

To all members of Bishop's Council, FACS and Risk and Audit Committee



Come follow Christ
in the footsteps of St Chad

Chief Executive

April 3rd 2020

Summary of our current financial position

Dear Colleague

I am writing to update you on our financial position and some of the actions taken or being taken next week. As always I am grateful to all my DBF colleagues who have been grinding away with the details to enable us to have this overview so quickly.

Income

- **Parish share.**

We can report an income of **£2,243,847** in Quarter One. This is a reduction of **1.39%** on last year's figure.

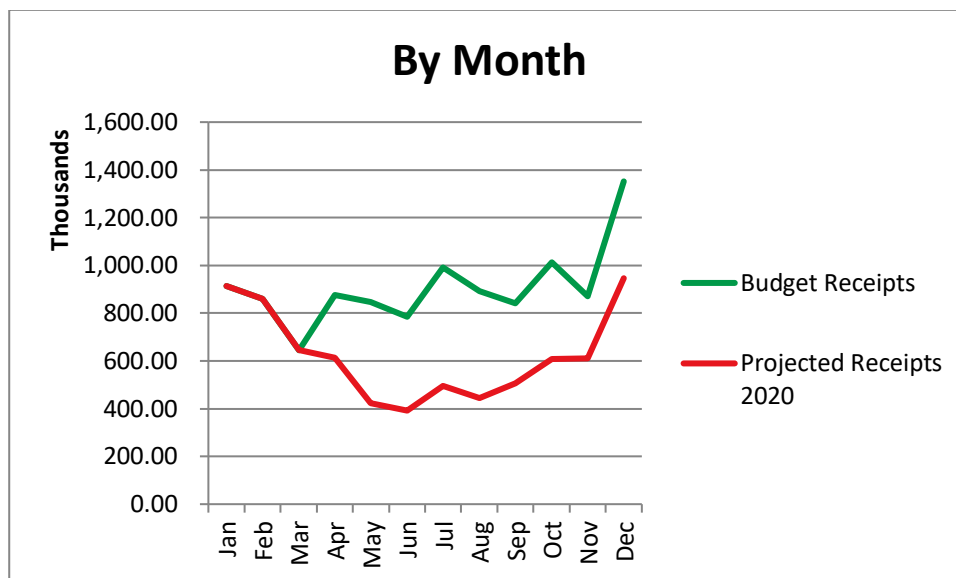
On the whole in the first quarter direct debits held up well with only a few withdrawals. We are a little disappointed to see this immediate downturn but it is important to say that parishes are being largely helpful and trying to keep contributions flowing. We are encouraged by the number of parishes setting up Just Giving and Donation pages. Having conveyed some positive news we believe we will see a significant dip in Q2 with more DD's reduced and cash and envelopes not being processed. To be frank the level of demise is still unclear.

In forecasting terms we would rather plan pessimistically to ensure a proper sense of realism. We are hoping to begin to see a gradual upturn from the beginning of Q3 although of course that assumes quarantine is lifted by then. We fully realise we will spend the remainder of the year "rebuilding".

Assuming a 35% reduction in share over the whole year our deficit could be in the region of between £3m to £4m.

The graph below is a best guess for now and of course we will be constantly reviewing it.

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- **Investments**

CCLA indicated last week that no drop off in dividends is likely. As 75% of our investments are with them, that is positive news. We are less confident about our returns from our other brokers and so our best estimate is a 15% drop in overall investment income.

- **Fees**

The national church has asked us to waive funeral fees during this period. Pastorally we believe this is an appropriate response. With the loss of fees for all of Q2 and a likely slow return to "normality", we have decided to assume a 50% reduction for the year. That could mean a cash loss of around £650,000

- **Rental income on Diocesan property**

Early indications are that this will not be adversely affected although some tenants are asking for rental holidays.

- **Income from the church commissioners**

I have just received very positive news from the Commissioners. To alleviate Diocesan liquidity it has been agreed that all lowest income funding will be paid out now in one lump sum in April. This equates to £1.6m and will considerably strengthen our cash flow forecast in the short term, meaning we feel we are in a comfortable position until June. I need to sound a note of caution that this could be detrimental in the longer term cash flow analysis.

Expenditure

- **Property**

We will be making substantial reduced level of housing repairs and improvements. We are concentrating on urgent maintenance calls and predicted in-goings. Clearly the latter is getting more difficult with increased governmental strictures and supply problems. All 2020 Q1 work is suspended. House purchases/sales and glebe land sales are now in a stagnant market and will be largely suspended.

- **Functional/departmental expenditures**

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Overhead expenditure is down to an absolute minimum with only fixed overheads i.e. Council Tax, Water Rates, IT costs, Phone and utilities going out. The Finance Department has negotiated with all our Local Authorities to be paying council tax monthly rather than our normal practice of half yearly in advance.

- **Salaries and stipends**

These remain our major outgoing. Clergy recruitment/moves are largely suspended although we have a moral obligation to our Petertide curates. I have asked the Line management team to begin considering the need to furlough some staff posts for a period of time. We have a list of 30+ staff that we will be discussing this with next week and are likely to move quickly to expedite the scheme. This will enable us to claim 80% of salaries in government grants. The Bishop has made it clear that he would want us to keep paying people 100% of their salary during any furlough.

Annual pay rises exercise our minds. All clergy and staff were due a 2% pay increase in April. This 2% increase would cost an extra £32,000 per month. Five Dioceses have suspended their increase and after on-going discussions that have taken into account morale and financial necessities we have concluded that we too will suspend this increase for now and revisit later in the year.

- **Diocesan Grants/Loans**

Most of our expenditure in this area is on subsidising parish employees. In order to protect liquidity we are looking at suspending these grants from April 1st and advising parishes about furlough procedures. Unless work has already been legally committed, payment on advancements of loans is also suspended.

Current cash picture:

- As of the end of March we have nearly £2.9m helped by two fortuitous house sales. With the recent promise of our LIC funding coming in a lump sum this month we believe we are liquid to the end of June. We are working with the Central Stipends Authority to ensure an on-going positive relationship with them. They are looking to help Dioceses through this difficult time. An extended overdraft provision with them is quite possible at a cost of borrowing of 2%. We will also look into bank loans if absolutely necessary. Our last resort to maintain liquidity would be selling our investments but we will do everything possible to protect them and therefore our longer term sustainability. Some of these expenditure restrictions may well have to stay in place for the remainder of the year. The core Finance group (JTN, JJ, JH, JD and MP) will continue to monitor the situation and are aware we need to be as careful on the exit of this period of time as we are now.

I hope this overview is helpful to you as Directors of the DBF. Don't hesitate to e-mail me with any further queries or suggestions.

As ever



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