

Minutes of a meeting of the **FINANCE COMMITTEE** of the **CARLISLE DIOCESAN BOARD OF FINANCE LTD** held **BY VIDEO LINK** on **15 SEPTEMBER 2021**

Present: Mr J A E Johnson (Chair)
The Archdeacon of West Cumberland
The Archdeacon of Carlisle
The Archdeacon of Westmorland and Furness
Mr J Edwards
Mrs J Busk
Mrs S Wigley
Mr D Dalgoutte
Mr D Bradley

In Attendance: Mr D Hurton – Diocesan Secretary
Mr R Jaques – Head of Finance
Mrs C Bell – Office Manager

Apologies for Absence: Apologies for absence were received from Rob Cook

1. Opening Prayers: Prayers were led by the Venerable Richard Pratt.

2. Minutes: The Committee approved the minutes of the meeting held on 14th July 2021.

3. Matters Arising from the Minutes: The Committee noted the Action Sheet and it was confirmed that all the actions noted had been completed or progressed or were on the meeting agenda. There were outstanding actions to be completed in respect of setting objectives for the Finance Committee, including reference within those to achieving Net Zero carbon emissions by 2030 and drawing up an annual cycle of agenda items.

Recruitment of Trustees/Directors: Derek Hurton informed the Committee that nomination papers for Bishop's Council, Finance Committee, the Vacancy in See Committee and the other bodies to which people are elected will be circulated prior to the Diocesan Synod meeting on 9th October. The deadline for returning them is 14th October and voting will be completed on 8 November, so the results will be announced in time for the November Finance Committee. This means that it will be known before the end of the current terms of office what the arrangements are going to be for the committee from the first of January, allowing us to be able to make co-options and consider any gaps at that meeting. The role description of the Finance Committee will be circulated with the nomination papers to try to attract interest and encourage good candidates to stand.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

4. Management Accounts: Ric Jaques introduced the draft management accounts for the year to 30th June 2021. The accounts for the first 8 months of 2021 show a surplus of £432k,

which is £55k better than the phased budget. Total funding is £205k below budget, although £116k of this is Reaching Deeper income which is net-neutral to the year's outcome. Expenditure though is £260k under budget, again including £116k of Reaching Deeper, so savings more than compensate for reduced income.

The forecast for the year currently shows a surplus for the year of £92k, an improvement of £146k on the budget. As we progress through the year, we can gain more confidence in the outcome, but there remain some elements of uncertainty, particularly around the final offer and fee income, and the final levels of expenditure in the Housing and God for All areas. Neal Andrews, the property manager, is uncertain if he will be able to spend the whole of the property repairs budget due to difficulty securing contractors who are able to do the work. If he is able to gain quotes, we will be able to incur cost in this year's accounts. The auditors will be satisfied with that outcome if it transpires.

The question was raised as to whether there is a capacity problem on the housing front. There are issues in relation to finding contractors to do the work and staffing changes in the team. It is also the case that property disposals are typically complex with layers of requirements in terms of ecclesiastical property law. It was agreed that at the next Property Sub Committee meeting this issue should be addressed, including the idea of adding temporary capacity on disposals and/or quinquennial repairs.

The goal for the Diocese to achieve Net Zero carbon emissions by 2030 was also raised in terms whether we will need to allocate extra resource, potentially in the form of a budget for the property aspects. It was decided that we will tentatively designate part of any 2021 budget surplus to initial carbon neutral work subject to the surplus actually being realized, and subject to Bishop's Council agreeing that as a priority.

5. HR Policy Review: Ali Ng joined the meeting and introduced the HR policy review paper. Work has been done on the policies since they were last presented to the Board in November 2020. It was agreed that they would be split into 3 categories and renewal dates added to the document, and they would be reviewed on a 3 year rolling programme, unless there is a statutory change which will need to be implemented quicker. Ali Ng left the meeting.

6. 2022+ Budget, Ministry and Funding Model and Plans: Derek Hurton introduced the 2022+ Budget, Ministry and Funding Model and Plans paper. The draft 2022 budget has been built on the basis of a similar set of assumptions as those used for the 2021 budget, but updated on the basis of experience and known future requirements. It also draws heavily on discussions between Rural Deans, Lay Chairs, Mission Community Leaders Archdeacons and the Church House Team about the costs of local ministry and the associated financial contributions from the local church.

The Committee were asked to: note and comment on the draft budget for 2022 and prospects for future years; endorse the budget assumptions including maintaining the principle of balancing the budget across the budget period; note that Bishop's Council will be asked to determine spending priorities in order to achieve balance in 2022; and approve

the draft budget, subject to Bishop's Council determination, to go forward to Diocesan Synod/DBF for approval in October.

