

Minutes of a meeting of the **FINANCE COMMITTEE** of the **CARLISLE DIOCESAN BOARD OF FINANCE LTD** held **BY VIDEO LINK** on **20 MAY 2020**

Present: Mr J A E Johnson (Chair)
 The Bishop of Carlisle
 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
 Mr D Bradley

In Attendance: Mr R Jaques – Head of Finance
 Mrs A Ng – HR Manager
 Mrs C Bell – Office Manager
 Mr D Roberts – Communications Manager

1. **Opening Prayers:** Prayers were led by Sue Wigley.
2. **Apologies for absence:** Apologies had been received from Derek Hurton.
3. **Minutes:** The Committee approved the minutes of the meeting held on 18th March 2020.
4. **Matters Arising from the Minutes:** The Committee noted the Action Sheet and it was confirmed that all the actions noted has been progressed or were on the meeting agenda. Ric Jaques reported back on the consideration to offer support for insolvent parishes. There is only one parish that is actively seeking assistance. Ric Jaques reported that at first glance that parish's finances looked reasonably in the short term as they have at least £8k unrestricted funds in CCLA, so there does not appear to be an urgent requirement for financial assistance. There have been no other requests, but it is suspected there will be more of these over the course of the year. There are no specific approved terms or ways of responding other than to work on a case by case basis and liaise with PCCs directly if the need arises. There does need to be a more robust process for responding to PCCs who find themselves running out of cash.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

5. **Coronavirus update:** Ric Jaques introduced the coronavirus update informing the Board there had been no significant changes since the last DBF meeting. The Chair commented that there are mechanisms for holding and then adjourning an AGM as long as you hold it within 15 months of the previous year end, and that there are relaxed rules coming in for charities and companies to file accounts. With the statutory audit having been delayed there would be limits as to what could be presented to Diocesan Synod.
6. **Financial implications from associated meetings:** The Committee noted the report.

7. **Bishops Council:** The Chair reported that 35 people had attended the Joint Bishops Council & DBF meeting on the 5th of May and that a Task Group of around 10 people had subsequently been formed. The Task Group was balanced between members of the DBF, Bishops Council and Bishops Staff.
8. **Voluntary redundancy strategy / HR policies:** Ali Ng introduced the voluntary redundancy and retirement policies to the Board. The Board were asked to approve the recommendations and delegate the implementation to Ali in conjunction with line management. The Board approved the recommendations. Ali Ng and Dave Roberts left the meeting
9. **Management Accounts:** Ric Jaques introduced the draft management accounts for the year to 30th April 2020. The draft accounts show a surplus of £219k, which is £193k better than the phased budget – mainly a result of lower than budgeted expenditure. It is £290k better than at this stage last year, but this variance to 2019 is materially impacted by the Church Commissioner's 'LINC' grant being paid in full in April, rather than being spread over the year.

Stipend expenditure for the first 4 months is under budget. The total cost of clergy and curates is close to budget – there was an increase in the vacancy rate for the 2020 budget and so stipendiary appointments are roughly in line with budget. The main underspends are in grants and costs around clergy appointments, and support in vacancies.

10. **Statutory Accounts update:** Ric Jaques drew attention to the fact that it is important to get the governance side right in terms of who is authorising what and when this happens. It is unclear if there will be able to be a quorate DBF AGM between now and the deadline to approve them, however we will liaise with Sinton's to make sure we are doing it correctly. There is the possibility of applying for an extension to the deadline for filing accounts if it is needed. The Board noted the position on the Statutory Accounts.

PART B FINANCE - MINOR MATTERS

11. **Parish Offer:** The Committee received the report on parish offer receipts to 31st March 2020. (April accounts are still work-in-progress).

The total offer made for 2020 is currently reported as £4,669,753, a reduction of £87,873 (1.85%) from the 2019 offers. This includes the increased offers from the Penrith West Mission Community to fund some additional ministry.

Receipts up to 30th April were £1,310,969. This represents 28.1% of the year's offer. At this point last year, receipts were £1,398,626 which was 29.5% of the year's offer. The impact of Covid-19 on payments started to show in April, with a modest reduction in the amount that was expecting to be received.

It is expected that the drop-off rate of payments will increase substantially as the year progresses, as cash reserves are depleted, and Treasurers feel obliged to stop/reduce their monthly payments. Clearly the longer churches are closed (or limited) for collective worship, and/or congregations remain nervous about returning to church, the impact on this year's offer receipts will increase.

Sophie Hodge has been working hard to support parishes with Stewardship resources to mitigate some of the impact of lost collection/envelope giving.

Of more concern is that when churches are fully reopened, a combination of possibly smaller congregations, and the reduction in PCC reserves will mean that 2021 offers (and the subsequent baseline) will be reduced – having a material and long-term impact on our ability to fund local ministry.

Chris Angus has been doing some work around PCC unrestricted reserves and likely lost income in parishes in 2020, to try to gauge the extent to which PCCs will or will not be able to 'ride the storm' for a period of time, through the use of these reserves. Using the figures that are on the annual financial return that most Parishes submit to the national church, he is trying to work out what income is at threat, be it plate collection, fundraising events, rental income etc. then extrapolate that information forward to the end of the year assuming that all the money that is at threat isn't actually withheld given parish reserves etc. This will help us to see where we think parishes might end up by the end of the year and therefore what the impact could be on their parish offer.

