

Minutes of a meeting of the **FINANCE COMMITTEE** of the **CARLISLE DIOCESAN BOARD OF FINANCE LTD** held **BY VIDEO LINK** on **14 JULY 2021**

**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

**1. Opening Prayers:** Prayers were led by Bishop James.

**2. Minutes:** The Committee approved the minutes of the meeting held on 19<sup>th</sup> May 2021 and the revised minutes of the meeting from 17<sup>th</sup> March 2021.

**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.

**4. Elections and Appointments:** Jim Johnston introduced the Election and Appointments item. Derek Hurton had drafted the paper and explanation sheet giving information on the election and appointment process and requirements. Elections of Trustees/Directors will happen in the autumn following the October Diocesan Synod. It is hoped that all existing members, whether elected or co-opted would wish to continue, but if not, it would be helpful to know, so an assessment of what is needed in terms of skills and expertise can be carried out. It would be possible to appoint additional co-opted members to the Finance Committee, but there was no requirement to do so.

Derek Hurton informed the Committee that all the existing elected trustee can stand for election for the next three year term, and that we are planning on reporting the results from the elections to the 17<sup>th</sup> of November Finance Committee, thus giving enough time to take stock and decide on a chair and co-options. An election advert document, which is somewhere between a long advert and a short role description has been produced in order to enable us to advertise the role in the hope of encouraging other good people to join the board.

A number of minor changes to the role description/advert were suggested and Derek Hurton was to update it accordingly.

In the discussion the following points were made: -

- The work underway to codify the objectives for the Finance Committee (see paper FC21/81) is an important influence as it will set out what the Committee exists for. If possible the outputs from that work would form part of the materials available for candidates.
- Once the elections have happened we need to do a very quick skills audit and see what the gaps are, and then the co-options can follow from that.
- We should be welcoming interest from under-represented groups and making reference to our commitment to inclusion and diversity within the advert. It might be possible to have an explicit statement on this, or at the least include a footnote saying the Diocese of Carlisle encourages and welcomes applications from people of all ethnicities and cultural backgrounds.

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

**5. Management Accounts:** Ric Jaques introduced the draft management accounts for the year to 30<sup>th</sup> June 2021. The accounts for the first 6 months of 2021 show a surplus of £283k, which is £163k better than the phased budget. However, some of this is due to the timing of payments, as the spring lockdown has delayed a number of activities. Some savings have been made through the modest use of the furlough scheme. Income is on track so far with Parish Offer receipts holding up well, being a little ahead of the phased budget after 6 months. Most parishes are on track to fulfil their Offers, albeit that many of the Offers are lower than for 2020. Fees are harder to predict.

The forecast for the year currently shows a modest surplus for the year of £35k, representing a welcome improvement on the budget. However, it is still too early in the year to have confidence in the outcome, and there remains some element of risk around Parish Offer. A continuation of the vaccination roll-out and further easing of restrictions albeit with rapidly increasing covid-19 rates, could continue to impact parish finances this year.

It was highlighted that there was an error with some of the detailed figures on the Management Accounts. Ric Jaques agreed to correct it and reissue a paper after the meeting.

**6. Objectives for Finance Committee:** Derek Hurton introduced the Objectives for the Finance Committee paper. The idea of establishing Key Performance Indicators or objectives for the Finance Committee had been raised as part of thinking about the role, skills and composition of the Committee. Following a conversation between Sue Wigley, Janet Busk, Ric Jaques and Derek Hurton, information and ideas for the Committee's consideration had been put together.