The assumptions that we are working to are: -

Expenditure:

- local ministry numbers (clergy, NYC, pioneers) will reduce slightly, particularly in areas where Mission Communities have proposed or agreed changes to make ministry more sustainable by bringing Offer and Costs of Ministry closer together
- 1% increase in stipends (in line with national church expectations, but against CPI forecast of 1.9% for the year)
- 1% increase in salaries
- Employer's National Insurance rises by 1.25%age points to fund NHS/Social Care
- 3 stipendiary curates recruited in 2021 and 2022
- some programme costs for mission & ministry training, development etc bounce back to reflect normal activity levels post-Covid
- some programme costs (Safeguarding, SIAMs etc) rise to reflect changes in national policy and systems
- expenses and other running costs remain lower due to adoption of different working patterns and practices post-Covid (eg less travel, more video meetings)

Income:

- continued sale of surplus housing to release capital to invest for long term income
- continued shift to optimise investment mix to maximise income (eg selling underperforming commercial/agricultural property and investing in CBF)
- Mission Community/Parish Offer based on actual offers submitted, approx. 12% lower than pre-Covid levels
- fee income down £10k to reflect continued trend

Applying these assumptions to the budget gives us a deficit of £82k so options to eliminate that deficit need to be prioritised. The two suggestions for that are to squeeze the housing capital budget again or to require the Bishop's Staff Team to manage the local ministry payroll budget within a lower control total. The latter option had been followed in 2021 when an additional £100k of savings had to be found. This could involve longer vacancies and a more proactive approach to local reorganisation and early severance/retirement, including a revised early severance policy. We were on track to achieve the saving in the current year.

An additional financial pressure, of which both Finance Committee and Bishop's Council are aware following discussions at previous meetings, relates to development funding for the Good Shepherd Multi Academy Trust who are requesting £30k a year for 3 years. There is still a lot of uncertainty around academisation, but the MAT's view is that it needs further funding in order to move forward and grow to a sustainable level.

Projecting forward to 2023 on the basis of static Offer, slightly lower parochial fees and the effect of inflation shows a £230k loss without additional mitigation. Continued property

disposals will increase investment income and reduce property maintenance costs, somewhat reducing, but not eliminating the size of that loss.

The projections highlight the fact that unless Mission Communities take more direct responsibility for their financial sustainability and anomalous local situations are tackled, we will continue to be trapped in a downwards spiral. Bishop's Council are to be asked to agree a set of steps to address this.

In the discussion the following points were made: -

- Two points were clarified. First, by the time the budget goes to Synod it would be balanced. The question was how Bishop's Council chose to balance it, not whether we should set a deficit budget. Second, the 2023 projections are not a budget so we are not asking for approval, they are informing Synod of the direction of travel if management action isn't taken.
- Capital works to property have already been deferred for two years and at some point the budget would have to be reinstated. There are good pastoral and wellbeing reasons for doing that now, rather than have another year in which there is no scope to make improvements. The Committee as a whole supported reinstating the capital budget and this would be communicated to Bishop's Council.
- The sensitivity of the budget to actual number of property sales is significant. We need to maintain focus on achieving the number of sales in our projections because the income from investing the sales proceeds enables us to fund more mission and ministry.
- The development funding requested for the MAT could potentially be designated from any budget surplus realised in 2021. This would make sense because it would represent a one-off cost being funded by a one-off surplus.

The Committee approved the draft budget to go forward to Bishop's Council with the expectation that the Council would prioritise savings to achieve a balanced budget. Any proposals for ways of proceeding other than those discussed by the Committee would need to return to the Committee for further consideration. The Committee agreed in principle to designating up to £90,000 of any budget surplus to be spent over three years to develop the Good Shepherd MAT, subject to continued efforts to secure funding from other sources.

Ric Jaques was asked to attempt a calculation of the proportion of the overall budget spend that went on "innovation" as opposed to "business as usual".

PART B FINANCE – MINOR MATTERS

7. Parish Offer: Ric Jaques introduced the parish offer papers. A large proportion of the 2022 Parish Offers have now been reported, following a series of meetings and conversations locally within Mission Communities and/or Deaneries. It looks as if the offers are going to be just a fraction up on what was offered for 2021 which was itself significantly

lower than those made for 2020. When quantified, the Offers made to date for 2022 are 0.8% higher than the offers made for 2021, and 11.8% lower than the 2019 receipts.

The debate around the offers, how they do or do not cover local costs, how the subsidy has/should be allocated, and how that links in with the 2022 budget is covered in the separate 2022 Budget paper. Clearly if a drop of nearly 12% since 2019 represents the new, lower, baseline then it has serious and long-lasting implications for the locally funded ministry going forwards.

