

**CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**

**FINANCIAL STATEMENTS**

for the

**YEAR ENDED 31 DECEMBER 2020**



**CARLISLE  
DIOCESE**

**Company Registration No 39625**

**Registered Charity No 251977**



## CARLISLE DIOCESAN BOARD OF FINANCE LIMITED

### DIRECTORS' & TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2020



The Directors, who are also Trustees for the purposes of charity law, present their combined Directors' report, Trustees' report and Strategic report, together with the audited financial statements, for the year ended 31<sup>st</sup> December 2020. The report is separated into the following sections:

1. Legal objects
2. Strategic aims
3. Activities
4. Objectives set for the year
5. Strategic report containing:
  - 5.1. Activities in the year
  - 5.2. Achievements and performance
  - 5.3. Financial review
  - 5.4. Plans for future periods
  - 5.5. Principal risks and uncertainties
6. Structure, governance and management
7. Funds held as custodian trustee for others
8. Reference and administrative details of the Carlisle Diocesan Board of Finance (Carlisle DBF)
9. Auditors

#### **1. LEGAL OBJECTS**

##### **1.1. Objective**

The principal objective of the Carlisle Diocesan Board of Finance (Carlisle DBF) is to promote and assist the work, objectives and purposes of the Church of England for the advancement of the Christian religion in the Diocese of Carlisle and elsewhere by acting as the financial executive of the Diocese.

Carlisle DBF acts in conjunction with the Church Commissioners, Archbishops' Council, Bishop's Council, Diocesan and Deanery Synods and Parochial Church Councils to support the work of the Church of England particularly in the Diocese of Carlisle. The major part of Carlisle DBF's activity is to organise and provide funds for the training, housing and stipends of clergy and other ministers within the Diocese of Carlisle and to support the activities of the other Boards, Councils and Committees of the Diocesan Synod.

##### **1.2. Statutory Functions**

- Carlisle DBF has responsibility for the management of glebe property and investments to generate income to support the cost of stipends.
- It is the Diocesan Authority for parochial and other trusts and incorporates the functions and responsibilities of the Diocesan Parsonages Board.
- Carlisle DBF is custodian trustee in relation to PCC property (see section 7).

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### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2020) continued**

- The Trustees are aware of the Charity Commission's guidance on public benefit in "The Advancement of Religion for the Public Benefit" and have had regard to it in their administration of Carlisle DBF. The Trustees believe that, by promoting the work of the Church of England in the Diocese of Carlisle, it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the Diocese as a whole and in its individual parishes, and that in doing so it provides a benefit to the public by:
  - providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers; and
  - promoting Christian values, and services by members of the Church in and to their communities, to the benefit of individuals and society as a whole.

#### **2. STRATEGIC AIMS**

Carlisle DBF's strategy for achieving its objectives is to maintain the sound financial structure needed to enable it to continue supporting the clergy through the payment of stipends, managing parsonages and other ministerial housing and also by providing other facilities and resources in support of the ministry of both clergy and lay people in parishes across the Diocese. Since 2015 Carlisle DBF has sought to allocate its resources in the most effective way to support the strategy "God for All" which is shared by Carlisle Diocese and the Cumbrian Methodist, United Reformed and Salvation Army churches. Since 2019 the strategy has been 'refreshed' for the coming years through a process of listening and consulting, providing new strategic focus in the coming years.

In terms of resourcing, the strategy requires the DBF to invest in lay and ordained ministry development, including pioneer ministers; enable the establishment of a new organisational structure of some 35 Mission Communities across the Diocese; support the creation of "Fresh Expressions of Church" such as Network Youth Churches; and oversee subsidiaries in support of the Mission of the Church, including a Retreat House and Conference Centre at Rydal Hall and local community Resource and Recycling retail centres through "Restore (Cumbria)", as far as may be financially viable.

#### **3. ACTIVITIES**

The key activities may be summarised as:

- Mission and ministry in the local church (includes all clergy training, housing, stipends and pension costs and all other expenditure supporting locally-based ministry);
- Education funding (includes support services and capital expenditure support for schools); and
- Provision of a Diocesan Retreat House and Conference Centre;
- Contributions to the Archbishops' Council (mainly by grant) to support the National Church.

#### **4. OBJECTIVES FOR THE YEAR**

As part of Carlisle DBF's overall strategy, and subject to Annual Review, the Trustees have set the following specific objectives for the current and following years:

- Taking account of Covid 19 related factors, to maximise the return from Diocesan asset holdings to support costs of Diocesan Mission and Ministry while retaining the policy of balanced budgets for 2021 and onwards.
- To minimise increases in income needed from parishes in order to allow funds to be spent on mission activity locally;

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### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2020) continued**

- To resource Diocesan needs, as determined by Synod and informed by local and National Church institutions.
- To invest in local ministry including greater emphasis on learning and development for lay, as well as ordained, ministers.