The Charity Commission provided a set of generic duties of Charity Trustees:

- ensure that Charity complies with its governing document (its Articles of Association), charity law, company law and any other relevant legislation or regulations
- ensure that Charity pursues its objects as defined in its governing document
- ensure Charity applies its resources exclusively in pursuance of its objects
- contribute actively to the board of trustees by giving firm strategic direction to charity, setting overall policy, defining goals, setting targets, and evaluating performance against agreed targets
- safeguard the good name and values of Charity
- ensure the financial stability of Charity

In drawing up objectives or KPIs for the Finance Committee the starting point should be to apply these generic duties to the specific charitable objects of the Diocesan Board of Finance. The DBF is

unusual as a charity in that it is a part of and serves a wider entity (the Diocese) rather than being the entity itself. As a Committee of the Diocesan Synod and responsible to Synod, its role does not extend to setting vision, aims, objectives or priorities for the Diocese itself. Rather it exists to provide corporate functions in support of the Diocese, recognising that the Diocese itself has only ecclesiastical but not corporate status. The Trustees of the DBF are not the Trustees of the Diocese.

The DBF's annual report states that the "principal objective of the Carlisle Diocesan Board of Finance (Carlisle DBF) is to promote and assist the work, objectives and purposes of the Church of England for the advancement of the Christian religion in the Diocese of Carlisle and elsewhere by acting as the financial executive of the Diocese.

"Carlisle DBF acts in conjunction with the Church Commissioners, Archbishops' Council, Bishop's Council, Diocesan and Deanery Synods and Parochial Church Councils to support the work of the Church of England particularly in the Diocese of Carlisle. The major part of Carlisle DBF's activity is to organise and provide funds for the training, housing and stipends of clergy and other ministers within the Diocese of Carlisle and to support the activities of the other Boards, Councils and Committees of the Diocesan Synod."

The Finance Committee's functions therefore cover the following:

- Duties of company directors in respect of employment, Health & Safety, annual report and accounts
- oversight of DBF's work including as employer, property holder, financial manager,
- reference point for Diocesan Secretary
- submit accounts and budget to Bishop's Council (Standing Order 108)
- submit accounts and budget to Synod and DBF (S/O 109.1)  
["Budget submitted must provide for the expenditure required by every committee and other body responsible to the Synod, subject to any reductions made by the Finance Committee on the grounds of priority or financial expedience after consultation with Bishop's Council" (Synod S/O 109.1)]
- must be consulted on all Synod motions involving expenditure
- must not expend or engage to expend Synod's funds over and above approved budget without an appropriate Synod resolution ("a Money Resolution")

it would be possible to create objectives/asures for each key area of the functions and these might fall into different categories, including the following non-exhaustive list (some of which can be and are exercised by sub-committees). They are a mixture of activity-based and outcome-based objectives/asures and can be cross-referenced to both the specific functions of the Finance Committee and DBF, and to the duties of Charity Trustees.

- monitoring ongoing activity, including the DBF's financial position, expenditure and income vs budget, the financial performance and viability of subsidiaries (eg Rydal, MAT), housing repairs
- the creation and proposal of, and compliance with, various policies (eg H&S, HR, investment, housing, financial control)
- areas which the Committee should review regularly but less frequently, including policies (eg HR, investments) and Risk (the Risk Register)
- the achievement of specific goals (strategic or specific) which fall within the DBF's areas of work (eg the shift envisaged towards greater investment income in our financial/resourcing

strategy, the provision of suitable clergy housing in accordance with agreed approaches, creation of a Diocesan Loan Fund, implementation of decisions to invest in hydro)

- Diocesan budget-related (ie developing and proposing a balanced budget on the basis of the priorities expressed by Bishop's Council)
- softer indicators of performance such as relationships within the Board or with Church House offices could also be included

A timeline or annual cycle could be created around many of these, building on the existing cycle of meetings.

As the Finance Committee's most important objective (ie developing and proposing the Diocesan budget) falls out of missional objectives and priorities set by Bishop's Council, it would make sense to strengthen the links between the two committees, for instance by requiring joint meetings at key points in the budget cycle.

The committee agreed to develop the ideas contained in the first draft of the paper and that Derek Hurton would work on that, liaising with Sue Wigley and Janet Busk to produce a sharper, more refined version for a future meeting. It was also suggested that the following points could be added or amended:

- As there are already 6 members of Finance Committee who are also on Bishops Council, giving a substantial overlap, the suggestion of joint meetings at key points in the budget cycle was questioned.
- The Diocese's "net zero carbon neutral by 2030 target" brought with it major implications and risks, so could be referred to within any statement of objectives.
- Managing the cost of closed buildings was likely to become an issue in the future and could be given reference in the objectives.

