

Trustees Report to The Othona Community 2020 AGM September 26th by Zoom

The Othona Community has had an exceptional year, you will see and hear reports from both centre managers, Trustees and some of our officers. Trustees hope that you will be as impressed as we are by the work and dedication that they exhibit.

Strictly speaking this AGM report covers the period ending March 2020, but so much has happened since our AGM last year that this report covers the period up to the beginning of September 2020. Things are changing week by week and this report may be out of date by the time you are reading it or we are discussing it on 26th September.

During the Covid 19 lockdown those of you who are able to access the internet will have been informed, entertained, inspired and comforted by the Virtual offerings from both centers. There have been daily reflections, pub quizzes, weekly Zoom dedications and an excellent virtual summer programme from Othona Bradwell. Othona West Dorset have provided weekly newsletters with video walks, poems, book reviews, links to poetry lectures, a virtual choir and the monthly One World Worship from the Chapel.

Members, friends and supporters new and old have probably never felt so informed and in touch with what has been happening at Othona. Literally hundreds of people have written in to express their gratitude for the sense of community that held them during the months of isolation. Trustees are very grateful to both centre managers for keeping their resident community of staff and volunteers in good shape and for investing so much time and energy to reaching out to the wider community.

Both centres were also in the throes of major building projects and renovations, which made living on site cold, dirty, disorganised, demanding and generally exasperating. Again major thanks to the wardens and those living on site for making the best of things and for cleaning up the mess, time and time again.

Trustees have received several enquiries recently asking about the structure of the Charity, so firstly the report will explain how The Othona Community Charity is configured. Then set out in detail the decisions taken by Trustees during the past year, the money spent and the predictions that we are making for our end of year financial position March 2021.

The Charity structure since 2012

The Othona Community Trust is registered with the Charity Commission (277843) it holds the assets; the land and buildings and the charity's invested assets.

Within the Trust there is a wholly owned subsidiary, a limited liability company, registered with the Charity Commission, (1154204); the Company trades as 2 retreat centres.

Although registered as one Company the centres run separate budgets and accounts, they keep any operating profit, gifts specified for that centre and any funds raised for centre specific purposes.

The Trust leases the buildings and land by 2 separate lease agreements, one with each centre. No charge is made for the lease, it is a peppercorn rent.

There are 2 sets of accounts filed for the charity every year. One for The Trust to the Charity Commission and one for the Company to Companies House and the Charity Commission according to charity and company law.

Our accounts and annual reports are prepared by Javed Salim of Alwyns. Alwyns also audit our accounts.

All but one of the Trustees of the Trust are also Directors of the Company. There are no Directors who are not Trustees.

It is a complex structure, but this configuration is common within the charity sector, its purpose is to protect the charitable assets and to limit the personal financial liability of Trustee/Directors to £1. This structure was put in place by The Community in 2012, it is encapsulated by the phrase - One Community two centres. There are no plans to change this structure. Each centre has a local management committee, with a considerable amount of autonomy and responsibility for the running of the centre.

Decision to Invest in the centres

In October 2019 Trustees took the strategic decision to spend some of our reserves, which at the time stood at £1.6M.

Our reasoning was that both centres had pressing needs for refurbishment.

There had been significant growth of investments since the sale of the farm.

We anticipated a down turn in investments and a drop in the value of pound sterling over the next couple of years associated with the effects of Brexit.

The Charity Commission discourages the holding of large reserves and grant giving bodies are rightly unwilling to give to charities with sizable reserves.

We considered the parable of the Good Steward and felt that our investments should be put into service for The Community and our guests. The benefits experienced by many, supporting our vision and mission.

By way of background financial information; it has been the custom of the Trust to cover the expenses of running the charity (accountancy fees, websites, legal fees, Trustee travel expenses) wholly out of the income generated from the Trust investments. In 2019-20 the cost of running the charity was £25K.

Income generated above the amount required to run the charity has been split 50:50 with both centres and has covered the operating loss that both centres usually return.

Trustees decided to spend Trust investments down to the level that would generate enough income to cover the expense of running and administering the Trust. There would be no excess income to cover an operating deficit in the Company. The 2 centres were fully aware that the annual subsidy from the Trust would reduce in 2020 and cease in 2021.

Trustees also made the distinction between value enhancing expenditure on the 2 Centres, as in the Four Seasons Studio at OWD and the Education Building at Bradwell and spending on depreciating assets such as the energy project at Othona Bradwell and the renewal of 4 showers and toilets at Othona West Dorset.

The agreement between the Trust and the Company was that in future the centres would operate at sufficient operating profit to gradually restock Trust reserves thus enabling future repairs and renewal.

What did we spend?

