

## Finance Update October 2020

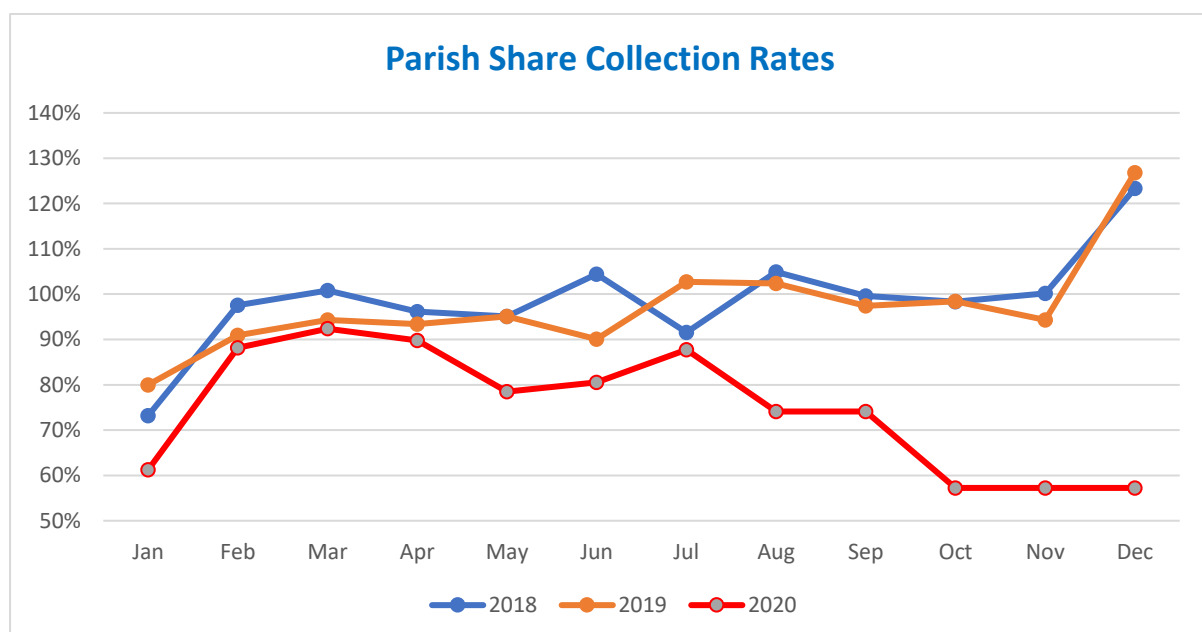
We wanted to update you and explain how finances have been and continue to be impacted during the COVID-19 lockdown and as a consequence of ongoing restrictions. Finances across the Church of England are challenging, although not all areas of our work will be impacted in the same way.

### Parish Share

Parishes are reporting a mixed view – some rely heavily on income generation from fundraising and hall lettings along with open plate giving, others have a more stable income from regular giving through the Parish Giving Scheme and standing orders. The impact of COVID-19 has therefore impacted churches to differing degrees since March 2020.

We hugely appreciate the efforts of every one of our parishes; you have been creative, resilient in what have been exceptional and challenging circumstances for you and the communities you serve. We are additionally grateful that many are ensuring that parish share continues to be paid, despite how uncertain some parish finances are, especially those reliant on income from activities outside of congregational giving. At Diocesan Finance Committee on 12<sup>th</sup> October 2020 we heard from the Finance Chairs for each deanery in relation to parish share receipts to date. It was evident from those conversations that many PCCs have agreed to use reserves to continue to make payments of parish share. This commitment is greatly appreciated as we work together to sustain our ongoing commitments for stipends and salaries.

Outlined below is a comparison of collection rates for 2018 to date, with estimates being used for Oct – Dec 2020. January each year is always lower as many parishes do not contribute in January, choosing instead to make payments in 11 instalments. January can also be affected by the amounts contributed towards previous years arrears before ‘close of books’ in January. Contributions towards parish share normally increase in the final quarter of the year but having received indications from many parishes during Q3 as to what was anticipated in Q4 we are expecting a downward trend this year.



We are grateful to those parishes who in the last few weeks have indicated that they will be able to resume parish share payments; this makes a significant difference to our ability to meet our monthly costs. As an example, during August 2020 parishes contributed £322k in parish share, but to meet stipends in that month we required £331k. This is a growing concern when taken in the light of the projections in the graph above. We will continue to monitor parish share receipts closely and revise our cashflow projections accordingly as we receive updated projections from parishes for Q4.

