

To all Clergy, Wardens and Treasurers and
Diocesan Synod Members



Come follow Christ
in the footsteps of St Chad

Chief Executive

July 13th 2020

Financial update

Dear Colleagues

I wrote to clergy in the middle of April about the early actions the Lichfield DBF were taking to mitigate the negative effects of Covid 19 on our on-going budget and forecasts. At that time I said I would write again as the situation developed.

Three months later the church's lockdown has now officially ended but I know that circumstances surrounding churches and indeed church halls re-opening vary considerably across the Diocese and that a return is not a panacea to end the challenges we face. I hope this letter, set out in three sections will serve as a helpful summary as to our current position.

What is a realistic appraisal of our current financial position?

The Diocesan budget is made up of the following key constituents:

- 1) Share
- 2) Fees
- 3) Church Commissioners funding for low income communities
- 4) Investment income
- 5) Grants.

Inevitably we have seen a decline in parish share contributions. We are grateful to those who have continued to pay in full by direct debit whilst understanding that this is not possible for all. As I write our mid-year performance shows a deficit of £1.484m in cash, a collection of 72% rather than the 94% budgeted. We have forecasted that July and August are likely to be even more difficult months and we anticipate the negative trend will continue until the early Autumn. Our hope and expectation is that as more normal church life gradually returns, parish share contributions will pick up again from the autumn onwards.

As you all know we took the decision to follow the national church's guidance and for pastoral reasons waived all DBF fees for a period which ended on the 1st July. Effectively this has meant our

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projected fees income will fall by at least £300,000. As weddings continue to be badly affected we may have to accept this figure may be nearer £400,000 by the end of the year.

Our Church Commissioner's income of just over £2m has been received in full and upfront which at the time really helped our cash flow.

We have met with all three Investment Managers to discuss the impact on the Diocesan investment portfolio. These meetings gave us some much needed cheerier news that our investment income is holding up as well as we could have hoped and the dip is likely to be as little as 10% this year.

The small amount of grant funding from external funders has remained static.

Taking all this into account and trusting that there will be some bounce back in parish share income in the Autumn we are forecasting a deficit this year of **£3.5m**.

What have we done to alleviate our position?

We believe in the principle that we are all in this together so see that a tripartite approach that shares responsibility between the National Church, the Diocese and our Parishes is the only way we can solve our immediate problems. As a result:

- 1) We have made cash flow and the payment of stipends and salaries our priority. Our strategy has been to reduce our monthly commitment to the National Stipends Authority (national church) by 50% for the period June – September by borrowing from them.
- 2) We intend to make a claim to the Sustainability Fund (recently announced by the Church Commissioners) in September. This fund is a total of £35m. We hope to claim the interest on the stipends borrowing as well as a proportion of the share deficit from this and as a result reduce the annual deficit.
- 3) We have focused our attention on releasing cash from some of our fixed assets. We already had some Glebe Land in the process of being sold for development, although the processes involved are invariably complex and can be lengthy.. In addition we have some higher value housing stock surplus to our requirements and these are now being marketed. Given the Chancellor's recent statement on relaxing stamp duty this has already proved a sensible move and will considerably help cash flow moving into the new year.
- 4) We are maintaining rigorous control of expenditure. 30 Diocesan staff will remain on furlough until the end of August and the offices will remain closed until September. Urgent property maintenance continues but this year's QI work will be carried out next year. We have earmarked priority money for roofs and boilers to ensure we do not store up trouble in the winter.
- 5) The Finance Team are working tirelessly to provide parishes with the tools and support you might need to facilitate on-going giving. These include a new innovation, the **"Donate Now"** button. This is live on the Diocesan Website! With the help of local software

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company Data Developments you can now direct your donors to the "Donate Now" page on the Diocesan Website, where they can click the "Donate Now" button, complete their details, and specify your church for their gift. There is an option for them to agree to Gift Aid their donation and also an option for them to cover the transaction cost if they would like to. Like with Contactless and Giving Direct the funds are received into the Diocesan bank account as we are the registered Charity but we will pass these on as soon as possible along with a report showing when the donations were made. "Donate Now" is an all-encompassing tool but could really help giving in services streamed through the internet

- 6) It is worth saying we have suspended loan repayments from parishes, until 31 December 2020 to try and help them with the cash flow.

What plans do we have for the future?

In the immediate short term we are considering a package of support for parishes that might best be described as quantitative easing. More will follow on this.

In the longer term there is little doubt this pandemic will continue to affect us negatively as a Diocese for quite some time to come. Many have said to us, will this mean cuts and if so how many?

Whilst we know we will need to take money out of next year's budget to move income and expenditure towards a better balance, it is vital we bear in mind that in many areas of our Diocese we are likely see communities decimated by unemployment and debt. We must play a full part in responding to these challenges and will need to be agile and flexible in so doing.

We want to be Mission and Vision led, so in September we will be working with you via the Deanery structure looking at what a transformation agenda looks like and how we can work together to support this. All our work will need to be reshaped and honed. Changes are in many ways inevitable but what is constant must be our desire to continue to proclaim Christ afresh through faith and action and to work in unity to do this.

To keep financial information transparent, we intend to place a half year financial statement on the website and update it quarterly. I am always on the end of my phone or e-mail if there is anything I can do to answer your questions and concerns personally.

I know many of us are tired and jaded, after such a long period of lockdown uncertainty, so I pray August may be a time of refreshment and new energy.

As ever



Julie Jones

Diocesan Secretary and CEO and also on behalf of +Michael and John Naylor Chair of DBF

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