

Minutes of a meeting of the **FINANCE COMMITTEE** of the **CARLISLE DIOCESAN BOARD OF FINANCE LTD** held at **CHURCH HOUSE, PENRITH** on **22 JANUARY 2020**

Present: Mr J A E Johnson (Chair)
The Bishop of Carlisle
The Archdeacon of West Cumberland
Mr A R H Cook
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
Mr N Andrews - Property Secretary (Part C)

- 1. Opening Prayers:** Prayers were led by Rob Cook.
- 2. Apologies for absence:** Apologies had been received from the Archdeacon of Carlisle.
- 3. Membership:** The Chair explained the background to the current vacancy for an elected Director and the expectation that at least one of the existing co-opted Directors would stand for election.
- 4. Minutes:** The Committee approved the minutes of the meeting held on 27 November with one correction and they were signed by the Chair.
- 5. Matters Arising from the Minutes:** The Committee noted the Action Sheet and Derek Hurton confirmed that all the actions noted had been progressed or were on the meeting agenda. Ric Jaques gave feedback from further research into the proposal to commission DE Ford insurance brokers to review our insurance. He confirmed that the proposed broker was fully independent and would identify areas where our current cover could be improved or clarified, rather than moving away from the Ecclesiastical Insurance Group. He agreed to discuss the proposal with a contact in the insurance business suggested by one of the Directors, as part of due diligence prior to commissioning any work.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

- 6. Management Accounts:** Ric Jaques introduced the draft Management Accounts for the year to 31 December 2019. The draft accounts showed a surplus of £302k. This draft result would change to a degree as property and pension deficit valuations were received, and final year-end work was completed. A final set of figures would be presented at the March Finance Committee meeting.

A continuing level of unbudgeted Clergy vacancies, and strong investment & rental income were the key factors in the improvement compared to budget, along with an underspend in the training section of the God for All Team. Parish Offer and parochial fee income levels remained

a real concern, especially for the medium to long term, but other income streams had been strong. We could expect to see from the balance sheet that investment values had risen again in the course of the year but these would not have a significant impact on the management accounts because they were very largely held in restricted and endowment funds. In reality they represented “paper gains” rather than expendable income.

PART B MINOR MATTERS

7. i) **Parish Offer:** The Committee received the report on Parish Offer receipts to 31st December 2019, along with information about the Offers made for 2020.

The total offer made for 2019 of £4,757,596 had been a reduction of £125,547 (2.57%) from the 2018 offers. Receipts up to 10th January relating to 2019 were £4,655,341. This represented 97.9% of the year’s offer, with the shortfall being £102,255. We would continue to receive some money through January and were already aware of £8,715 that was on its way. Forecasted total receipts were £4,694,000 which would be around £64,000 (1.33%) less than offered and 1.6% less than had been received in 2018.

Archdeacons had been asked to contact those parishes where shortages remained in order to establish if they could be paid.

For 2020, around half of parishes had increased their Offers, with over a third increasing by more than the rate of inflation in the costs of local ministry. However, this meant that nearly half had either decreased their offers or had left them at the same level. With a number of the reductions being substantial, the overall fall was 2.3% in cash terms, which equated to nearly 4% in real terms. Bishop, Archdeacons and the Diocesan Secretary were undertaking a series of meetings with parishes whose offers for 2020 were substantially lower than for 2019 in order to establish the reasons for the falls and to identify actions in response.

There was a general discussion about the factors behind the fall in Offers. The overall situation was mirrored in many dioceses. Some Mission Communities were expressing confidence about being able to continue to increase their Offers in the future while others were more pessimistic. We were seeing that in some places where the introduction of a Mission Community was accompanied by a reduction in stipendiary clergy numbers there was a fall in what was offered but in other places the Mission Communities were taking increased responsibility for their financial sustainability.

The presentation of the Parish Offer figures alongside the costs of local ministry and other statistics was helpful and would stimulate thinking locally about the mix of stipendiary, pioneer and network youth church leaders. There was a suggestion that it might be worthwhile revisiting the way that the costs of self-supporting ministers were subsumed within the overall “unit cost of local ministry” and also a hope that in time the overall approach and system might become more ecumenically integrated.

As far as the wider picture went, we would be able to increase our investment income by investing the sale proceeds from surplus properties and developable glebe sites, but this was unlikely to be on a scale that could fully compensate for the reductions in Parish Offer implied by recent trends. The contribution towards the costs of ministry that was made by the local church was almost certain to remain the biggest single component of our budget for years to come.