#### **5. STRATEGIC REPORT**

##### **5.1. Activities in the year**

###### **5.1.1. Specific Activities**

The activities of the Diocese in 2020 were fundamentally affected by the Covid 19 pandemic, with its associated and major restrictions upon normal operational effectiveness. This did not, however, prevent a thorough review of the progress of the 2015-2020 ecumenical "God For All" strategy, and its successor "Vision Refresh", adopted by Diocesan Synod in March 2021.

Specific activities in support of this strategy included:

- Full reimbursement to the Church Commissioners for the direct employment costs of stipendiary clergy, together with the DBF's share of the training costs for Ordinands and curates. The DBF also funded the provision of housing for all stipendiary and house for duty clergy;
- Funding the continued growth in outreach and evangelism throughout the Diocese as a key element of God for All (see above), including further support for the creation and growth of Fresh Expressions of Church, innovative digital outreach and other initiatives.
- Learning and ministry development work to support clergy and laity, previously provided by Cumbria Christian Learning (CCL), but now to be provided by a combination of Diocesan staff, our own newly established Northern Mission Centre, and to be succeeded in September 2021 by the creation of "Emmanuel College" for ordination training, serving Dioceses in North West England.
- A focus upon embedding Stewardship principles to increase awareness within Mission Communities of the mutual inter-dependence of them and their individual Parishes with the Diocese's ability to provide necessary and appropriate Ministerial Resource and Support Services, the larger part of which continues to be funded through an efficiently structured system of "Parish Offer".
- Continued monitoring by the Investment Sub-Committee, reporting to the Finance Committee, of the mix and performance of the Diocese's investment portfolio and its professional advisors, to ensure an appropriately prudent balance of risk and reward generation associated with each class of asset.

###### **5.1.2. Grant-making (Beneficiary-selection) Policy**

Grants are made to the National Church to cover a proportion of its central costs (see Note 11 to the financial statements). Grants are paid to parishes and to retired clergy and to other charitable projects which appear to the Trustees to support the furtherance of Carlisle DBF's objects (see Note 14 to the financial statements).

###### **5.1.3. Programme Related Investments**

Loans are made to parishes in the Diocese at a preferential rate of interest, to enable them to undertake projects which further the objects of Carlisle DBF including improving and maintaining their buildings (see note 25 to the financial statements).

## **CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**

### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2020) continued**

#### **5.1.4. Volunteers**

The Trustees recognise and are grateful for the enormous contribution that volunteers throughout the Diocese give of their time for the work of the Diocese in many different ways. Retired clergy also give freely of their time. Churchwardens, Parochial Church Council Treasurers, Secretaries and Safeguarding Officers continue to enable the local church to provide mission and ministry to local communities across Cumbria. The success of the ongoing God for All project continues to be conditional upon a substantial growth in self-supporting (volunteer) lay and ordained ministry in the future, with stipendiary clergy roles being increasingly to discern, equip and support those ministers.

#### **5.2. Achievements against objectivities**

##### **5.2.1. Achievements in 2020**

The budget for 2020, approved by Diocesan Synod in October 2019, assumed that income from parish offers would decrease marginally from 2019 receipts, and after planned cost adjustments, a deficit of £160k could be expected, whilst still achieving the overall aim of net balanced budgets for the years 2015 to 2020.

In the event, and due to prompt remedial action by the DBF, endorsed by Bishop's Council, a major reduction in Parish Offer of some 7% was more than offset by

- The deferment of non-essential properties maintenance and some training and project activities
- Some support and services postholders sadly being made redundant as part of a reorganisation - they leave with much appreciation of their hard work and dedication
- Delayed clergy appointments
- Reduced net administrative costs due to enforced home working and use of video-conferencing
- The benefit, where sensibly applied, of HM Government Furlough schemes

As a result, a surplus of income over expenditure in the general fund of some £144,000 has been achieved.

Given the severity and impact of the pandemic across the Church and communities in Cumbria, this is considered to be a very satisfactory financial achievement. The hard work, patience, imagination and commitment of so many people is greatly appreciated by the Trustees.

Rydal Hall was unable to operate for most of the year and the forecast break-even changed into a significant deficit, despite employment support Furlough scheme receipts and significant cost reductions. This deficit and additional working capital due to continuing Covid related restrictions in 2021, will be met by a Grant of £300,000 from DBF funds to be paid in Quarter One 2021 and designated within these accounts.

