Total Expenditure	£2,559,368	<i>1,933,219</i>

(DEFICIT) / SURPLUS FOR THE YEAR

£70,528

£3,675

SIMPLIFIED ACCOUNTS

	Year Ended 31st March 2010	Year Ended 31st March 2009
CHAPTER INCOME		
Collections & Stewardship		
Cathedral Community, including Gift Aid	113,450	115,916
Weekly collections	52,819	48,569
Special collections	13,589	13,058
	£179,858	£177,543
Visitors		
Box takings	93,016	89,987
Donations	12,821	12,496
Lunchtime concerts	22,334	17,497
Education income	19,191	24,456
Tax recoverable under gift aid	19,951	10,205
Candles, mosaic & sundry income	18,854	18,079
Treasury takings	1,917	1,500
	£188,084	£174,220
Fees for Use of Cathedral		
Facility & other fees	37,515	34,129
Cathedral 900 - FANLAS		26,812
	£37,515	£60,941
Property Rental Income		
Investment property rents	530,914	543,671
Non investment property rents	172,365	182,586
Endowment rents	5,250	5,250
	£708,529	£731,507
Church Commissioners		
Church Commissioners grant	15,258	28,111
Church Commissioners stipends	114,204	109,162
	£129,462	£137,273
Enterprises		
Surplus from Cathedral Enterprises	£86,798	£85,707

	Year Ended 31 st March 2010	Year Ended 31 st March 2009
Investments		
Interest on Endowment Funds investments	52,261	60,052
Interest on Fabric Fund investments	39,183	45,513
Interest on CPIRR investments	15,555	18,809
Other dividends & interest	3,565	20,350
	£110,564	£144,724
Grants		
Pallant Trust	2,837	3,455
Allchurches Trust (EIG)	13,380	7,980
	£16,217	£11,435
Cathedral Trust		
For restoration	£732,345	£115,000
Legacies		
For general use	50,000	24,100
For restricted use	269,280	166,220
	£319,280	190,320
Friends	£121,244	£100,874
TOTAL INCOME	£2,629,896	£1,929,544
MAIN EXPENDITURE		
DEAN & CLERGY		
Clergy Stipends & Working Expenses	144,835	136,164
Clergy Housing	32,939	24,138
Clergy Support	22,835	21,886
Dean & Clergy Total	£200,609	£182,188
LITURGY & MUSIC		
Salaries		
Liturgy & music department salaries	42,292	39,737
Organists salaries	59,496	57,239
Lay vicars salaries	61,445	53,438
Vergers salaries	82,046	82,446
	245,279	232,860

	Year Ended 31 st March 2010	Year Ended 31 st March 2009
Choir Bursaries	132,540	103,974
Housing		
Music department	15,367	20,915
Vergers department	5,657	2,221
	<u>21,024</u>	<u>23,136</u>
Support Costs		
Music department	26,329	21,287
Vergers department	393	659
Music Fund	445	3,470
	<u>27,167</u>	<u>25,416</u>
Liturgy & Music Total	<u>£426,010</u>	<u>£385,386</u>
VISITORS, EDUCATION & LIBRARY		
Salaries		
Visitors office	63,518	62,426
Education department	49,850	48,614
	<u>113,368</u>	<u>111,040</u>
Support Costs		
Visitors office	10,605	13,186
Education support	3,599	5,332
Treasury expenses	3,006	2,906
Visitors office advertising	5,901	5,016
Highleigh Prebend		42
Library Fund	5,351	509
	<u>28,462</u>	<u>26,991</u>
Visitors, Education & Library Total	<u>£141,830</u>	<u>138,031</u>
FABRIC, ESTATES & PROPERTY		
Cathedral & Insurance		
Repair & maintenance to Cathedral fabric	13,248	19,349
Chancel repairs		4,000
Flowers	444	900
Heat and light	24,277	31,604
Cathedral insurance	30,208	26,743
	<u>68,177</u>	<u>82,596</u>

	Year Ended 31 st March 2010	Year Ended 31 st March 2009
Investment Property Costs		
Commercial properties	28,274	35,771
Residential properties	10,245	16,349
Close properties	28,487	86,818
Wiccarnical prebend properties	2,946	6,775
St Faiths - capital repayment	7,000	7,000
Loan interest	6,728	24,856
	83,680	177,569
Salaries		
Gardeners salaries	32,839	45,982
Maintenance salaries	56,747	46,023
Clerk of works contribution	10,708	10,417
	100,294	102,422
Precincts & Gardens		
Repair & maintenance garden	2,759	3,729
Repair & maintenance precincts	21,661	18,898
	24,420	22,627
Fabric, Estates & Property Total	£276,571	£385,214
CATHEDRAL RESTORATION		
Lady Chapel - external		63,634
Lady Chapel - internal	61,000	67,898
The Cloisters	422,124	21,792
The Bell Tower	10,025	10,235
Lambert Barnard Paintings	300	5,533
Cathedral conservation plan		3,879
Muniment Room	250	
Quire Bays 4 & 5	1,050	
Architectural Fragments Record	300	
Retainers / salaries	32,700	29,512
Fire Alarm	33,091	
Cathedral Restoration Total	£560,840	£202,483
ADMINISTRATION & FINANCE		
Salaries		
Communar, accountant & assistants	134,920	123,946
Secretarial & clerical	44,998	31,081
	179,918	155,027

	Year Ended 31st March 2010	Year Ended 31st March 2009
Support		
Stewardship expenses	1,212	1,058
Administration & finance	78,548	81,369
	<u>79,760</u>	<u>82,427</u>
Information Technology		
Computer licences & running costs	25,277	15,831
Computer expansion	27,673	38,359
	<u>52,950</u>	<u>54,190</u>
Charitable & Other Giving		
Diocesan contribution	10,287	9,900
Lunchtime concerts	9,205	9,416
External giving	26,645	26,632
	<u>46,137</u>	<u>45,948</u>
Irrecoverable VAT	<u>24,117</u>	<u>21,013</u>
Administration & Finance Total	<u>£382,882</u>	<u>£358,605</u>
Cathedral 900 Celebrations		<u>£14,218</u>
Hussey Commission	<u>£30,102</u>	-
Friends Projects	<u>£121,244</u>	<u>£100,874</u>
Invested in Restricted Funds	<u>£269,280</u>	<u>£166,220</u>
Loan Repayment	<u>150,000</u>	-
TOTAL EXPENDITURE	£2,559,368	£1,933,219

CAPITAL PROJECTS

Friends Projects

Lady Chapel Sound System	6,983	
Children's External Trail Books	1,157	
Cathedral Guide Book	16,148	
Automated Accounts System	2,500	
Refurbishment of Panteleon Chapel	9,539	
Office Automation	6,113	
Cathedral Events Flyer	6,401	
Vicars' Hall Disabled Access	41,771	
Cathedral Signage	16,613	
Albs, Robes and Cassocks	3,426	
Camera for Organ Loft	1,377	
English Hymnals	562	
Low Level Lights	2,095	
Choir Publicity	1,160	
Communion Rail	4,184	
History of Friends	1,215	<i>2,215 in account</i>
Total	£121,244	<i>In accounts</i>

Other Projects

Deanery Gates	1,900	Funded by
Other Close Properties Minor Projects	26,587	Common Fund
		CPIRR
Total	£28,487	