- 12. Rydal Hall:** Richard Pratt introduced the Rydal Hall management accounts to 31st March 2020. The April accounts were still work-in-progress.

The Hall was closed mid-March due to coronavirus, with all but 2 staff put on furlough.

Remaining running costs are in the region of £25,000 per month – including £5,000 rent to the DBF. Insurance, standing charges, contractual costs and utilities are mainly still being expended and cannot easily be reduced. The dry weather also necessitates buying more expensive electricity from the national grid.

Richard Pratt informed the Board that Rydal as well as with all businesses in the hospitality industry typically made a loss in the winter months and in early spring and that the later spring and summer was when we would normally make a surplus. Some of the loss that was being shown in January, February and early March, was not caused by Coronavirus as it was already projected to be made.

The Chair commented that the Rydal Board are a competent Board, and the only input the Finance Committee have in this is whether, through the Task Force, it is decided that Rydal is core to the mission of the Diocese, and if it is it should get the support that it needs. That decision has not been taken but the debate will take place over the next few months.

Richard Pratt on behalf of the Rydal Board has produced a paper for the Task Group. That paper states that Rydal needs to establish the part it plays in the vision and mission of the Diocese and the risk and cost associated with having Rydal, to enable the Diocese and the Task group to compare the benefits and costs.

- 13. Stewardship Activities Report:** Ric Jaques confirmed that maternity cover was in place for the Stewardship Enabler role. The person providing cover would be having a period of training before the handover. A scheme of priorities for the work in this area would be produced.

PART C PROPERTY MATTERS

14. Property Issues requiring Finance Committee attention:

The Board noted the situation with sale of Kirkbride Rectory. This will go through, but it may take some time. The holdup on the sale of this property is that registered title does not exist and the necessary statutory declaration has not yet been completed. A sale of the associated glebe farmland has also been agreed but there will be the same issue with the title being unregistered.

The statutory declarations for the sale at Borrowdale have been completed and Sintons are working on the conveyance, but we are probably still 3-4 months from completing this sale.

Castle Carrock, ongoing discussions with Mitre Housing and the prospective purchaser are ongoing but the Board remains committed to the provision of affordable housing units as part of the development.

The Board agreed that in time a full review of the property portfolio will need to be completed by Neal Andrews.

PART D PARISH PROPERTY FUND

15. **Requests from parishes for financial assistance:** Ric Jaques reported that there have been no new requests from parishes for financial assistance. One has just been finalised for St Johns in Workington to enable them to work on their statement of significance in advance of a major project.

PART E FINANCIAL STATEMENTS AND REPORTS:

16. **Treasury and Investments:** Ric Jaques introduced the Treasury and Investments paper. Around £1.2million of property sales in early 2020 have given a significant boost to liquidity and these proceeds have been retained in the deposit accounts to provide funding over the rest of 2020 and beyond, avoiding the need to liquidate investment assets in unfavourable market conditions.

After an initial big fall in its share price, the CBF Investment Fund has stabilised to a degree and is only 3.4% down on where it was at the beginning of the year. CCLA have said that they are likely going to be able to maintain the dividend this year on the Investment Fund, but there is more doubt over the Property Fund.

20. OpShops

i) Financial Statement. The Committee noted the Financial Statement

ii) John Edwards gave a verbal report on the progression of the transfer of OpShops. It is expected that the transfer will go through on the 1st of July given provided that the DBF agree. The main issue that will need to be resolved with Ric Jaques is the amount of the working capital to be provided. A £10k Covid-19 support grant for each shop has been paid from the government and this has helped

with finances over the last few months. There needs to be assurance that there is reasonable amount of float so that they can manage through the coming months. There is an expectation that the shops will reopen early June or July and this will begin to generate revenue. As OpShops are a new charity with no real track record, landlords are looking for a guarantee or rental deposit from the DBF. The Board agreed that they would prefer to provide guarantees rather than paying rental costs upfront. Derek Hurton and Ric Jaques are to finalise this with the OpShop Board. The Board approved the transfer of OpShops to the new Restore charity on the 1st of July – subject to sign-off by Bishop's Council or the newly convened Financial Planning Task Force.

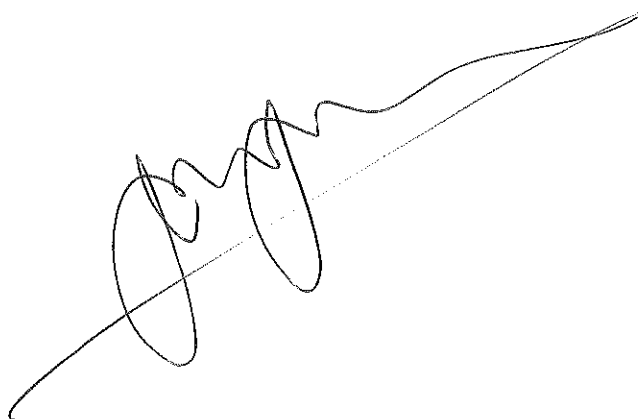
iii) Transfer of Business: The Board agreed that they were in favour of proceeding with the 1st of July as the operational date for the transfer (see above). The asset purchase agreement will need to be signed by Derek Hurton and Brian Grey Before the 1st of July.

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

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

22. Date of Next Meeting

The date fixed for the next scheduled meeting was confirmed as **Wed 15 July 10.00am**. Members noted however that further meetings might be required subject to needs arising.

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