

Minutes of a meeting of the **FINANCE COMMITTEE** of the **CARLISLE DIOCESAN BOARD OF FINANCE LTD** held **BY VIDEO LINK** on **15 JULY 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
D Bradley

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

1. Opening Prayers: Prayers were led by Rob Cook

2. Minutes: The Committee approved the minutes of the meeting held on 20th May 2020

3. Matters Arising from the Minutes: The Committee noted the Action Sheet and it was confirmed that all the actions noted had been progressed or were on the meeting agenda. Ric Jaques reported back that there have been no more requests for financial assistance from other parishes. Ric Jaques, Lee Townend and Sophie Hodge have worked closely with the parish that had requested help and it is being monitored. They do not currently require any financial assistance. There has been no progress with the action to develop a more robust process for responding to PCCs who find themselves running out of money, but any requests will be dealt with on a case by case basis.

Ric Jaques confirmed that the transfer of OpShops had taken place on the 1st of July as planned and it was decided that the DBF would provide rent guarantees to new OpShop landlords in relation to the new warehouse and Petteril Bank shop.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

4. Coronavirus update: Derek Hurton reported that there is a possibility there will need to be a contingency zoom AGM of the DBF before the end of September, unless there can be a face to face meeting in October. This was because the Government's extension of the period in which virtual AGMs could be held was only in place until the end of September.

Derek Hurton reported on the work situation among Church House staff. Those who have been working since lockdown are starting to show signs of exhaustion and are “hanging on” for the summer holiday period to begin at the end of July. It will be very important that people get a good break over the summer. There are no plans for staff to return to work at Church House during the summer as there would be a large amount of work in terms of risk assessments, screens, social distancing and additional hygiene measures that would need to be done for this to happen. This will be reviewed after the end of August and arrangements could start to be put in place during the first half of September. He does not expect that all staff will return to the office full time; a more likely result would be that a small number of staff would continue to be from time to time, with perhaps a handful in the office more frequently because of their particular work areas or ability to work effectively at home.

The Chair wanted to record the Board’s thanks and appreciation for those who have kept their ‘noses to the grindstone’ and also their consideration for those who have been unable to continue with what they would normally be doing because of being furloughed.

5. Management Accounts: Ric Jaques introduced the draft management accounts for the year to 30th June 2020. The draft accounts for the first 6 months of 2020 show a surplus of £272k, which is better than the phased budget – mainly a result of lower than budgeted expenditure. It is £298k 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 spread over the year.

Non-parish income has been strong so far this year, but the impacts of Covid-19 have now started to affect Parish Offer. Some material elements of costs have been curtailed due to the lockdown and furlough of many staff, but for the first time in several years spend on stipendiary clergy and curates is close to budget.

The extent to which Parish Offer falls is dependent on the speed, and quantum of people returning to church for worship, the resumption and size of church weddings and funerals, and the opening up of other income generating activities. Too much is still unknown to make this forecast anything more than a ‘best endeavours’ attempt at mapping out the rest of 2020 for parish income.

6. Task Group update: Derek Hurton introduced the Task Group Update to the Board. The Group itself have met 4 times so far and have another 2 meetings before reporting to the Bishop’s Council in early September.

7. Future financial model: Derek Hurton introduced the future financial model paper to the Board. In recent years, the income side of the Diocesan budget has seen three significant shifts. Parish Offer, the largest income stream, has fallen in cash terms and by 40% in real terms over 10 years.

Most of the objectives of the financial strategy have been achieved, but the stabilisation of Parishes' financial position and their corresponding ability or desire to achieve inflationary increases in Parish Offer has not. When measured in terms of year-on-year change in Parish Offer, the trend is for Offers to fall at an accelerating rate. Part of this appears down to demographics, as churches have significantly elderly congregations and total attendance and membership have declined steadily over an extended period of time.

The current system of Parish Offer is based on individual parishes making realistic and generous offers towards the costs of local ministry in the Diocese. The "Offer" represents the biggest single source of the DBF's income and in 2019, at £4.9m, it amounted to around two thirds of the total. The total cash amount offered and paid, and the proportion of DBF income that it equates to have all fallen over the last decade. The impact of Covid-19 is expected to worsen the situation, potentially accelerating the trend, as PCC incomes are hit significantly.

A possible approach could rest on two main headings of "endowment" and "empowerment".