- ii) **Stewardship Activity Report:** the Committee noted the report. There was an increasing

interest in local churches in the use of contactless giving units, with impressive early results in those churches where they were now in use.

8. **Rydal Hall:** The Committee noted the draft Minutes of the meeting of the Rydal Board held on Tuesday 19th November 2019 and the management accounts to 31 December 2019. Richard Pratt reported on the current position both operationally and financially. There had been a substantial increase in turnover in 2019, including a 10% increase in income from use of the Hall itself. However, costs associated with increases in the National Living Wage and one-off property repairs had offset the increased income. Rydal Hall was therefore on track to report a loss of around £20,000 at year end, on a total turnover of around £1million. The Board's intention was to set a balanced budget for 2020 and work on this was underway, but it was not proving to be an easy task.

The Chair commented that Rydal was expected to break even year on year and that if the Board did not feel that this was possible then the Bishop's Council and Diocesan Synod would have to look at the situation. The Diocesan Budget for the period after 2020 would need to reflect Rydal's situation. It would therefore be helpful for the Finance Committee to receive a 2-3 year business and financial plan from the Rydal Board that could inform the budget process.

Richard Pratt raised a specific issue about a presumption that Diocesan events would, wherever possible, but held at Rydal or Church House, Penrith. There was a proposal to hold a series of Diocesan training events at a Penrith hotel, incurring a significant cost. The Committee reaffirmed the expectation that, given the investment made at Rydal and Church House, events would take place at those venues unless they were clearly unsuitable. The Committee emphasised the need to ensure that all expenditure was tested to ensure that it provided good value for money. It might be necessary to draft a specific policy on this issue if the expectation was not sufficiently well understood. Derek Hurton was to explore the particular instance in question further and, if necessary, bring it back to the Finance Committee or the Bishop's Council.

9. **OpShops:** Ric Jaques reported that the OpShops shell company had now achieved charitable status and that the plan was to transfer the existing business into the new company from the start of April. This would include the TUPE transfer of existing staff. A "transfer of business" proposals was due to come to the Finance Committee in March.

The OpShop Board were meeting in January to discuss the scope for them to take over an existing church and community charity shop in West Carlisle, and to agree what steps they wanted to take in relation to Opshop properties, including the warehouse and existing shop units. There was some concern that proposals to move into a new warehouse building might add substantially to the cost base. Ric Jaques would initiate a conversation with OpShops to ensure that any request by OpShops to revisit the agreed financial transition and provision of working capital was made as soon as possible.

10. **i) Financial implication from associated meetings:** Mr Hurton reported on associated meetings where the business had financial implications. These included Bishop's Staff meetings, the Bishop's Council, the Ecumenical God for All Strategy Steering Group and the North West Diocesan Secretaries Network. The last of these had involved dioceses sharing their financial position along with their plans to finance their future mission strategies.

ii) Budget Period after 2020: Derek Hurton introduced a paper recommending that the budget period after 2020 be limited in the first instance to two or three years.

In 2014 we had set a 6 year budget that covered the period of the God for All Strategy, ie 2015-2020, and had largely adhered to that budget, albeit with some revisions from year to year. The Diocese was now in the middle of a process of reviewing and “refreshing” God for All, with a view to a new or revised strategy being approved by Diocesan Synod and ecumenical partners in October this year. The review and refresh would set the strategic priorities for the Diocesan budget for the next period, but the strategy’s parameters would also have to be informed by the current financial context and recent trends.

Finance Committee members were aware that there was currently significant uncertainty over future Parish Offer receipts and that the downward trend in receipts had accelerated in recent years. It would be hard to develop realistic assumptions about future Parish Offer receipts and, as Parish Offer still made up around 60% of the DBF’s total annual income, this had a significant impact on our ability to forecast overall future income.

Given this uncertainty Mr Hurton did not recommend trying to set another 5 or 6 year budget. Instead he suggested that in the 2020 budget process we should aim to set a two or, at most, three-year budget in support of the refreshed strategy. The end point of the new budget period (2022 or 2023) would then come at a time when the strategic picture and financial context was more clear. This approach would also give us more time to draw up plans and preparations if major change was going subsequently to be required.

The Committee agreed the proposal. Work on the budget was already underway and would form a significant part of the Committee’s agenda at subsequent meetings in 2020.

11. Multi Academy Trust (MAT) & Academies: The Committee received the draft minutes of the MAT Board Meeting held on Thursday 12th December 2019.

12. Appointment of Director for DBE Services: The Committee agreed to appoint Vanessa O’Dea, the new Diocesan Director of Education, as a Director of DBE Services, the company that was owned by the North West Dioceses and that provided services to schools.