**7. Parish Offer and Cost of Local Ministry:** Derek Hurton introduced the Parish Offer and Cost of Local Ministry paper. As part of deployment and financial planning, Archdeacons had facilitated local conversations about costs and offers throughout the spring. Enough has now happened for us to be able to take stock of the "mood music" and in the West the process is far enough advanced to have some indicative figures. Overall, the West's indicative Offers cover 70% of the gross costs of local ministry, with major variations between Mission Communities, ranging from 67% to 106%. The indicative shortfall amounts to the marginal cost of 10.4 posts in the West, and in response to the situation a number of Mission Communities have made proposals to reduce their costs by deleting 1.5 fte and 3 house for duty posts. After accounting for these reductions the gap between Costs and Offers is £379k, while the notional amount available to close the gap by "subsidising" or "investing" from vacancy savings and other income for "subsidy" or "investment" in the West is £329k.

The timeline proposes that in the first week of September Derek Hurton and Ric Jaques should try to have conversations with the Archdeacons, Lay Chairs and Rural Deans to take stock of the position and inform the draft budget.

During the discussion the following points were raised.

- Concerns that church attendance was not going to bounce back further after the July the 19th date for ending lockdown. This led to significant concerns about the 2022 and 2023 Offers.
- The Northern Mission community leaders meet regularly and conversations are happening with all ecumenical partners on the ground. These are honest and realistic and there is an acceptance that some posts will have to be lost because they simply cannot be afforded in the future.
- There is a very strong view that Network Youth Church needs to be strongly protected from cuts. Further information on future plans for NYC needs to be provided to help inform decision making.

## **PART B FINANCE – MINOR MATTERS**

### **8. Parish Offer**

Ric Jaques reported that total offers made for 2021 are £4,123,842, which represents a fall of 12.38% on offers originally made for 2020 and a fall of 6.67% on what was actually paid in 2020.

The level of Parish Offer receipts has been the largest area of uncertainty in relation to the DBF 2021 forecast. The Offers were made with a baseline set of assumptions that proved to be too optimistic in terms of the relaxation of restrictions and return to collective physical worship in our church buildings. However, parish finance and reserves in 2020 proved to be more resilient than at first feared. 2021 receipts and the messages we are hearing from Treasurers are closely monitored and reported. There has not been a reluctance by PCCs to commit to a standing order this year, which was something that would have been a concern.

Receipts in the first 6 months of 2021 are £1,950,407 which represents 47.3% of the year's offers. This compares to 43.7% of offers received as at June 2020, although comparisons to last year are now complicated by the gradually increasing impact of the pandemic last summer. This level of receipts is £225,155 less than seen at 30<sup>th</sup> June 2019.

It would seem that payments, albeit against a lower total of offers made, are showing a similar or slightly stronger pattern to previous 'normal' years. It may be that as the year rolls on Treasurers will react either positively or negatively if they see their parish finances proving to be better or worse than expected.

**9. Rydal Hall:** The Committee noted the draft Minutes of the meeting of the Rydal Board held on 18<sup>th</sup> May and 15<sup>th</sup> June and the management accounts to 31<sup>st</sup> May 2021. Richard Pratt gave a verbal update. The most significant change relates to the two new members of the board who are bringing enormous expertise and experience to the board and tackling a number of outstanding issues. The Hall is reopening very successfully and is achieving good occupancy rates in the Hall itself, the campsite, the Tea Shop, the Bulley Barn and the cottages, while the bar is also doing better. We expect to see further significant improvements and changes and have recruited a number of new staff including an Estates Manager and a Restaurant Manager, both of whom have made good starts.

**10. Financial implications from associated meetings:** The Board received the paper on Financial Implications from Associated Meetings. There were no issues for discussion.

