

To Treasurers and Churchwardens

Following on from [my letter of 24 March](#), I wanted to provide some more detailed background information and update you on our plans.

Diocesan Head of Finance, Nigel Strange, Assistant Accountant, Sharon Taylor-Booth, and I want to thank all those parishes that have paid their parish share (mostly by direct debit) at the end of March. We are acutely aware of the difficulties that parishes are currently facing but maintaining parish share at this time is crucial, and it is heartening that so many parishes continue to pay.

Nigel, Sharon and I have been in contact with some of you about your situations and we are very grateful to those who continue to pay parish share even if at present that amount has had to be reduced. Can I repeat from my last letter to please keep in touch with us. It will be more important than ever that we all work together to get through this. If parishes are completely unable to maintain payment at current levels, please contact us so we can collect a reduced amount. **Please do not cancel your direct debit.**

Bishop Keith referred this week in the Coronavirus Briefing to Psalm 121:

*"I lift my eyes to the hills – from where will my help come?
My help comes from the Lord who made heaven and earth"*

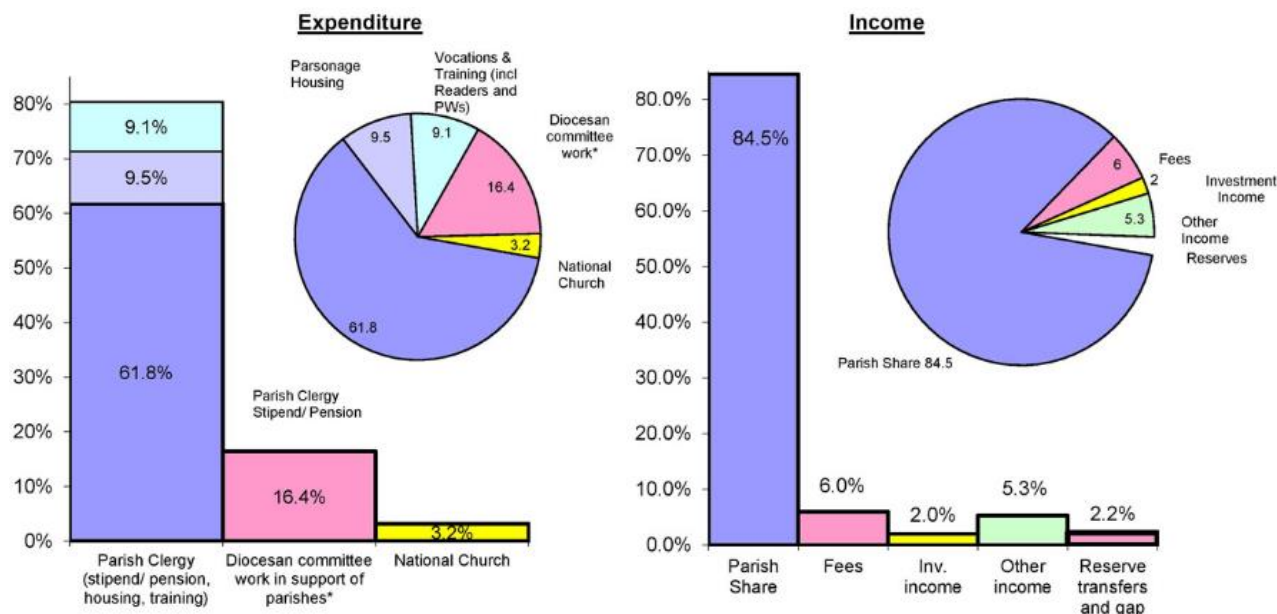
May this also be the focus of our prayer. The community at Foxhill, joined by many others around the diocese, is [praying for you all](#) at this time.

It will take us all working together, but with your help and dependence on the love and assistance of our loving God, my confidence is in the Lord that we will all get through this.

Let me update you on the current financial situation.

The Diocesan Board of Finance budget

For the DBF 2020 budget, which approximated £13m, we prepared some simple pie charts to outline our income and expenditure.



<https://www.chester.anglican.org/content/pages/documents/1581607595.pdf>

You will see that the vast bulk of diocesan expenditure is parish clergy related, including stipends, pensions, housing, and the training of clergy and licensed ministers. This means there is little room for manoeuvre: clergy will continue to receive their stipends and pension contributions; insurance and urgent work will continue, and training goes on for new clergy and licensed ministers. There will, however, be some reduction in housing spend whilst the immediate crisis prevents it taking place.

On the income side we expect to have very little in fees coming in, and we are already seeing problems arising from the limited amount of rental income we receive. Some reduction in parish share contributions is inevitable, but it is too early to know to what extent this might be.

In other areas of expenditure, some people have asked whether reductions can be made in non-clergy related expenditure at Church House to assist parishes. You will note that all diocesan committee work expenditure (excluding that directly related to clergy and licensed minister costs), and National Church contributions, amount to less than 20% of the total DBF budget.