Othona West Dorset

The Four Seasons Studio

The Four Season Studio project had been 11 years in the planning. A great deal of time and care was spent creating the specification and working with the architect on the eco friendly design. Trustees were of the view that the building was value enhancing over and above its cost and that it had the potential to increase, but certainly to support future revenue.

Othona West Dorset had raised £90K in grants and gifts and added a further £70K from their accumulated operating reserves. The Trust contributed £120K from reserves. A total fund of £280K.

The main toilet block at Othona West Dorset was very shabby with unsafe flooring, inadequate water pressure and very cramped shower cubicles. We had negative feedback from staff who found them difficult to keep clean and guests, some groups cited them as a reason for not coming again.

An appeal was launched and £40K was raised within a few weeks. Trustees took this as sure evidence that members and supporters agreed with us - their renewal was a priority. The Trust matched the £40K that had been raised with £40K from central investments.

Both the Four Seasons Studio project and the renewal of 4 toilets and showers projects came in under budget. It has been possible to update the fire safety control board and upgrade the electrical supply of the whole site to 3 phase, and connect the studio to Community House within the money originally put aside. This is another step in Othona West Dorset's progress to becoming carbon neutral as well as cutting costs in the long term.

Thank you to Elizabeth Sayers Trustee lead, Mark Gallagher a professional in building design who was the Project Manager on a voluntary basis, Andy Davey (Finance), Janet Webster (Trustee) and Annie Taylor (volunteer fundraising advisor) and of course Tony Jacques and the core team for the many small and large decisions made day by day and for living through the disruption. We want to thank Ross Fisher the architect of Fisher & Associates Ltd, and Dave

Fowler, of Fowler Carpentry and Building services for their excellent work in designing and building the Studio.

We are grateful to Othona West Dorset visitors for their support and generous donations, and to the Inlight Trust, Allchurches Trust, Rank Foundation and Low Carbon Dorset for their grants that have made the Four Seasons Studio possible.

Othona Bradwell

The Old Field Hut has been transformed into the Education Block, with two shower rooms, one of which is more convenient for disabled access, one art room, one teaching room and two smaller education rooms that can be used as bedrooms during the summer season. This has been funded by a £10K grant from the Essex Community Fund, £18K from donations and a legacy and the remainder from Othona Bradwell operating reserves. Total spend £58K.

Thanks to Trevor Darley, Mick Crow, the VAPs and other volunteers.

The Energy Project

The Bradwell team had been considering the precarious nature of their energy generation, their heavy dependence on LPG, the high cost of heating over the winter, the immediate need for a new boiler for space heating and the condition of the kitchen.

Trustees asked for an energy audit to ascertain current and projected needs and options to meet those needs.

The Bradwell team duly appointed a local contractor and members were involved in a presentation and discussions.

A proposal was put to Trustees at our October meeting to install a biomass boiler and a new larger wind turbine. There was also a request to completely refit the kitchen moving over wholly to electricity which would be safer, much more energy efficient and do away with the need for LPG.

Trustees were asked for £25K for the kitchen and £356K for the energy generation project.

Total Trust money identified for Bradwell was £381K, covering the projected spend in full.

There had been no fundraising and no contribution from the centre's accumulated operating reserves.

The installation of a biomass boiler attracts the Renewable Heat Incentive (RHI) payment from the Government, depending on the amount of energy generated.

Figures were presented that showed that the RHI payments and savings on LPG would easily cover the cost of the installation over its expected 20 year life span.

A small backup generator that runs on red diesel was part of the plan for those still winter days when there is neither wind nor sun.

Trustees identified this as a depreciating investment and Bradwell committed to repay the capital money to the Trust and to make up the shortfall of the income on investments lost to the Trust. It was agreed that opening for a couple of extra weeks per year to groups of 20 people,

the projected savings on LPG and the Government RHI payments would together generate the funds necessary.

The project started in earnest in January 2020 and by the beginning of February was £63K overspent and projected to be £153k overspent on completion.

Trustees knew that this would take the annual income from investments below what is needed to cover the central costs of running the charity.

Trustees immediately decided that there would need to be fundraising to cover the cost of the wind turbine and that Trust funds could not be further depleted.

However, despite careful monitoring by trustees, the expenditure levels had to be increased further to ensure that the whole site was fully compliant with Health and Safety regulations notably the electrical wiring and fire safety systems. With the increase in water pressure, modifications to the toilets and showers were essential.

Current spend on the kitchen and the energy installation minus the wind turbine stands at £511K

Assuming that the wind turbine could still be purchased and installed at last year's estimated price the total projected spend would be £596K.

This has been a very major project which has required daily input and weekly site meetings for the project management team. A major thank you to Ruth Bull, Trustee lead and chair who with Tim Fox and Richard Sanders made up the energy project board. Kevin Knight of Neutron Electrical Solutions has been the project manager and contractor. The team has managed this project through many twists and turns. Tim and Richard have been living on site engaging in complex decisions day by day. Tim, Richard, Debbie and the European volunteers have lived through serious disruption and worked hard to get the centre open on 4th July, which was the earliest opportunity allowed by the government. Work continues on this project. The new wind turbine will be stage 2 of the project.