We know the investment income has been going up and there is scope to increase the investment income further by disposing of surplus capital, and then using that to create what is effectively an "endowment" enabling us to fund a baseline level of ministry sustainably. Within that baseline, account would have to be taken of differences in relative wealth between different parts of the Diocese.

Alongside this the local church would be "empowered" to decide what ministry it wanted to deploy over and above that baseline, but with responsibility for funding it.

Such an approach could be more financially sustainable than the current arrangements, providing that the endowment was secure in the long term and that the local church responded to the strong incentives to fund their ministry.

The Board were interested in the idea but recognised that some of the issues raised need to be looked at in more detail to see if they are insurmountable and whether some aspects of them can be dealt with in other ways. Alternative approaches are possible, and Derek Hurton will undertake work over the summer.

8. North west Bishops review of ordinand training: Bishop James introduced the North West Bishops Review of Ordination Training paper to the Board. Last year North West Bishops commissioned a review of Ordination Training across the region. The review strongly recommended that the current 3 institutions be merged in to 1 single college to serve the region. Bishops Emma is on the Curriculum Development Group and there is a large amount of work involved as this is setting up an entirely new institution with approximately 250 students for September 2021.

The implications of the change for the DBF relate principally to the future employment of its staff and to the final winding up of CCL. Initial thinking is that the staff in question will be subject to a TUPE transfer to the new college and our HR Manager will be working with the project team on this.

Bishop Emma left the meeting.

PART B FINANCE – MINOR MATTERS

9. Parish Offer: The Committee received the report on parish offer receipts to 30th June 2020.

The total offer made for 2020 is currently reported as £4,666,753, a reduction of £90,873 (2.00%) from the 2019 offers. This includes the increased offers from the Penrith West Mission Community to fund some additional ministry.

Receipts up to 30th June were £2,037,645. This represents 43.7% of the year's offer. At this point last year, receipts were £2,179,562 (£141,917 higher) which was 45.9% of the year's offer.

The impact of Covid-19 on payments started to show in April, with a modest reduction in the amount expected to be receive. This has continued, at around 10 to 12% less each month than was received last year. June did not see a worsening of that decrease, so it would appear that the 'early defaulters/reducers' continue to not pay or to pay less, but few are being added to the list at this point.

10. Financial implications from associated meetings: The Committee noted the report.

11. Rydal Hall: Ric Jaques introduced the Rydal Hall management accounts to 30th April 2020. June accounts are still work-in-progress.

Richard Pratt gave a verbal update on reopening and business plan. There are 2 pieces of work that are in progress. The first is a group comprising of Chris Angus (Chair of the House of Laity), Shanthi Thompson (Chair of the House of Clergy), one Rydal Board Member and David Wilmot (Chaplain to Rydal Hall) who have been asked to work on shaping Rydal's vision into a much sharper statement in line with the emerging refreshed Diocesan Vision and Strategy. The second is a financial review commissioned by the DBF Finance Committee and the Rydal Board. After the Rydal Board have considered both of these Richard Pratt will report in a letter to the Task Group together with the 2 supporting documents. It will then be down to the Task Group, DBF, Bishops Council and ultimately Diocesan Synod to decide how to proceed.

The Chair commented that the Committee are not there to do the job of the Rydal Board. The Rydal Board exists to direct the investment made by the DBF and, if Rydal Hall makes a loss and requires further financing, the Finance Committee have to report to Synod on the

scope to provide such support given the overall financial position. The DBF does not have priority authorisation from the diocese to continually underwrite continuing losses. The Chair was concerned that it is not known how great the impact of Covid-19 will be, how long it might extend, or what might happen in the future. One of the elements of the Future Financial Model paper was a focus on examining the capital value of the Diocese's assets. In his opinion the DBF ought to get a valuation of Rydal Hall in order to be able to assess properly whether its disposal would generate a large amount of capital. The Committee agreed to this although there was some concern that this was singling out Rydal when we were not also looking at the capital value of our other working assets.

12. Stewardship Activities Report: Ric Jaques informed the Board that Sophie Hodge is now on maternity leave and Anna Newlove is holding the stewardship post on a part-time basis during the gap.

13. MAT: Vernon Ross gave a verbal update informing the Board that The Good Shepherd Multi Academy Trust had started to look at its future direction. Ric Jaques was involved in this and helping the Trust look at the future financial position. For the Trust to be viable going forward it needs to grow and would probably need funding to achieve that.

PART C PROPERTY MATTERS

14. Property issues requiring Finance Committee attention: The Committee noted the minutes of the property sub-committee meeting on 19th June 2020 and the action point list from the meeting.

