

Minutes of a meeting of the **FINANCE COMMITTEE** of the **CARLISLE DIOCESAN BOARD OF FINANCE LTD** held **BY VIDEO LINK** on **18 NOVEMBER 2020**

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

**In Attendance:** Mr D Hurton – Diocesan Secretary  
 Mr R Jaques – Head of Finance  
 Mrs C Bell – Office Manager  
 Mrs V O’Dea – Director of Education  
 Mrs C Render – CEO of the GSMAT  
 Mrs J Clarke - Chare of the GSMAT

**1. Opening Prayers:** Prayers were led by John Edwards.

**2. Apologies for absence:** Apologies were received from the Bishop of Carlisle.

**2. Minutes:** The Committee approved the minutes of the meeting held on 16<sup>th</sup> September 2020.

**3. Matters Arising from the Minutes:** The Committee noted the Action Sheet, and it was confirmed that all bar one of the actions noted had been progressed or were on the meeting agenda. The exception was DH/AN to explore the use of secondment agreements for the appointment of locally managed staff, where the DBF would be the employer but would second the employee to the relevant PCC or other local body, which is yet to be progressed.

**4. GSMAT & DBE update:** Vanessa O’Dea introduced the presentation on the DBE update. The DBE and the GSMAT are here to play their part in creating and sustaining an education that is deeply Christian, an education that serves the common good. A challenge that faces church schools are the falling birth rates and school roll numbers. In 1976 there were 87,842 pupils in Cumbrian Schools and in January 2019 there were 61,622, a drop of 26,220. That makes competition a fact of life for many Cumbrian schools. The Institute for Fiscal Studies report published this year said that school spending per pupil in England fell by 9% in real terms between 2009–10 and 2019–20. This represents the largest cut in over 40 years which is putting pressure on school budgets and particularly for small rural school. There is also the challenge of having Victorian old building stock, and the challenge of meeting Net Zero with buildings such as these. 98 out of 104 church schools in Carlisle Diocese fall into DfE categorisation of ‘small’ which is under 210 pupils and 89 out of 104 are designated ‘rural’. The Church of England provides over 70% of all the very small schools in rural communities. Resistance to change is a real problem from communities, school leaders and governors; people are worried about what is to come and they don’t always want to consider

adaptation or change. Since the publication of 'Working Together' in 2014 there has been considerable change in the political and education landscape and it seems timely to re-emphasise the conclusion of that report that small rural schools could not continue to operate as stand-alone units. The Good Shepherd is part of our response to build sustainable, excellent schools in the Diocese of Carlisle. When schools join the Trust, they become part of a family of schools where sharing resources and expertise, empowering and releasing leaders and centralising some core functions ensures our small rural schools not only survive, but thrive. What the Good Shepherd has managed to achieve since its inception is remarkable. Momentum is gathering, The Good Shepherd has grown to 8 schools, two more schools are joining in 2021, and the Trust are pursuing a Cluster Model of growth and operation.

Vanessa O'Dea and Claire Render have prioritised winning hearts and minds, to work supportively with communities while developing an understanding of the need for building open, collaborative relationships with schools and partners and working to grow the Good Shepherd. Identifying strengths & developing work streams around these; seeking involvement with the strategic priority setting work of Vision Refresh; and developing knowledge and understanding of the county picture and how this might affect the Diocese and the Trust are key themes.

Jane Clarke gave a brief presentation highlighting that ethos is what drives the Good Shepherd MAT and is the thread that impacts all the schools. The schools are very varied and different, but they are a family of schools and what unites them is the togetherness of ethos and the values. They have a board of 8 directors all with individual skills and talents, but they are looking to diversify the board with finance and HR representatives. The central office is headed by Clare Render as the CEO who is contracted for 2 days a week. There are 6 other members of staff who variously work part time and they also contract 3 school improvement consultants.

