

**Minutes of the meeting of the Carlisle DBF Finance Committee held by video link on 18 March 2020**

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

In Attendance: Derek Hurton, Cath Bell, Ric Jaques, Ali Ng (Diocesan HR Manager – for items 1-2 & 9-10)

1. Prayers were led by Derek Hurton.
2. Apologies were received from Richard Pratt and The Bishop of Carlisle
3. The Minutes of the previous meeting were agreed and signed.
4. Action Sheet and Matters Arising: the actions recorded at the previous meeting had all been completed with the exception of Richard Pratt's offer to circulate a briefing note about Mitre Housing.
5. The 2021 Dates were agreed, recognising that the July meeting fell relatively early in the month and that this meant that management accounts and financial statements might not be available until close to the day of the meeting. The alternative was to defer the meeting for a week, which would result in it being in the school summer holidays at which time some members might not be available.

**Part A: Financial Position and Major Financial Matters**

Additional Agenda Item - Initial Thoughts on the Impact of the Covid-19 Virus:

Ali Ng reported that all DBF staff were already working at home effectively, having taken the necessary steps to ensure access to IT systems. Meetings were already taking place using video conferencing technology. A small number of staff were self-isolating and at least one member of staff was displaying symptoms of the virus.

Ric Jaques introduced a paper setting out initial thinking about the potential impact of the Covid-19 virus on Diocesan and local church finance. The virus was felt potentially to have impacts across a wide range of financial matters. In the coming weeks more detailed work to assess the impact would be undertaken, working with advice from the National Church Institutions and colleagues in other Dioceses. The Diocesan financial risk register adequately addressed the risk of several income streams falling substantially at the same time. Specific areas addressed by Mr Jaques included:

**Investments**

CBF Investment Fund Share prices were revalued weekly on a Tuesday, so the most recent day's price was still awaited. The previous week's figures saw it fall to £17.70, down from £19.16 at year-end. The expected impacts were that the investments held on our balance sheet (mainly restricted and endowment funds) could face a very large reduction – perhaps as much as £5m. We had held £16.5m of investment funds at Dec 2019 valuations. This would show as a material revaluation loss on the 2020 accounts. CBF property shares were revalued monthly and we held around £4.5m of them. Ironically, with significant property sales scheduled for the next few years, a reduced share price would increase our purchasing power and potentially subsequent yield – ie the same capital sum would buy more shares.

The impact on future dividends was harder to project at this stage, but a global downturn would most likely lead to reduced investment income. Income from the Hydro schemes and short/medium term rental income was unlikely to be affected.

Base rate had been cut in the previous week to 0.25% which would reduce annual interest by around £11k although this would be offset a little by reduced interest payments on the CBF Hydro loan.

#### **Cash Flow**

Cash flow was not expected to be a short term problem for the Diocese, even if Parish Offer receipts were to fall. Liquidity had been boosted by the previous week's sale of the Eskdale vicarage for around £500k which was currently held in our HSBC bank deposit account. Further drawdowns from CCLA deposit accounts would be quickly actioned if need be.

#### **Parish Offer 2020**

As and when all church services were stopped, and in any event, with attendance being reduced, churches were likely to see their income hit, with particular impact on those which relied heavily on the weekly collection. 2020 Parish Offer receipts would fall, quickly in those cases where cash/reserves were low and PCCs sought to protect their own solvency. This was likely to impact the 2020 annual result materially. Some members of the Committee, including Archdeacons, who had been contacted by Parishes, felt that the impact might be to reduce the Offer by well over 25% in 2020.

#### **Parish Offer 2021**

The letter requesting 2021 Parish Offers from the local church was currently scheduled for distribution in April, with a deadline for responses of the end of August. With PCC's most likely feeling significant financial impact this summer but perhaps no strong indication of how this would end, their ability to accurately budget with confidence for 2021 was now in doubt.

Parish Offer Rollout meetings were scheduled for the coming months (although the West had done all of theirs already). There was some thought about whether, given the level of meetings and cross PCC activity this would require, that the roll-out be postponed. We might want to

delay the setting of the 2021 Parish Offer but would await greater clarity about developments before making a firm decision in the coming weeks.

