

CARLISLE DIOCESAN BOARD OF FINANCE LIMITED**Minutes of a Meeting of the Carlisle Diocesan Board of Finance, held via video link on Saturday 6th March 2021****Chair's Remarks**

Mr Jim Johnson introduced the meeting by paying thanks to the central staff at Church House, in particular Derek Hurton and Ric Jaques for the reliable documentation that they provide, he also wanted to draw attention to how competent the Board of Trustees are, possessing a mix of skills that make it a possible to do the job effectively.

In October 2020 Synod approved a 2021 budget that was very provisional due to the covid pandemic with the intention of being presented with an updated report to this Synod today. The underlying driver really goes back to 2009 when Parish officers were introduced and there were nearly £5m in paid offers, which was 98 percent of what had been offered. That was 12 years ago and taking inflation into account, for the same spending power today, we would now need nearly £7m to equate to the spending that was needed to break even in 2009, but actually we are down to £4.3m in 2020 and probably £4m in 2021. Ministry costs have been reducing during that time in terms of numbers of posts, but it has not been a deliberate policy to reduce ministry, our core income has been dropping, therefore, our ability to spend has been dropping. We spend it on the priorities that the bishop's council agrees, and they have those priorities endorsed by the members of the synod when they approve the budgets.

Derek Hurton presented the 2021 forecast & 2022 budget item. For 2020 the overall message is that as a Diocese we have managed to survive the financial impact of covid quite well. Our shortfall on Parish Offer was smaller than most Northern Diocese and that was largely the result of enormous levels of goodwill and effort on the part of parishes.

Through 2020 we made the best part of £1m of expenditure savings across the board, taking into account money claimed from the Government's Furlough scheme and savings on project running costs and housing cost throughout the year and saving on some of the project costs associated with implementing God for All. We did however have to support Rydal Hall through the period when it had to close and also designated a Transition Fund of £150k for 2021 to cover costs associated with any local ministry restructuring that is required. After these events the final outturn for 2020 was a surplus of £190K. The steps we took to save money in 2020 are largely unrepeatable because staff cannot indefinitely be furloughed without an impact on performance and because housing repairs and capital works cannot sensibly be further delayed.

2021 forecast: We set a nearly balanced budget for 2021 after the implementation of savings identified by the Financial Task Group. The Bishop's Staff Team had been asked to find an additional £100k of local staffing savings through vacancies and local reorganisation and a detailed individual level analysis of expenditure on local ministry payroll showed that we have now achieved that. Along with other developments, that £100k is now built into a reforecast of the budget which shows a £42k improvement compared to the original.

The main area of risk and uncertainty relates to Parish Offer. We are assuming that we will receive 99% of what Parishes have offered. This would represent a reduction of about £300k compared with what was actually received in 2020. Rydal Hall also poses a continued financial risk, although current estimates suggest that any likely losses could be consumed internally. In terms of approaching the remainder of the year, given the slight improvements in the projections for 2021 that have been seen since the budget was originally put together, this will hopefully provide some flexibility to make appointments in the coming months, but with an eye to avoiding locking in costs in posts that might not be part of future plans.

2022 budget: A first look at indicative budget figures for 2022 has been taken, based on a set of assumptions, and in order to plan any necessary corrective actions in the course of 2021. There is a strong likelihood that Covid-19 will have ongoing effects in terms of church attendance and giving. In such a scenario we are forecasting a budget deficit of £300k. If the Offer bounces back the deficit could be as small as £40k. As all scenarios show a deficit there is a need to provide some mitigation so that the actual budget set for the year can be balanced.

We are evaluating possible changes to the overall financial model, what we have been calling an “Empowerment and Endowment” approach. Archdeacons would initiate a process of local conversation about the deployment and cost of local ministry, and the local contribution towards it. These would aim to reach agreements as to what the local church will contribute, what ministry could be deployed and the extent to which other DBF funding is available to cover any shortfalls. The conversations about the use of non-Parish Offer funding would cover two areas. The first is the need to address different levels of wealth and income between Mission Communities in the Diocese. And secondly, to start trying to change the language about what the DBF contribution can do from effective subsidy to investment. The outcome of those conversations will be levels of offer and levels of ministry that should tackle this potential set of deficits. And that will bring the budget back towards balance, we hope, come the autumn. We can then set the budget in October this year.

In the discussion the following points were made:

- The Church of England has always worked on the idea that ministry is provided where it is needed, and this policy could have the unintended consequence of allowing those parishes that can afford to pay for ministry to actually have ministry. And leave other parishes which can't afford but need ministry unable to actually pay for it.
- This isn't about trying to move away from the Church of England's principles of mutual support. It's about saying when we have the conversations, we need to talk about both sides of the equation, both the costs and where the money's coming from. We have no intention of denuding an area that is genuinely less affluent of ministry just because they can't pay for it, but equally, the money that we put into the equation has to be used a bit more to invest in things that we want to see, rather than filling a gap that just gets bigger from one year to the next.

- According to the Church of England principle, generosity and sharing has taken place on a diocesan basis and the richer have subsidised the poorer. We have reached a point where actually there isn't a richer to subsidise the poorer now across the diocese. And through this new scheme and system, we are going to be looking at not only trying to share things as equitably as we can across the diocese but encouraging encouragement and generosity within Mission communities. So, within a Mission Community there is an expectation that ministry will be provided not just for the places that are richer, but across the Mission Community by the contributions of all its members.
- There are anxieties that Parishes that don't have any capacity to be generous, would not benefit from the richer deaneries, And concerns about the divisive potential of this.
- What we're contemplating is not yet an agreed policy, is similar to other national charities which offer grants to other charitable concerns to support their work. The applications are assessed on all relative merit and objectives, and then, a check back to see whether those objectives are actually being achieved and should they indeed receive further support to achieve them even more in the future.
- The whole thing is about even closer collaboration between bishop's and archdeacon as well because they are doing a lot of the work on the ground and having realistic conversations with parishes, or in this case Mission Communities, and part of those realistic conversations has to include the issue of stewardship. it's a fact that I don't think we've been teaching and practising stewardship as we should have, and everything that we've been discussing just now is a direct result not only of congregations getting older and smaller and the fact that we haven't been engaging in mission, as perhaps we should have, but also the fact that these smaller congregations have not been giving as generously as almost all the rest of the Church of England.

Minutes

The minutes of the meeting held on Saturday, 10th October 2020 were approved.

Minutes of the Finance Committee & Questions to the Chair

The minutes of the meeting of the Finance Committee held on Wednesday, 16th September 2020 and Wednesday 12th November 2020 were received.