UPDATES SINCE THE PREVIOUS MEETING

54 Eden Street Carlisle/Rockcliffe – Marketing for rent of the former has temporarily been stopped, and arrangements to commercially let the latter have been deferred, to allow potential short term letting to a retiring minister from Leeds where completion of work to her Pension Board house in the area has been delayed by Covid-19.

Bridekirk – The house may possibly be required for the new Cockermouth Area Team rector. In exchange for allowing access to inspect, and agreeing to an early departure if the house is required, a suggestion has been made of possible release from rent arrears (currently at £5,500).

HOUSING

Grasmere Rectory - Local knowledge advises that a property is expected to come on the market for sale. Currently it provides staff accommodation for a hotel. It falls quite considerably short of parsonage standards, but it is accepted that compromises will be required for any replacement Grasmere house. Furthermore, it has potential for extension – the grounds for refusal of a significant extension in 2010 suggest that a more modest application for extension, and conversion back to a single dwelling, could be successful. In any case significant refurbishment is likely to be required.

The diocese holds approximately £800k net proceeds from sale of the former rectory in a ring-fenced parsonage building fund for the benefice. Use of those funds for any purchase, and improvement of the house, requires the formal consent of the PCC and patrons.

The prospect of a purpose built rectory as part of a new school site remains an optimistic hope. Even if it comes to fruition it could be years away. Dunmail cottage could provide at least an interim solution. An initial expression of interest has been made via the solicitors to the current owners.

The Committee approved the interest in Dunmail Cottage being progressed. Any proposal to purchase would come back to the Committee by email if necessary.

Property in Kendal – this house was bought in 2013 on pastoral grounds for the spouse of a member of the clergy on a shared equity basis (approximately 73% diocese/23% the individual) following a marriage breakdown, on the basis of National Church Institution guidelines. The individual concerned is not expected to pay rent on the diocesan share of the house, which she is entitled to occupy for life, but is responsible for all repairs, maintenance and outgoings. The individual has progressive MS and, with wheelchair use going to become necessary, is now suggesting that the current typical 3 bedroom, semi-detached house will cease to be suitable and they will need to move to a bungalow. A number of issues arise:

- A suitable 2 bed bungalow in Kendal may well cost more (a quick review of the market suggests up to about £260k). The Committee agreed that they would be willing to invest more capital, up to £40k, should it be needed.
- The individual has suggested that they would meet the conveyancing costs. However, there was a suggestion that some additional support might be required in that area respect, as the costs would include agency, survey, and solicitors' fees, along with the costs of preparing a new trust deed. If more funds are needed Bishop James could provide financial assistance from his discretionary fund.
- Works are likely to be required to adapt any house purchased (although some available bungalows are already DDA adapted). Hopefully there may be grant aid available to fund all or most of any necessary changes.
- If a new house needs adapting it won't be practical to simultaneously sell and buy a replacement house. The Committee agreed they would be prepared to bridge finance the new purchase until the existing house is subsequently sold.

The Committee agreed to delegate further decisions on the matter to the discretion of the property sub-committee.

DIOCESAN BOARD OF FINANCE – GLEBE

Castle Carrock – Mitre have been unable to offer enough to the potential site purchaser for the two completed affordable units. The purchaser has consequently been advised that the sale can proceed on the basis of their making their own arrangements for the two affordable units (albeit with the sale ensuring the two affordable units must be built, with no commuted payment sum being permissible). However, issues relating to ownership of a strip of potentially unadopted highway have emerged which could create a ransom strip. Further highway investigations are underway.

PART D FINANCIAL STATEMENTS AND REPORTS

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

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

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

17. Date of Next Meeting: Wednesday, 16th September 2020

Decisions and Action points from DBF Finance Committee, 15 July 2020

- Decision: to provide rent guarantees to new OpShop landlords in relation to the new warehouse and Petteril Bank shop
- Action: DH continue to work on Future Financial Model over summer as part of developing Task Group conclusions and recommendations
- Decision: in principle approval of steps required to transfer IME1 provision to the new North West Theological Education Institution and for the DBF to be a corporate member of the new institution (if that is what is proposed) but with a clear expectation that the DBF will not be asked to providing funding for the new institution
- Action: NA commission valuation report on Rydal Hall
- Action: NA pursue possible interest in replacement Grasmere Vicarage
- Action: NA progress property in Kendal for clergy spouse