**11. Stewardship Activities Report:** Ric Jaques introduced the Stewardship Activities report. Sophie Hodge will return from maternity leave in mid-July on a 4-days a week basis. Anna Newlove is monitoring the Stewardship e-mail account but there is very little activity at the moment.

Work will start shortly to plan to recruit the additional Giving Advisor, the post to be funded by the National Church for 5 years. It is now expected that they will start around September.

One element of the conversations taking place between Archdeacons and Mission Communities & Deaneries will promote the need to do more in the area of Stewardship, so the return of Sophie and the additional appointment will be very timely.

**12. Good Shepherd Multi Academy Trust (MAT):** The Committee noted the draft minutes of the meeting held on 25<sup>th</sup> March and 20<sup>th</sup> May 2021. Vernon Ross gave a verbal update. The MAT is strongly focused on growing. There are currently 10 schools in the MAT and by January 2022 there will be 12. They are working on a model of school organisation based on geographical clusters. A bid has been submitted to the Government's Trust Capacity Fund. The government continues to suggest that they will put pressure on standalone academies to go into Multi Academy Trusts as well as actively encouraging all schools to academise. As the Regional Schools Commissioner has said clearly that we can't just have one church based Multi Academy Trust in Cumbria we will have to look at a model that has more than one. The potential financial implications of this are significant, but the starting point is that additional trusts wouldn't have any financial claim on the Diocese.

#### **PART C PROPERTY MATTERS**

**13. Property Issues requiring Finance Committee attention:** Neal Andrews joined the meeting.

The Committee received the draft minutes and action points of the property sub-committee and the PFK Property Management Review meetings on 18<sup>th</sup> June 2021.

The next property meeting will be 9.30am Friday 13<sup>th</sup> August (by Zoom). Any finance committee member wishing to attend was to advise Neal Andrews.

The issue of our capacity and finances to deal with an increasing number of redundant churches was raised. Neal Andrews was also asked if he was intending to catch-up fully this year with deferred quinquennial work. Following changes in personnel and staff sickness this was not progressing as fast as hoped but plans were being put in place to get the whole quinquennial programme back on track.

#### **Significant Update Items to Note:**

Rosley Vicarage - an offer has been accepted.

Burnthwaite, Windermere - an offer has been accepted.

Rydal Hall – Electric Car Charging Points - "Charge my Street", a not-for-profit company, were in discussions with Rydal and the Diocese about installing 2 electric car charging points on site at Rydal. It was proposed that the DBF grant a 7-year lease at a peppercorn rent for the two parking spaces and that they be excluded from the lease between the DBF and Rydal Hall Ltd. Some practicalities of arrangement between the DBF, Rydal Hall Limited and Charge my Street would need working through. The proposal to grant a lease was approved.

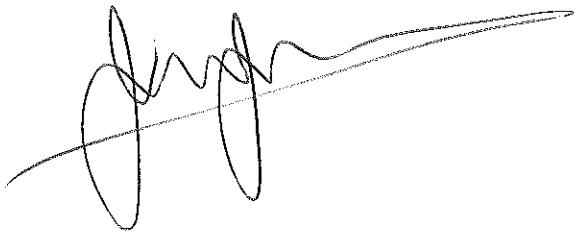
#### **PART D FINANCIAL STATEMENTS AND REPORTS**

**14. Treasury and Investments:** Ric Jaques and the Chair introduced this item. The Investment Committee continue to closely monitor the impacts, actual and potential, of coronavirus and the Brexit deal on our investments. The longer-term impact of covid-19 will continue to unfold globally with massive national debt to be repaid over many years to come. CCLA's diversification and quality of investments have led to continued growth and dividends in the CBF Investment Fund, while the potential concerns around the CBF Property Fund appear to be reducing, with the 2021 proposed dividend being level with that declared in 2020, and the share price beginning to rise again.

**15.** 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
- CCL
- Loan Statement

**16. Date of Next Meeting: Wednesday, 15<sup>th</sup> September**

A handwritten signature in black ink, appearing to be 'Ric Jaques', written over a horizontal line.