Due to the continuation into 2021 of Covid related restrictions, further necessary cost savings have been projected across all Diocesan activity but in spite of these, the Diocesan budget shows a modest deficit for 2021, particularly as a result of Parish Offer receipts being forecast to remain depressed until 2022 at the earliest. The Trustees are rigorously pursuing a programme of rationalisation of its property portfolio, to maximise returns from re-invested capital in support of the costs of the Diocese's Mission and Ministry.

## **CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**

### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2020) continued**

The Trustees fully recognise the challenges faced by parishes to maintain their parish offer giving, and are very aware of, and thankful for, the sacrificial giving throughout the Diocese that makes that possible.

#### **5.2.2. Operational Performance**

The operational performance of Carlisle DBF in 2020 helped to achieve most of the strategic aims set out above. Expenditure on local clergy (primarily stipends, pension and housing), chaplains and Network Youth Church leaders accounted for 75% of the total group expenditure from general funds. Total expenditure on resourcing ministry and mission amounted to £6,809,000. Together with expenditure on education and the Diocesan retreat house at Rydal, the expenditure on charitable activities accounted for 98% of total expenditure.

2020 saw further progress in the plan to establish new patterns of ministry in Ecumenical Mission Communities. The associated reduction in the number of stipendiary clergy (with an increase in self-supporting ministry) is helping to align the cost of local ministry with the Diocese's income. However, the 2020 end year position was close to the planned long term clergy numbers, so there is limited scope for further cost saving to offset any further falls in income. Maintenance and improvement of clergy property was contained within a severely reduced Budget and was limited to those works considered to be urgent or essential.

The DBF applied successfully in 2019 to the Church Commissioners for 'Strategic Development' Funding, in support of the five year 'Reaching Deeper' project, to enable investment in new pioneering mission work across the Diocese. Although some of the recruitment had to be postponed until 2021, the project was able to commence during 2020 including the appointment and work of the 'New Monastics' and 'Outdoor' pioneers.

Continued investment was made to implement the God for All strategy through the work of the Reach Team insofar as they could operate under government Covid-related restrictions. Expenditure on the Reach Team's work to support local churches and church members to become more outward looking, including support for and establishing new fresh expressions of church such as Messy Church and Mountain Pilgrims, further growing Network Youth Churches, continuing to invest in pioneering ministries, promoting covid-safe Christmas celebrations and supporting 'online church' was £393,000.

Spending on Learning and Development activities was £789,000. This included providing funding for Cumbria Christian Learning in support of ordination training, contributing £308,000 towards the national costs of ordination training, implementing the Diocesan Vocations Strategy, training stipendiary and non-stipendiary curates, lay ministry development, and a leadership development programme in Mission Communities. In 2020 further work was undertaken in partnership with the Church Mission Society to launch the Northern Mission Centre, to develop new approaches to training that will enable local clergy and their church congregations to be more effective in mission and outreach to their local communities.

£1,000 in donations and collections from parishes and £52,000 investment income were added to the Diocesan Growth Fund. Out of this, grants were paid to parishes and deaneries totalling £9,000. The balance on the Growth Fund, which is available to support the establishment of network youth church congregations and help parishes and deaneries initiate new work designed to achieve church growth, stood at £1,809,000 at 31<sup>st</sup> December 2020.

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### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2020) continued**

The Board for Education spent £267,000 to support education in Cumbria with its support for Church schools. The Good Shepherd Multi Academy Trust, which aims to support the provision of excellent education within a caring and Christian ethos in academies in Cumbria remains of strategic importance as the debate over the academisation of schools continues. It currently includes nine schools.

On 1 July 2020, the activities, staff and net assets of Carlisle DBF's network of "OpShops" were transferred into a separate subsidiary charitable company under the name "Restore (Cumbria)". With its own Board of Trustees and a business plan designed to achieve a more secure and sustainable long-term future, it continued to provide community support, recycling and re-use services, and Christian ministry in partnership with local churches in Carlisle and Penrith, although its normal operations were severely disrupted for most of the year due to Covid 19 related trading restrictions. In 2020 the income generated from the shops whilst directly part of the DBF was £36,000. The network as a whole made a deficit across the whole year (partly as a subsidiary) of £8,000 after costs incurred with Incorporation, but with the benefit of Government Covid relief financial support. This major Outreach initiative continues to benefit from the hard work of many volunteers.

2020 saw a further decrease of £11,000 of income from the Archbishops' Council's Lowest Income Communities Funding. An additional £173,000 was received in 2020 from the Archbishops' Council, being the final claim for the previous 3-year's 'SDF' grant and the first claim for the new, 'Reaching Deeper' project.