#### **Parish Offer Longer Term**

It was much too early to know whether 2020 would be a 'blip', or if it would have a longer term impact on PCC finances. The long-term risk was that any impact in 2020 would lead to a lowering of the baseline on which PCCs made their future offers, reducing total levels of PO in future years.

#### **Rydal Hall**

Rydal Hall would be hit badly in 2020 and the DBF was therefore likely to be asked to inject capital/cash to help it through the year, although there could also be some government support.

#### **OpShops**

OpShops could also be impacted. If shops had to close but staff had to be paid then losses would mount. The OpShops board had been asked to give urgent consideration to their business continuity plans. Both Boards would need to make a decision about whether to postpone or continue with the proposed transfer of ownership in 1 April, but there was no "in principle" reason why we should delay.

#### **PCC liquidity**

Many PCCs would risk liquidity problems in the weeks and months ahead. With income reduced from collections, parochial fees and venue hire, and some costs (insurance, utilities etc) being necessary, the most likely first response would be to stop Parish Offer. There would be some PCCs with local staff to pay, and others with bills to pay (routine or project related) which they might struggle to honour.

We were developing ideas for supporting PCCs in this situation, including considering proactive communications, offering Parish Offer 'holidays' if needed in particular locations, and an Emergency Fund for PCCs who faced bankruptcy. The National Church Institutions were also considering these issues.

#### **Schools**

It was too early to say if schools would face material financial impacts as government money per pupil would probably continue, but reductions in income from clubs, trips, school dinners etc could be an issue where reserves were low.

#### **PCC Treasurers**

Being blunt, there was a risk that PCCs could lose key officers – Treasurers, Secretaries and Church Wardens. This could impact on their ability to function if replacements were hard to find.

#### **Audit and post balance sheet events**

Mr Jaques was in dialogue with our auditors about how to progress the DBF audit which was due to start in the next week. He had proposed a 'remote' audit to cover as much ground as possible. We would no doubt need to disclose in the accounts a post-balance sheet event in relation to the investment valuations and likely impact on the Clergy Pension deficit.

#### **Stewardship**

Stewardship and contactless giving promotion were likely to be significantly impacted or halted.

There was a question about the potential to identify expenditure savings and it was confirmed that work was already underway on this front.

#### **Property**

Property-related implications would be addressed later in the meeting.

#### 6. Management Accounts:

The accounts were received. The Committee gave in principle approval to the designation of funds for OpShops, with the actual amount to be agreed at a future meeting once a final figure was reached. Any future allocation over and above that already agreed would be subject to discussions at the Bishop's Council about priorities in the light of the impact of Covid-19.

Mr Jaques reported on the progress made to date in preparing the annual statutory accounts. Figures to date showed a significant increase in the total value of the Charity balance sheet as a result of gains on the Clergy Pension Fund valuation (£944k) and upwards revaluations of investments. The accounts also showed the transfer of £167,000 to the OpShop Designated Fund. As Mr Jaques had commented in the earlier part of the meeting, the virus meant that the audit was likely to be disrupted, leading to the production of the final accounts potentially being delayed.

#### 7. Rydal Hall:

The Rydal Board had set a break even budget for 2020 and had developed a business plan and financial forecasts suggesting that the business was sustainable over the next five years. However, the impact of Covid-19 on the underlying assumptions could not yet be measured and was potentially significant. The Committee welcomed the budget and future operational plan, but given the current situation agreed to defer making the statement of support for Rydal that

was usually given to the auditors pending a view from the Bishop's Council about future priorities.

8. OpShops:

The impact of Covid-19 on OpShop income and expenditure could not yet be measured. Given the vulnerable nature of many volunteers it might be necessary to close the shops irrespective of any Government guidance. The agreed levels of financial support to the business in its first years of trading as a separate charitable company might need to be revisited in the light of the current situation. OpShops Board were assessing the operational and financial risks and would be acting on the outcomes of that assessment. Given that major leases had break clauses that could be applied later in 2020, and that we had time to take stock before signing leases for the new warehouse and replacement shop premises, the financial risks were contained.

As far as the missional role of OpShops was concerned, it was likely that this would be more important than ever after the viral pandemic had come to an end and communities were recovering.