Most Church House staff are now online working from home and carrying out their normal duties and are needed more than ever at present. They have really stepped up

to the challenge in supporting parishes at this time and I give thanks to the Lord for that. Seeing this gives me great joy from the Lord. We are, however, considering what might be possible and additional comments can be found in the *Further Financial Detail* appended to this letter.

The National Church

The National Church has made available some interim limited loan support to dioceses that are running very low on cash reserves. These would be in the form of interest-bearing loans repayable by March 2021, in our case the loan could be up to a maximum of about £1.5m. The National Church is also continuing to look at what other support might be made available.

Use of DBF reserves

The DBF has general fund cash reserves of approximately 2.5 months' expenditure in normal times. This amounts to about £2.8m. We need some cash in the account to maintain basic cashflow and enable prompt payment of stipends, salaries and other continuing bills. We probably need £1.5-2m for this purpose. We have decided to use some of the remaining funds held by the diocese and are also investigating using others. Additional detail on this can be found in the appendix.

To give an idea of what we might be facing, in one scenario we have modelled that if we had a 40% drop in parish share for the rest of the year, then we might be looking at an estimated deficit of approximately £3.8m for 2020.

We will very likely be spending reserves significantly at this time. As is true for parishes, this does come with a longer-term cost. Fewer DBF reserves will feed into higher parish shares and lower levels of clergy housing improvements in the future, it will also mean we have much less ability to run any deficits in the DBF.

I hope by giving you the detail in the appendix it will reassure you that we are doing all we can to assist you at this time and manage the resources of the diocese well.

Some other matters

Internal controls

Unfortunately, there will be some people who will take advantage of the current situation to try and commit fraud. For example, please be on your guard for unexpected requests for payments perhaps appearing to use an email address you recognise but with a different reply address or contact details. Similarly, although we

understand that in some cases the normal controls over cash, banking and payment may not be ideal at present please try to protect each other when handling financial transactions and maintain internal controls as far as is possible.

Giving advice

Martin Smith our Christian giving adviser is planning on producing some advice for parishes. Please do look out for this on the Church House Blog and make use of the resources provided. You may also want to remind those giving by envelope schemes or the open plate, to consider continuing paying by another method such as online, standing order, or cheque. Or where that is not possible, to put money aside each week so it can be given when we meet together again in our church buildings.

Parish giving to each other outside the parish share

Parish share is designed to help giving to other parishes and we are hugely grateful that so many support each other in this way. We have also seen parishes additionally helping each other financially outside of the parish share over the years. This is usually done very quietly, sometime the money is given direct, and sometimes via the DBF in an anonymous approach. We understand that many are not in any position to consider this at present, however if you can do so and you would like our help, we stand ready to assist parishes in any additional such giving at this time.

We have established a standing committee of our Finance and Scrutiny Committee who will be carefully considering all these matters in the weeks to come. Nigel, Sharon and I can continue to be contacted using our normal email addresses. You can also email finance@chester.anglican.org and all three of us will be monitoring that account.

Our prayers are with all of you. Please do continue to keep in touch with us.



George Colville
Diocesan Secretary

Appendix – Further financial detail

Comments on Church House

- Church House in Daresbury has for many years been run with a very small staff as part of a policy to maintain as much money as possible in parishes. You can see a staff list on the [contact section of the website](#). Most posts are already at the minimum needed to provide legal and other essential functions, and others are key to our support for mission and ministry in parishes now and in the future. The Church continues to be the Church, we are not closed (just our buildings) and our mission and ministry to our diocese very much continues.
- We are continuing to look at the government schemes as they are announced and we will continue to investigate all possible savings that could be made, whilst recognising overall savings are likely to be comparatively small in relation to the total budget.
- Staff are taking on new and differing duties in support of parishes as we seek to address the immediate situation, we find ourselves in.
- We have good staff and we will need them in taking forward God's mission in the diocese in the years to come.

Other reserves we are planning on using and other financial measures we are considering

We have the following in cash in other funds that will also be made available:

- £1m in cash in the pastoral account which we use to fund improvements to parsonages and to bridge finance when replacing parsonage houses, but could be used if needed.
- Some other smaller restricted funds that we can make available which might add may be another £400k.

In terms of investments that could be used to support us at this time there are:

- Some limited general fund investments in a property fund which have now become illiquid but could potentially be reclassified to a restricted fund or endowment fund releasing more liquid investments if a current value could be obtained (approx. £400k?)

- A former permanent endowment fund, from which the investment income supports stipends payments and therefore parish share dating back to just after the second world war of about £3m (current prices). We obtained Charity Commission permission some years ago to spend this if needed.

Clearly investment markets are very volatile at present. It is impossible to predict when or if they will recover or whether they will continue to decline. Whilst these funds are held for long term income this matters less but could be a crucial and difficult decision in the coming months.

Loans

There are the National Church loans of up to £1.5m referred to in the body of the letter, but also there may be additional possibilities in mortgaging some diocesan property such as Church House or Foxhill.

Other cash and investments are not available to support our normal budgeted operations at present, but we will be continuing to consider possibilities of how any of this might be made available if needed.