Claire Render presented the update on the Good Shepherd MAT, informing the Board that they currently have 8 schools, 7 of which are church schools, and there will be 2 new schools joining in early 2021. They have 1 outstanding and 4 good OFSTED judgements, 1 requiring improvement and 1 inadequate. They have 3 Head Teachers, 2 Executive Head Teachers and 5 Heads of School in place. They are moving into a cluster model going in 3 localities, north, west and south and this year they have really concentrated on developing the north cluster as they recognise that north, south and west Cumbria are all very different. They work very closely with the DBE having termly strategic meetings, and Clare and Vanessa have fortnightly meetings to share local intelligence about the church schools, plan collaboration and school improvement objectives. They work very closely with the DFE and have developed their relationship with the Regional School's Commissioner. They are working with other Multi Academy Trusts particularly the Diocese of Chester. They are very much a part of the landscape of education. They have had 3 strategy workshops held across the year in business development, finance and organisation. The DBE and the Good Shepherd are very much interlinked within the minds of Cumbrian schools.

The Chair thanked Vanessa O'Dea, Clare Render and Jane Clarke for the presentation and detailed briefing, and they left the meeting.

In the discussion that followed it was commented that church schools are part of our mission and they are the means through which we engage with the largest number of young people. Bishop Emma talks a lot about lowering the age profile of the church and here we have access to the

younger generation, not just in terms of children but their parents and families as well. If the MAT is going to expand, it needs further investment. However, Bishops Council and Diocesan Synod have just approved a budget and a report from the Financial Planning Task Group which said that if the MAT wants to grow it will have to find its own funding. In the current context where DBF staff are being made redundant and clergy posts are likely to go there is little scope for extra investment. The budget has been set for 2021 and does not include provision for additional funding for the MAT.

**5. Covid-19 update:** Derek Hurton presented the Covid-19 update. One correction to the email update sent to Trustees involved reference to the Government's job retention bonus payment, which is not now going to be available in January due to the extension of furlough scheme. He wanted to stress the pressure that employees are under, having pulled out all the stops during the year but finding themselves in December still in lockdown, with churches not meeting, and major financial pressures on the DBF. Getting to the end of 2020 with the financial outturn we are likely to have and without making any major mistakes on the way is a really good achievement even if it doesn't feel like it. The committee recorded a formal note of thanks for the hard work done during the year by Derek, Ric, Neal, Cath and all the Church House staff.

#### **PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS**

**6. Management Accounts and discussion on likely group results for 2020:** Ric Jaques introduced the draft management accounts for the year to 31<sup>st</sup> October 2020. The accounts for the first 10 months of 2020 show a surplus of £138k, which is £338k better than the phased budget, a result of significantly lower than budgeted expenditure due to the impact of the coronavirus pandemic.

Parish Offer projection is now £100k higher following a surprise improvement in October. Costs of the God for All Team are now forecast as being £65k lower than previously stated, a result of the extended furlough scheme and increasing levels of lockdown reducing further activity and spend. Other costs are now forecast to be £87k lower than previously expected.

Non-parish income has been strong this year, but the impacts of Covid-19 have affected Parish Offer and parochial fees. However, in mitigation, material elements of staff and project costs have been curtailed due to the lockdown, many staff have been furloughed and housing and project work postponed or cancelled. Interestingly, for the first time in several years, spend on stipendiary clergy and curates is close to budget.

The forecast is currently showing a significant surplus on the DBF's General Fund, offset by trading losses at Rydal Hall. Parish Offer remains the item with the highest level of uncertainty.

The quick and decisive actions to cut discretionary costs and furlough significant numbers of staff continue to have a material impact on reducing costs to more than mitigate against lost income from parish offer and fees. Investment and other income levels have held up well, and a resumption of spend in the latter months of the year on discretionary projects and general expenses has not happened as lockdown measures have ramped up since September.

Derek Hurton gave an update on the status of the Church Commissioners sustainability funding application. This is a funding stream that is only available this year and it is designed to help Dioceses with the financial impact of Covid-19. We are at the end of the process for putting in an

application as we don't have the cash flow problems that some Dioceses have. There has been a lot of work put in to ascertain what would be an appropriate claim for us to submit, but it is not entirely clear if we are supposed to claim for compensation for loss of income or compensation for an end year outturn expected loss. There was a question about the moral justification of asking the Church Commissioners for support when we might break even across the year as a whole while other Diocese will be making significant losses.