The gap between the local costs (gross of vacancies) and local income is approximately £920k and this gap has widened significantly over the last couple of years. Tackling this gap remains our biggest financial challenge for the next five years. There will be ongoing conversations between Archdeacons and Mission Communities to address those situations where the level of Offer feels anomalous in relation to the costs of local ministry once the local context is taken into account.

8. Rydal Hall: The Committee noted the draft Minutes of the meeting of the Rydal Board held on 13th July and 17th August 2021 and the management accounts to 31st July 2021. Richard Pratt gave a verbal update. Rydal has had a hugely better June and July than it has had in previous years and is running a budget surplus, even though it was closed at the beginning of the year. The challenge for Rydal as for every business in the hospitality sector is staffing. The Board and management team have managed to fill some of the vacancies. Staff are working incredibly hard. The Board are also looking at staffing structures and reviewing pay and leadership/management. In many respects Rydal Hall is in a better position now than it has been in the last 10 years.

9. Stewardship Activities Report: Ric Jaques introduced the Stewardship Activities Report. August has seen a phased return to work for the Stewardship Enabler after maternity leave. Since returning to work energies have been focussed around the recruitment of additional stewardship resource, increasing momentum around the contactless giving pilot, restarting general stewardship work as churches return to a more normal pattern of church life and listening to the experiences of clergy over the past year in order to inform the approach and tone of future stewardship work.

We have been successful in accessing funding from the National Church for a second full time Stewardship Officer. This post will work alongside the Stewardship Enabler by delivering direct stewardship support to parishes and Mission Communities, providing training to PCCs and clergy, supporting the uptake of contactless giving and encouraging legacy giving etc.

We have also been part of a contactless giving pilot run by the National Church who aim to get contactless giving devices into 50% of parishes across the country. This has been a huge opportunity for parishes and 110 churches in our Diocese have received a contactless giving device free of charge.

During the discussion it was reported that since receiving the contactless giving unit one parish has seen that their giving has gone up by 200% as they have encouraged people to use the church as a quiet place to just sit and reflect.

10. Good Shepherd Multi Academy Trust (MAT): The Committee noted the draft minutes of the meeting held on 8th July 2021.

PART C PROPERTY MATTERS

11. Property Issues requiring Finance Committee attention: In the absence of Neal Andrews, Derek Hurton gave a verbal update. He referred to the earlier discussion about capacity, particularly in terms of getting this year's quinquennial work underway. A number of disposals are progressing, some of which will come to fruition in the next few months.

The question of the replacement of the Grasmere rectory was raised. The DBF has made a commitment to the patrons to seek a replacement rectory and the sale proceeds from the previous rectory have been ringfenced for that purpose. There are several factors that are complicating this issue, one was rising house prices in Grasmere and a second was that any new build is likely to be dependent on the village school securing a new site which would accommodate a rectory.

PART D FINANCIAL STATEMENTS AND REPORTS

12. Treasury and Investments: Ric Jaques introduced this item. The Investment Committee continue to closely monitor the impacts, both actual and potential, of coronavirus and the Brexit deal on our investments. The longer-term impact of covid-19 will continue to unfold globally with massive national debt to be repaid over many years to come. CCLA's diversification and quality of investments have led to continued growth and dividends in the CBF Investment Fund, while the potential concerns around the CBF Property Fund appear to be reducing, with the 2021 proposed dividend being level with that declared in 2020, and the share price beginning to rise again.

John Edwards gave a verbal update on Restore. It is performing reasonably well, although there remains work to do in terms of finalising new utility supplies and producing accurate and meaningful management accounts. As far as the shops are concerned the main change is going to be with Penrith where the lease comes up for expiry at the end of November. No new shop has yet been secured so it may be that there will not be a shop in Penrith for an indeterminate period of time over the winter.

13. The Committee noted the statements and updates on the following funds:

- Minor Funds Update
- Pastoral Account Statement
- Glebe Statement
- Restore
- Barchester Statement

- Parish Property Fund
- Growth Fund Statement
- CCL
- Loan Statement

The Chair raised the question of returning to face-to-face meetings. After a discussion it was agreed that the November meeting would be on Zoom and that we would monitor developments over the winter months. It might be possible to arrange a social event at Church House for those who wish to attend at some point during the winter months, if circumstances allow it. The question was also raised as to whether the Diocesan Synod meeting would be in person and if so, whether enough people would attend to achieve a quorum. This mattered in particular for the DBF part of the agenda because the agenda included the formal approval of the budget. It was agreed that Derek Hurton and Ric Jaques would come up with a backup plan should there not be enough members present.

14. Date of Next Meeting: Wednesday, 17th November 2021