PART C PROPERTY MATTERS

13. Property Issues requiring Finance Committee attention: Richard Pratt briefed the Committee on the role of Mitre Housing as the Diocesan Housing Association. He agreed to circulate a brief report on Mitre to the Committee. The Committee noted and approved the following:

A. UPDATES SINCE THE PREVIOUS MEETING

Barrow St Aidan Vicarage – The rent had now been paid up to date.

Kirkbride Rectory – An offer had been accepted.

215 Windermere Road, Kendal – An offer of £325,000 had been accepted but the purchasers had withdrawn. The property was being re-marketed.

Carlisle Holy Trinity Vicarage – A minister had decided against moving to this house, which has since been rented out.

Dent Vicarage – An appointment had been made for a Western Dales pioneer minister and arrangements were in hand for the extensive repair and improvement works required to the vicarage.

Thornthwaite Vicarage – The tenants had vacated as anticipated. An application was being processed for a new tenancy.

B. HOUSING

Housing Repairs and Expenditure 2019 – Final invoices for 2019 works were still being processed. With allowance for accruals for incomplete work (to be reported to the March meeting) it was expected that 2019 repairs expenditure would be just below budget.

Barrow St Mary Walney – The parsonages notice for sale of part of the garden had now been issued.

Cockermouth Rectory – Solicitors had been instructed and legal documents drafted for the transfer of additional land to the adjoining development site.

C. OTHER DIOCESAN BOARD OF FINANCE PROPERTIES

OpShops – Warehouse and 157/159 Botchergate

Further to the November FC meeting agents had been instructed to search for a possible replacement warehouse (leasehold or freehold). Nothing suitable had arisen from their initial work. However, there had also been consideration of premises with retail as well as warehouse space, and premises to replace 157/159 Botchergate, which was in poor condition and facing delays in the landlord carrying out repairs. Several properties had been inspected. Two potential leasehold properties were to be further considered by the OpShops Board for a decision whether to pursue them further:

If OpShops wish to pursue them further then the next steps would be to instruct agents to negotiate terms for leases and, subject to terms being agreed, arranging surveys and inspection of services.

The Committee approved, subject to the OpShops Board wishing to pursue the units, instructing agents and commission surveys and inspections.

Allithwaite Churchyard Extension

The DBF was asked to accept transfer of an additional section of land for a churchyard extension, which was being gifted by an adjoining housing developer. A path from the housing development was to be constructed over the churchyard. Although transferred to the DBF the land would be registered to the incumbent as churchyard. Discussions were ongoing regarding boundary maintenance obligations to ensure the PCC could fulfil their obligations to ensure that the churchyard was properly enclosed.

The Committee approved, subject satisfactory resolution of obligations to maintain boundaries, accepting transfer of the additional land for the churchyard extension.

Rusland Reading Rooms

The reading rooms were held by the DBF on trust for the PCC. The current lease expired on 31st March 2021. The Reading Room Committee and PCC (being closely linked) had asked for early arrangements to surrender the existing lease and enter into a new lease to the Committee (now a registered charity in their own right) to enable grant fund applications. A Charity Commission "Albemarle" scheme would be required to allow leasing for community hall purposes not for best terms.

The Committee approved, subject to the PCC and Reading Room Committee giving suitable undertakings as to costs, proceeding with the surrender and Albemarle Scheme new long lease.

OpShops – Surrender of the 2 shop units at Currock and Botcherby had been completed on 13th December 2019, and the flat at 31A Stonegarth had been re-let.

D. DIOCESAN BOARD OF FINANCE - CLOSED CHURCHES

Croglin St John The Baptist – One offer, for residential conversion, had been received. In anticipation of committee approval agents had been instructed to accept the offer. Sale would be conditional upon the purchasers obtaining planning and listed building consent.

The Committee approved proceeding with sale on the terms proposed.

Cleator Moor St John - Having reduced the guide price, an offer had been received for use as an arts and crafts centre/market. There were various issues that would need to be resolved. The Committee approved accepting the offer of £35,000.

Lindale St Paul - The parties interested in pursuing a community use had been advised that a year would be allowed (from October) for proposals to be developed before other disposal options would be pursued. There had been a well-attended public meeting on 4th December to discuss ideas. Following this a preliminary draft of possible heads of terms for a lease had been issued for consultation.

The Committee agreed the draft heads of terms for a proposed lease.

West Seaton Holy Trinity – Exchange on the sale was only awaiting relocation of the war memorial and final agreement on arrangements for contents and the font.