During the discussion that followed the Board decided that Derek Hurton and Ric Jaques should be given discretion to apply for funding on the proviso of paying it back if, at the end of the year it proves that we did not need it.

**7. Staff reorganisation:** Ali Ng introduced the staff reorganisation paper updating the Board on the implementation of the proposed restructure. This is being undertaken in order to implement the proposed savings identified in the Financial Planning Task Group report as approved by the Board of Finance, Bishop's Council and Diocesan Synod. Earlier in the year it was agreed that there would be a pay scale review and that has been completed as part of the restructure. There are 22 staff members in scope of the restructure and this includes all the God for All and Central Services teams. The Board approved the reopening of the voluntary redundancy scheme in the run up to the start of the process for filling posts in the new structure.

## **PART B FINANCE – MINOR MATTERS**

**8. Parish Offer:** The Committee received a report on Parish Offer receipts to 31<sup>st</sup> October 2020

The total offer made for 2020 is currently reported as £4,674,599, a reduction of £82,997 (1.74%) from the 2019 offers. Note that this includes the increased offers from the Penrith West Mission Community to fund some additional ministry

Receipts up to 31<sup>st</sup> October were £3,534,449. This represents 75.6% of the year's offer. At this point last year, receipts were £3,805,379 (£270,929 higher) which was 79.9% of the year's offer. The Year To Date fall is therefore 7.1%.

The impact of Covid-19 on payments started to show in April, with a modest reduction in the amount that was expected to be received. This has generally continued, at around 10 to 12% less each month than was received last year. July and September saw bigger drops at 12.7% and 11.0%, but unexpectedly October actually saw offers received level with last year. There are a few parishes 'catching up' with payments for the year, and perhaps some are finding that their reserves or bank balances are stronger than feared. There is still no clear trend or the acceleration of decline which had been feared.

It is unknown whether the new closure of churches for collective worship will have a material impact on the offer this year, although any Christmas activity lost to coronavirus will see a financial impact of parishes.

Treasurers/PCCs have been asked to make their 2021 offers given certain assumptions and a view of how the pandemic might impact on their parish finances. A tool has been provided to help them forecast their 2021 finances. At this point the offer for 2021 looks like being around 11.5% less than

the offers made for 2020, ie a reduction of a little over £0.5 million and broadly in line with what we expect to actually receive in 2020.

We have not yet considered the degree to which, and how, we respond to these offers and, in particular, those where it is felt that the scale of reduction is not appropriate. Last year there was a series of meetings called with PCCs, with a combination of DBF staff, Archdeacons and Bishops attending but no such meetings have currently been scheduled. It was agreed that Archdeacons and DBF Officers should decide whether particularly meetings are needed in the New Year.

**9. Financial implications from associated meetings:** Derek Hurton introduced the paper on Financial implications from associated meetings. The main implications arose from safeguarding developments including the creation of a Regional Safeguarding tier which will provide oversight of and supervision for Diocesan Safeguarding Advisors, and the recommendations of the recently published IICSA report which suggest that Diocesan Safeguarding Advisors will become "Diocesan Officers" with powers to make decisions in safeguarding matters being transferred to these Officers from Diocesan Bishops. We expect that the new roles will come with higher salaries and costs.

**10. Rydal Hall:** The Committee noted the draft Minutes of the meeting of the Rydal Board held on Tuesday 14<sup>th</sup> October 2020 and the management accounts to 30<sup>th</sup> September 2020. Richard Pratt reported on the current position both operationally and financially. August and September brought in a good level of income, boosted by the 5% hospitality VAT rate, and with the ongoing use of flexi-furlough, and a high level of cost control, the August and September accounts came in slightly better than budget. This was a very positive outcome, with much credit going to the staff and management team.

October has seen a reduced level of activity, in part the normal seasonal trend but made worse by the increasing levels of tier 3 lockdown in Rydal's key catchment areas of the North West resulting in many cancellations. Although the accounts are still being completed, it is anticipated that they will show a negative variance of around £20,000 for the month. It is expected that there will be a debate regarding Rydal's future at the March Synod.