The Pandemic

When the Covid 19 pandemic struck both centres had to close to visitors and cancel their big launch events planned to celebrate their developments.

Our Treasurer, Angie Smith, already working hard monitoring spending and releasing funds for the building projects, took on managing the Furlough of the staff teams and producing new budgets. The cost of running both centres this current financial year, assuming *no* visitor income, but taking full advantage of the government furlough scheme, is £170K.

The Trust investment portfolio is managed by Epworths Investments, a specialist ethical charity investment manager. They have advised that in the current climate of the pandemic the value of our investments is volatile and uncertain. Businesses have reduced or cancelled distributions to shareholders further reducing our income potential. Due to the rapid drawdown of invested money, our portfolio became unbalanced with £180K invested in property, this fund closed at

the beginning of lock down and we do not know what the value of this fund will be when it reopens. The value of shops and commercial property is expected to be much lower.

Consequently letters describing our financial situation were sent to members and supporters. We know that some have made legacies in our favour and gifts of £22k have been received (including gift aid). We are very grateful for these gifts.

Predicting our financial position as of March 2021 is very difficult. A *worst* case scenario, assuming minimal income from the centres and modest losses on investments, is that by the end of the current financial year reserves will stand at £350K. The truth is we cannot predict what will happen to the value of our investments, nor how much income the centres will be able to earn from paying guests.

Who knows how long social distancing will be with us or if we will be subject to local lockdowns. Trustees are monitoring the situation week by week and are prepared to make difficult decisions. Both centres know how many visitor nights they need per month to cover costs and both are keeping expenditure down to a minimum. We have reported our changed financial situation to the Charity Commission.

Obviously Trustees have revisited in our minds, many times over, our decision last October to turn invested assets into tangible assets. Trustees took the decisions in good faith, in what they thought were the best interests of the charity based on the financial evidence and project quotes presented to them. Trustees could not predict the pandemic and its effects. Trustees are disappointed that the energy installation at Othona Bradwell, together with the essential works, required considerably more funding than was originally budgeted for. Trustees will undertake a review of our decisions and the building projects so that any lessons can be learnt. We will also be undertaking a review of our vision, mission and processes.

We are very pleased to have welcomed three new Trustees in the past year. Phil Martin as an Othona Bradwell link Trustee and Janet Webster as an Othona West Dorset link Trustee joined the team last September. Rev. Steve Barnes will be joining us as of September 2020. Geraldine O'Grady, elected last year as the Community Secretary, has agreed to join the Bradwell management committee.

Trustees will seek to do what is best for both centres, both deserve to flourish. The Community is reaching out to friends, members and supporters with expertise. The Bradwell Centre Committee has an immediate need for someone with a finance or accountancy background. Those with skills in business modeling, marketing, fundraising and all offers of help and expertise, please contact me at chair@othona.org or Ruth Bull essexchair@othona.org and Caroline Walker owdchair@othona.org.

We are exhorted to give thanks and praise to God at all times and in all places. We must remember how rich we are in people (members, friends and supporters), buildings, land and money, including the generous gifts that we have received over many years.

We will need to adapt and change in order to survive this period of turbulence. It needs to be survival, not for survival sake but because we aspire to meet people's need for belonging, acceptance and meaning, which we find in our encounters with one another and within the Christian message of love and reconciliation. I believe that if we focus courageously on meeting the needs of others we will be sustained and provided for.

Our Members

Thank you, members and friends for being The Othona Community, for your interest and engagement. Trustees and local committees ask for your support in three ways please.

Firstly to identify people with the skills that we need to manage and support Othona. Consider all your friends, family and networks and then approach them and ask them to come forward. Secondly to support Trustees in their deliberations. Having attracted willing volunteers, Trustees and committee members, we need to make their job manageable and rewarding in order to retain them.

Thirdly Trustees may need to take difficult decisions in the short term to better protect a long term future. Please be assured that we will do our utmost to carefully consider the available options, taking legal and accountancy advice as necessary. No irrevocable decisions will be taken without consultation with members.

Now that the centres are open it is not possible to communicate with the intensity that has been sustained through lockdown, but we will consult and inform you of important matters should the need arise.

Thank you for your ongoing prayers, support and participation in the life of The Othona Community

Trustees and committee members look forward to meeting with you on Zoom, (link to be supplied by email) on 26th September 2pm. Please presubmit questions and feedback to communitysecretary@othona.org by 24th September.

We will address as many as we can on the day, others we will need to take away and ponder. It will not be possible to respond individually to your emails.

The Othona Community Trustees
September 2020