Mr Jaques presented the draft Transfer Agreement but suggested that until there was more certainty about the future it should not be signed. Derek Bradley offered to send a number of detailed comments direct to Mr Jaques.

The OpShop Board was to meet a week after the Finance Committee meeting, following which a decision would be taken as to whether the transfer of business should go ahead at the start of April.

9. Job Evaluation Scheme Update:

Ali Ng introduced this item. She reminded the Committee that late last Spring they had received a report following the Wellbeing survey and the God for All restructure. That report had indicated a need to consider reviewing how we evaluate employee salaries.

She reported that following an exploration of the options, including a proposal from an external provider, the possible use of the Hay evaluation process or the internal Church of England evaluation process, and discussions with other Northern Dioceses, she and Mr Hurton had concluded that they did not think it would be appropriate to undertake a full-blown job evaluation exercise looking in detail at every role.

They had significant concerns about the impact such an exercise could have on morale given that different staff members' salaries would almost certainly go up and down. It would also place significant resource demands on the organisation and the exercise would be very time consuming, requiring significant input from Board members who would be required to sit on evaluation panels. The potential for upwards pressure on salary costs was also significant. Past experience in other Dioceses suggested that these risks were very real.

Following a meeting with an external HR consultant, an alternative route forward was now being suggested, along the following lines:

- i. To update all role descriptions using a new template provided by the HR consultant and to use the headings of the Church of England Job Evaluation process
- ii. To simplify the payscales
- iii. Where appropriate, to introduce job families
- iv. To introduce the use of a lower rate of pay during probationary periods
- v. To benchmark our roles with other Northern Dioceses and the local market (using Hays data) taking into account the whole package including pension contribution
- vi. Where roles are misaligned, to review the rate of pay for the role and where appropriate increase the rate of pay
- vii. To have the piece of work reviewed by an external HR consultant to ensure consistency and transparency

The total cost of undertaking the exercise was expected to be around £1500. The Board endorsed the recommendations, with a goal of having implemented the review by the end of June 2020.

## Part B: Minor Matters

### 10. HR Policy Review:

Director Sue Wigley had undertaken a review of the DBF's HR policies and procedures and the processes for developing, maintaining and reviewing those policies and procedures. This had included identifying some areas where policies could be updated, or different approaches considered. The results of the review had been circulated to the Committee. Ali Ng and Derek Hurton had considered and responded to the suggestions. The agreed actions would be undertaken in the coming months, with regular reporting. In addition, a list of potential non-HR policies had been drawn up, many of which already existed, and that list was being reviewed to confirm which policies were required and to report on any gaps.

The Committee noted the results of the review & agreed the associated plan of action and the proposal to catalogue non-HR policies for review.

### 11. Parish Offer:

Ric Jaques presented a summary of Parish Offer performance. 2019 receipts were lower than those for 2018. 2020 Offers were lower than those for 2019 and only one third of parishes had offered an increase that met or exceeded the rate of inflation in local ministry costs. To date in 2020 the proportion of Offer received was approximately equal to that received at the same point in 2019, but against a smaller total amount offered.

In response to a question Mr Jaques reported that we were actively considering moving onto the Parish Giving Scheme, but that further analysis of the costs and potential benefits was needed.

12. Financial Implications from Associated Meetings and Activities:

Derek Hurton reported on recent meetings of the Bishop's Staff, Bishop's Council and the God for All Strategy Implementation Group. Work on the Vision Refresh at the Bishop's Council's February meeting would ultimately have financial implications when it came to the implementation of the resultant strategy, and the Finance Committee would be fully involved that work as it progressed. Ric Jaques reported on the recent Inter Diocesan Finance Forum which had discussed a survey of Diocesan finances, national funding streams, the Archbishops' Council's budget review, the new National Giving Strategy and the implications of the church's commitment to be carbon neutral by 2030.

13. The minutes of the meeting of the Good Shepherd Multi Academy Trust held on Thursday 23 January were received.

14. The Stewardship Activities Report was noted.

**Part C: Property Matters**

Additional Agenda Item - Initial Thoughts on the Impact of the Covid-19 Virus on Diocesan Property Work

Neal Andrews briefed the Committee on the proposed response to the Covid-19 outbreak in terms of property issues. Day to day repairs would continue to be addressed when reported for as long as contractors were available to deal with them. Action on non-essential repairs would be deferred pending the relaxation of the restrictions imposed by the Government.