Derek Hurton is currently a director of Rydal Hall, but he will be stepping back and Ric Jaques will replace him. This is so he can be objective when reporting to Synod in March 2021. Richard Pratt agreed that it is important that somebody is able to take the more objective view in assisting Synod and Bishop's Council to come to a decision.

**11. Stewardship Activities Report:** The Board noted the Stewardship Activities Report. Ric Jaques highlighted the forthcoming Zoom treasurer's seminar on the 19<sup>th</sup> November where there will be 100 attending. There will be a launch of the pilot scheme of contactless giving at that meeting. We have been selected by the National Church Stewardship Team to get free contactless kit for all of our churches. The National Church are pushing Stewardship strongly including getting teaching on generosity and stewardship into ordination training, and putting additional stewardship advisors into Diocese. Derek Hurton and Ric Jaques are in conversation with the Northern regional advisor and are trying to work up a proposal in which we have an externally funded additional advisor in the Diocese.

**12. MAT:** The Board noted the draft minutes of the meeting held on Thursday 17<sup>th</sup> September. Ric Jaques gave a verbal update to confirm that they have asked for £12.3k from the Barchester fund as the latest instalment of their start-up funding.

**13. Cumberland Building Society loan facility roll over:** The DBF has a rolling loan facility to borrow up to £500,000, which is used to fund loans at cost to PCCs for capital projects. We pay a rate of interest discounted from their variable business rate, currently making the rate 2.6%. It is a three year loan that is about to expire.

Having discussed options at the Investment Sub-Group, it is proposed that we renew the facility for £500,000 if the terms are unchanged, but repay £100,000 to reduce the current level of borrowing. If the terms proposed have changed, or a renewal fee is proposed, we would bring the terms back to the Investment Sub-Group for consideration. The Board approved the proposed approach to renew the loan facility and, if terms are acceptable, to delegate authority to Jim Johnson, Derek Hurton and Derek Bradley to sign the relevant loan agreement.

## **PART C PROPERTY MATTERS**

**14. Property Issues requiring Finance Committee attention:** The Committee noted the minutes of the property sub-committee meeting on 23<sup>rd</sup> October 2020 and the action point list from the meeting.

2.1.1 - 7 The Green Houghton – The mission community have been consulted over the proposal to sell the house and agreed to the sale. The Board agreed to proceed with marketing for sale at a guide price to be agreed with an agent and to sell for the best attainable offer subject to a supporting qualified surveyor's report.

2.1.2 Workington vicarage - The mission community have been consulted over the proposal and they have accepted the sale is inevitable – the Board agreed to proceed with formal notices for sale of the house.

2.2.2 139 The Parklands - The tenants have agreed in principle to moving to the great Broughton Vicarage. That will be implemented as soon as Great Broughton is cleared for letting and 139 The Parklands will be marketed for sale.

4.1.1 – Restore Angel Lane Shop - the existing lease break clause has been implemented for 27<sup>th</sup> November. Terms are being agreed for Restore to remain in occupation on a further 5 years term but with annual break clauses, terms otherwise generally in accordance with the current lease terms. The DBF will need to remain as lessee for the new lease. The Board agreed to the DBF entering into the new lease on behalf of Restore, Angel Lane, Penrith.

4.2.2 Rydal Hall Access Roadway - Rydal Estates have advised their intention to resurface the Rydal Hill access road to Rydal Hall, with significant re-profiling of the road and improvements to drainage and verge arrangements. CDBF/Rydal Hall Ltd are responsible for 50% of the repair costs of the part of the road serving Rydal Hall. Further enquiries are being made on the rationale for the

improvements, the estimated costs and on some technical queries to allow the proposals to be properly considered.

5.1.1 Low Wray, St Margaret – Norman Bilsborough, the Church Commissioners agent, has advised that his offer made several years ago to purchase for use as a Christian retreat centre remains on the table. The potential arts project continues to make slow progress with no umbrella body yet coming forward prepared to manage the scheme. The Board agreed to set a deadline of the March Finance Committee for the arts project to report substantive progress or otherwise to revert to the potential retreat centre use.