The statutory fees for occasional offices conducted by the Church decreased significantly, reflecting in part the effect of Covid related restrictions, but also the trend for more weddings and funerals to take a more secular approach. Rents received from letting parsonages during vacancies remained strong at £361,000 as a result of the Diocese's active approach to renting out properties wherever possible, whilst also pursuing a policy of disposal where future need to retain not justified and re-investment returns potentially better. Overall total charity income decreased by 6.3%.

Rydal Hall Ltd is the wholly-owned subsidiary company of Carlisle DBF operating the Diocesan Conference Centre and Retreat House in South Lakeland. After charges for £60k rent and £8k accounting and HR services, and also the benefit of £183,000 in Covid related HM Government support grants, the net deficit for the year was £230,000 against a budget of breakeven. Covid related restrictions continue in 2021, but the Board is confident that the results of improved marketing, management and the effects of foreign travel restrictions will see a speedy return to operating stability in the near future.

The DBF again supported the Churches Trust for Cumbria through a grant of £22,000, to enable their work to provide external support for the care, conservation and development of church buildings across Cumbria.

#### **5.2.3. Investment Performance**

Investments are held in both restricted and unrestricted funds. In 2020, despite the severe falls in world stock markets at the onset of Covid restrictions, the price of the CBF Investment Fund shares increased by 6.9% for the year, (2019 increase 18.7%), but the CBF Property Fund shares decreased by 5.0% (2019 decrease of 2.6%), reflected the continuing effects of Covid upon the sustainable levels of rent and demand for commercial and other non-residential property. Total unrealised gains on investments for the year were £1,088,000, (2019 £2,349,000). These gains are notional – they do not alter the number of shares held hence the future income streams for which these shares are held, are unaffected directly by both increases and falls. The two hydroelectric plants within Cumbria in which the DBF has invested continued to perform well in 2020, and they will both provide a strong, long-term income stream for many years to come.

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### **DIRECTORS' & TRUSTEES' ANNUAL REPORT (2020) continued**

The Bank of England's Base Rate reduced in March 2020 from 0.25% to 0.1%, and the CBF Deposit Fund rate also reduced in stages to 0.15% at 31 December 2020.

Dividends received from the CBF Property Fund and Investment Fund were 6.53p and 57.39p per share respectively in the year, and the declared yields were 4.59% and 2.84% based on the year-end valuations. The total income from dividends for the year rose to £325,000 (2019 £288,000), although further investment of receipts from property sale proceeds was deferred in favour of retaining liquidity until the effects of Covid 19 upon Parish Offer receipts and other factors became clearer in Quarter 4, 2020.

Efforts continued to obtain planning consent for residential development on low yielding agricultural land holdings on the edge of settlements. A number of such developments have come to market in the year. All sale proceeds from these during 2020 have been invested to generate a sustainable long-term revenue stream to fund the work of the Diocese in the future.

The total return on investment – net receipts and valuation gains on investments as a percentage of the investment valuations at year-end, was 5.9% (2019 9.4%). Average yield (net receipts as a percentage of the investment valuations at year-end) was 3.2% (2019 3.2%).

#### **5.2.4. External Factors Affecting Performance**

There are a number of external factors continuing to affect the performance of Carlisle DBF. The fall (in both cash and real terms) in the offers (pre Covid related factors) made to Carlisle DBF from parishes is evidence of lower incomes in the parishes, reflecting a decline in church membership and the burden of local costs such as church repairs and energy bills. The effects of Covid and the enforced operational closure of Churches has further seriously, although hopefully temporarily, reduced this essential main Diocesan income source, but cannot wholly mask the underlying and increasing downwards trend away from traditional ministry led congregational sources.

The difficulty in filling vacancies in clergy posts has continued during the year and the Northern Province of the Church of England is reportedly not seen to be attractive to potential applicants. Although this reduces financial pressure in the short term, it represents an operational concern as the leadership and pastoral work of clergy is key in recruiting and developing self-supporting lay and ordained ministry and helping the local church to continue to evolve. During 2020 the restrictions imposed as a result of Covid-19 allied to financial constraints have further delayed recruitment in some locations.

#### **5.3. Financial Review**

##### **5.3.1. Review of the Financial Position**

The Consolidated Statement of Financial Activities (SOFA) for the year shows net incoming resources of £905,000 (2019 £942,000) before net gains on investments and other recognised gains and losses.

After revaluation adjustments, the net increase in funds amounted to £1,970,000, (2019: £4,235,000). Total fund balances are now £81,200,000, of which £76,754,000 (94.5%) is restricted, mainly by ecclesiastical measures, and a further £2,166,000 has been designated for specific use by the Trustees.

Overall there was a net cash inflow for the year of £675,000 (2019: £1,231,000). Total net current assets increased by £615,000 to £1,800,000 with those relating to general funds increasing by £48,000.