### Impact on the Finances of the Diocesan Board of Finance

Like parishes, the Diocesan Board of Finance (DBF) is also facing financial difficulty. Prior to the COVID-19 outbreak we had already started to plan and build in savings to take account of the parish share shortfall in 2019. Planning for 2021 and beyond was inevitably going to lead to the need for further cost savings across the Diocese, and the COVID-19 lockdown has now compounded the problem.

Some parishes will inevitably need to reduce their parish share as they run out or run low on income. We have already seen the impact of this on our own accounts. The overall value of our investments fell by 10% as at March, bounced back by the end of June but is expected to have fallen again at the end of September. We anticipate that, to the end of the year, the combination of reduced parish share, reduced investment income and the almost complete cessation of fees for weddings will reduce our overall income to between 70% and 50% of what we had budgeted. Parish share contributions account for roughly 68% of DBF income, which corresponds to the fact that approximately 68% of DBF expenditure relates to clergy stipends, pensions, training, and housing.

The national church is requesting that dioceses continue to pay their central apportionment to the Archbishops' Council to enable Archbishops' Council to meet its financial obligations. This payment for Portsmouth equates to approximately £487k in 2020 and covers a contribution to the following broad areas: -

- Training for ministry
- National Church responsibilities
- Mission Agency support
- Clergy retirement housing
- Ordination training.

Archbishops' Council has been reviewing how it applies additional funding to best support dioceses in these challenging times. This process is ongoing but has resulted in some immediate, short term funding. We have applied for a Sustainability Grant and were awarded £600k. This has been provided in two lump sums; the first payment was in the summer and the second this month. This is a one-off grant designed to support with specific Covid-19 related deficits. We therefore cannot rely on further grants of this nature.

We have also managed to secure a Coronavirus Business Interruption Loan (CBIL) from the DBF's Bank in the sum of £2m to cover this year's shortfall. The loan will help with short-term cashflow for up to one year. This is however a loan, with interest payments due from id 2021, and therefore is subject to repayment over the next six years. This will be achieved by re-designating reserves and using cash reserves and the sale of properties. While this loan, the grant and the use of our cash

reserves supports our immediate cashflow, it does not change our reliance on parish share moving forward.

At the start of COVID 19, the DBF took steps to reduce expenditure. This included a programme of furloughing many of the diocesan staff, postponing cost of living rises and reducing expenditure on several work areas, including but not limited to property maintenance.

### Summary & What Next

We appreciate that many parishes are struggling during this period and value what all parishes are doing collectively to support our common mission to grow the Kingdom. We will continue to ensure that the central finances are carefully managed to protect our long-term future. This will involve changes to parish and DBF structures.

### Parish Share 2020 and 2021

As indicated previously, it would be helpful to have your updated projections for Q4 2020 in terms of likely parish share payments and we are grateful to those who have updated the positions outlined over the summer. This updated information will assist us in further managing cashflow for the remainder of this year and into 2021.

As indicated during the Archdeaconry Consultations on 19<sup>th</sup> September 2020, the overall figure for parish share for 2021 is anticipated to be the equivalent to the amount actually received in 2019 which means a reduction in the overall parish share ask. This does not mean that individual parish allocations will stay the same or decrease as those individual allocations will be determined by the usual formula. The formula for 2021 parish share will be based on the average weekly attendance figures recorded in the 2019 mission statistics, subject to the 10-year rolling average. Indicative parish share figures for 2021 and more details about the 2021 budget will be circulated later this month once Bishop's Council has approved the 2021 budget. The final parish share allocations will be confirmed after Diocesan Synod has met in November 2020.

### Vision & Mission Leading Finance

The development of our vision and its implementation continue and the priorities under *Live/Pray/Serve* will continue to lead our resource allocation. We intend to have structures that support mission and ministry and enable us to continue to grow in depth, impact and number. This imperative builds on the work of the last few years, where we have been focussing on renewal and reform. This year was always going to be a year of conversations and consultation about how we will journey together seeking to grow in depth, impact and number. We need to be asking ourselves questions about what thriving churches and communities look like and what we might need to change as a consequence. This conversation continued at the Archdeaconry Consultations in September 2020. We have been on this journey for quite some time, and while COVID-19 is not the reason for these conversations, it will undoubtedly impact and shape them. It has also hastened the timeframe for action and so now we need to continue, with even greater energy, to consider how we need to structure in terms of parish and the central support function to support growth and mission.

**Bishop Christopher & Victoria James, Diocesan Secretary**