Causewayhead St Paul, Silloth – Exchange on the sale had occurred, with completion to take place after 12 headstones were relocated, probably in January.

Warwick on Eden St Leonard – Planning permission for the new parking area had been granted. The faculty petition had been submitted and consent was awaited. Exchange on the sale awaited agreement on terms for shared maintaining of the access track.

Brougham St Wilfrid – Further advice as to whether the Churches Conservation Trust would accept the building was awaited. CCT members were understood to have inspected in January and seemed keen on the building being vested in them. However, timescales were long and it was expected to be several years before the CCT had capacity to take on the building.

Rampside St Michael – Closure had started previously but subsequently been halted. The PCC now wish to recommence the process. A draft closure scheme would be published.

Other churches in the process of disposal but where there had not been progress since the last meeting included Low Wray St Margaret and Barrow St Matthew.

E. DIOCESAN BOARD OF FINANCE – GLEBE

Castle Carrock Glebe The Committee agreed to maintain the requirement that affordable units should be included within the site in spite of both potential developers appearing to prefer a "commuted payment" arrangement; and for Mitre Housing to have the opportunity to purchase those units. Authority to make the final decision on this issue was delegated to the Property Sub-Committee.

126 Dalton Road, Barrow in Furness – In the light of the current market conditions the Committee agreed to accept a reduced rent proposal from the existing tenants.

Thursby Glebe Furness – The planning application for 12 dwellings still had not been determined. Following consultation with agents, further highways survey and entrance design work had been commissioned.

Egremont Glebe – PFK had received some preliminary highways advice and would revert to the prospective developer on amendments that might need to be made to their proposals to enable further development of the remaining glebe in the future.

F. DIOCESAN BOARD OF FINANCE – SCHOOL PROPERTY

Lowick School – The sale to the tenants continued and contract and transfers had been received.

Grasmere School – no response had been received as to whether the owners of the potential replacement school and rectory site were prepared to explore the possibility further.

- 14. Parsonage Minutes:** The Committee noted the minutes of the meetings of the three Archdeaconry Committees held on 5 December (South), 1 December (West) and 12 December (North).

PART D PARISH PROPERTY FUND

- 15. Requests from parishes for financial assistance:** The Committee noted grants made to the following:
- i. Carlisle Cathedral – a grant of £3,000 towards their Fraternity project.
 - ii. Blackford PCC – a grant of £2,468.80 for improved entrance and access to the Church

PART E FINANCIAL STATEMENTS AND REPORTS:

- 16. Treasury and Investments & 18-25: Minor Funds:** Mr Jaques reported on the fund statements.

The Committee noted the statements for the following funds:

- Pastoral Account Statement to 31st December 2019
- Glebe Statement to 31st December 2019
- OpShops to 31st December 2019
- Barchester Statement to 31st December 2019
- Parish Property Fund to 31st December 2019
- Growth Fund Statement to 31st December 2019
- Loan Statement - the position of the Cumberland loan facility to 31st December 2019

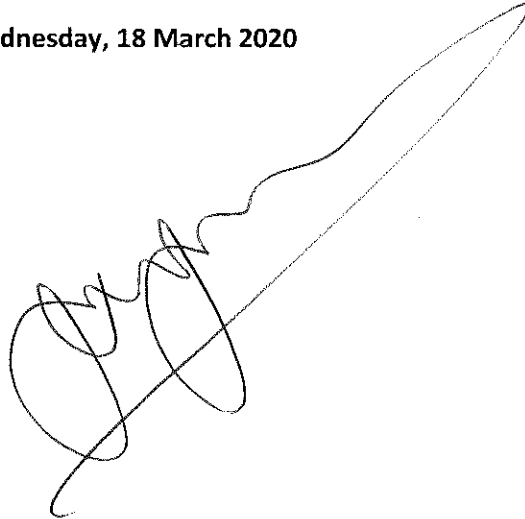
- 17. Cumbria Christian Learning (CCL) Accounts:** The Committee received the management accounts to 31 December 2019. They noted that a new IME Governance Board was being established and would become formally operational at the point when the contract for IME delivery was novated from CCL to the Diocesan Board of Finance. We were still awaiting a date from Durham

University for that novation.

ANY OTHER BUSINESS: TRUST MATTERS

The Committee agreed a request to allow the capital from a bequest given to support the Vicar of Scotby to be spent. The support was specifically to take the form of funding holidays and travel. The request was being made because the income from the capital would be minimal. Ric Jaques would draw up a simple set of rules about the amounts that could be paid in any particular period of time.

Date of next meeting: Wednesday, 18 March 2020

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