5.1.2 Croglin – The “Croglin Church Enterprise” has been established with a steering group exploring charitable/not for profit status and fund raising to establish the building as the “East Fellside Heritage Centre”, with commercial elements to support the project. A letter of comfort and outline heads of terms for a possible lease have been requested to support grant applications. The Board approved issuing heads of terms on a similar basis to other proposed charitable church leases, ie with a peppercorn rent, very long term, flexible tenant breaks, limited repairing obligations, etc.

5.1.3 – West Seaton Holy Trinity - Further to the last minute withdrawal of previous purchasers five new offers for the church have recently been reported. Further details on the offers are being explored and the highest offer may not be the most viable. The Board agreed that Neal Andrews would negotiate and agree the sale to the most viable bidder.

5.2.1 Grinsdale, St Kentigern – The Church Commissioners have completed their reconciliation of the accounts which will result in approximately £48,500 of sale proceeds and costs reimbursement being paid to the diocese.

6.2.1 Job Centre, 19-24 Friargate, Penrith – It has been advised that the Job Centre are expected to leave Friargate to move to Voreda House in Penrith, a former NHS building which has been acquired by Eden District Council and is expected to be used by them to house various public sector bodies. It may be available as early as July 2021. The current lease renewal negotiations for the Job Centre are expected only to be able to secure a firm commitment to one year from December 2020. The future of the Job Centre space will require considering if they leave.

7.1.1 Heversham St Peter Closed School - Difficulties continue to be encountered in having the Charity Commission make a Scheme that will release the sale proceeds from the original trusts and for general on diocesan educational purposes. The DBF have been asked to pass a resolution agreeing to make the application for a Scheme.

The Board agreed to the following resolution:

“Regarding the sale proceeds from the former school of Heversham St Peter It is agreed that an application made to the Charity Commission for a scheme under the Charities Act 2011 to allow the proceeds to be held and used in accordance with the provisions of the “Barchester” uniform statutory trusts as set out in schedule 36 of the Education Act 1996.

## **PART D PARISH PROPERTY FUND**

**15. Requests from parishes for financial assistance:** the committee noted the following grant:

- Holy Trinity & St Barnabas Carlisle – a grant of £932 towards replacement carpets for disabled access.

## **PART F FINANCIAL STATEMENTS AND REPORTS**

**16. Treasury and Investments:** Mr Jaques reported on the fund statements.

The Board approved the amended Investment Policy with the request that Ric Jaques will draft and circulate an additional target within the policy that could be adopted for ethical investments.

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

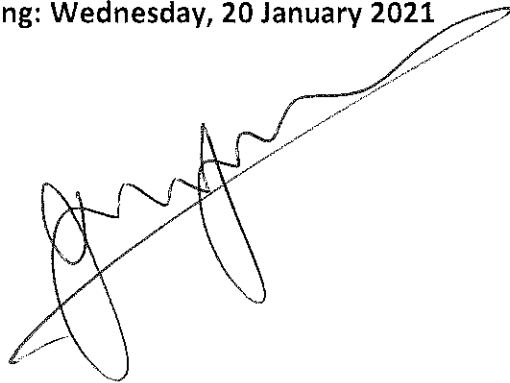
- Minor Funds Update
- Pastoral Account Statement
- Glebe Statement
- Restore
- Barchester Statement
- Parish Property Fund
- Growth Fund Statement
- Loan Statement

**18. Risk Register:** the Register would be thoroughly reviewed in January. Trustees were asked to feed any comments to Ric Jaques by early December.

**19. Any Other Business** –there has been a request that we make a loan to the new Emmanuel college of 10k for working capital, to be repaid in a year. The Board approved the loan.

The Church of England published the parochial fees last year with a change of crematorium fees. We deferred the changes in 2020 but at the same time notified PCCs that the change was coming. The changes remain in force for 2021, with General Synod not having make any amendments or repealing the change. The Board agreed to the implement the fee change for 2021.

**20. Date of Next Meeting: Wednesday, 20 January 2021**

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