Quinquennial repairs had been prepared already to send to contractors for pricing. As making progress would entail multiple contractors visiting properties the process would be put on hold. As a result of both this and the expected financial pressures facing the DBF it would make sense to defer the whole round of Quinquennial repairs for a year. All planned quinquennials in the remainder of the current 5 year cycle would therefore take place a year later than previously expected. The Committee, acting in its capacity as the Diocesan Parsonages Board, agree this.

There was some potential for residential and commercial tenants to experience financial hardship if their employment and income was affected by the virus. The Committee agreed to take a sympathetic view of any cases brought to our attention, while recognising that letting income represented a significant element of the Diocesan budget. Our approach should therefore be based on allowing rent payments to be deferred, with no decisions on waiving rent to be taken at this time.

15. Joint Parsonages Meeting:

The minutes of the Joint Parsonages Meeting held on 6 February 2020 were received and noted. In response to a question about energy costs incurred by clergy it was suggested that this information might be available if it was possible to audit the Heating, Lighting, Cleaning forms used by clergy as part of their stipend and tax administration. The information might be needed in order to measure progress towards the Church of England's 2030 carbon neutrality target.

16. Property Issues Requiring Finance Committee Attention:

The Committee noted the report and the developments that it covered.

Borrowdale Vicarage: the Committee agreed to sell the Vicarage and associated land for £650,000 to the prospective purchaser, subject to the Archdeacon of West Cumberland's agreement. If that agreement was forthcoming then pressure should be applied to achieve early completion.

215 Windermere Road, Kendal: the Committee decided that the prospective purchaser should be given until the end of March to complete. If this deadline was not met then the property should be placed back on the market.

Burnthwaite: the Committee agreed to defer the sale of this property which was the curate's house in Bowness, pending an internal review of housing needs for the associated mission communities.

118 Dalston Road: the Committee agreed to hold the property pending clarity about future potential needs and the outcome of the Norwegian Mission Society's current financial problems.

Housing Repairs 2019: the Committee agreed the proposed accruals for inclusion in the 2019 accounts for work in progress.

Whitehaven St James Community Hall: the Committee agreed to allow an application for a charity commission scheme to broaden the possible charitable uses for the property.

Low Wray St Margaret: the Committee agreed to continue to pursue both options of National Trust and local artist's workshop in the hope that one of them would end up being implemented.

17. Requests from Parishes for Financial Assistance: Parish Property Fund:

The Committee noted grants to Crosscrake PCC towards their legal costs associated with the purchase of land for a new church hall, and to St Luke's Carlisle towards providing disabled access to the church.

**Part E: Financial Statements and Reports**

18. Treasury and Investments:

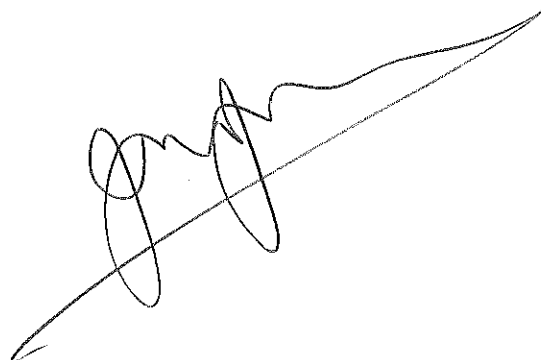


Mr Jaques reported on recent conversations with CCLA, who were our investment managers, and Resonance, an organisation who brokered social impact investments. The Committee had been asked to express their appetite for such investments in the future and agreed to explore the options further, particularly as and when there was a Cumbrian dimension to the opportunities.

19-26. The Committee noted the following updates and statements (all to 31 December 2019 unless stated):

- Minor Funds.
- Pastoral Account
- Glebe
- OpShops
- Barchester
- Parish Property Fund
- Growth Fund
- Cumberland Loan Facility (to 29 February 2020)

27. Next Meeting: The date of the next regular meeting would be Wednesday 20 May 2020. Special meetings would be held as required throughout the Covid-19 outbreak.

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