

Minutes of a meeting of the **FINANCE COMMITTEE** of the **CARLISLE DIOCESAN BOARD OF FINANCE LTD** held **BY VIDEO LINK** on **20 JANUARY 2021**

**Present:** Mr J A E Johnson (Chair)  
The Bishop of Carlisle  
The Archdeacon of West Cumberland  
Mr A R H Cook  
Mr J Edwards  
Mrs J Busk  
Mrs S Wigley  
The Archdeacon of Westmorland and Furness  
The Archdeacon of Carlisle 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 Derek Bradley.
2. **Apologies for absence:** No apologies had been received.
3. **Confirmation of Chair and Vice Chair of Trustees and membership of sub committees for 2021:** The Chair introduced the paper by informing the Board that he thought it was good practice annually to confirm the Chair, Vice Chair and membership of sub committees for the coming year. This was particularly true this year as his term had been extended due to the Covid-19 pandemic. Board Members agreed to confirm him as Chair, and Sue Wigley as Vice Chair.

The Chair reported that the Property sub-committee presently comprises Martin Jayne (Co-opted specialist and Chair of Sub Committee), John Edwards (Trustee and property specialist) and Jim Johnson (DBF Chair and Trustee). It is served by Neal Andrews, Properties Manager and Derek Hurton, Diocesan Secretary. Martin Jayne's membership has previously been extended annually, following his retirement as Trustee in 2018, and he would be willing to serve for a further year. The Chair proposed that the property committee is constituted of those trustees and co-opted members and this was agreed by the Board Members.

The Investment Sub Committee presently comprises Derek Bradley (Trustee) and Jim Johnson (Chair and Trustee), and it is served by Ric Jacques, Diocesan Head of Finance. The Chair noted that there were only two members of the investment sub-committee from the Board, and was conscious that the committee could benefit from extra investment expertise especially in the light of expectations that the Diocese becomes carbon neutral by 2030. There has recently been an informal meeting between the Chair, Derek Hurton, Ric Jacques and Nicholas Coulson, a retired investment banker and recently retired Chair of the investment group on the Cumbria Community Foundation. That meeting had concluded

that if we were more specific as to the set of targets at which we were trying to aim, we could draw on his expertise, but that he would not be proposed as a formal member of the sub-committee. The Board agreed the Investment sub-committee membership should remain as it is.

The Chair informed the Board that there was an open invitation for them to attend any of the meetings if they wished but requested that they inform Derek Hurton or Cath Bell in advance so they could arrange for them to receive the papers.

- 4. Terms of Reference for Property Sub Committee:** The Chair introduced the paper, informing the Board that Martin Jayne and John Edwards had both given input to the proposed simplification of the Committee's Terms of Reference.

The intention behind the changes is that sufficient scrutiny of property-related decisions be achieved by suitably qualified individuals in meetings separate to the meetings of the main Board of Trustees. The sub-committee would have the power to authorise actions in routine matters that were beyond the authority of the Property Manager, whilst referring those of a more significant or complex nature to the Main Board with recommendations for action as appropriate.

After a discussion about the number of Trustees on the sub-committee required to take decisions to enter into contractual relationships, it was agreed that both Trustees should agree either in person or by electronic means. The terms of reference were confirmed with that amendment.

- 5. Minutes:** The Committee approved the minutes of the meeting held on 18<sup>th</sup> November 2020.
- 6. Matters Arising:** The Committee noted the Action Sheet and it was confirmed that two of the actions noted needed further discussion. Derek Hurton informed the Board that point 4, "Archdeacons/RJ consider whether there are Mission Communities or Parishes who need to be contacted over their Offers for 2021" needed further discussion, and it was agreed that this would take place during the Parish Offer report. Ric Jaques reported to the Committee on point 3, "DH/RJ confirm budget savings achieved by the reorganisation". Calculations have been made comparing the cost of the new structure compared to the old and savings made are very largely as required when it comes to central Church House staff costs. He needs to rework the 2021 budget so that the staff costs are reallocated on the basis of the new structure.

Sue Wigley asked for an update on item 11 on the minutes relating to the provision of contactless giving equipment. Ric Jaques reported that the National Church Stewardship Team had originally told us we would be getting free contactless kit ("giving units") for all churches, but that when they had worked out the detailed budget they had realised that they could afford only to offer equipment to about half of our parishes. Nine parishes have been selected to test kit before it is rolled out more widely. It has been worked out that there will be around 3 units per Mission Community and it will be for the Mission Communities to decide which 3 churches will make the most of them. There is quite a lot of

work being done in the background but we are not expecting to see the units in churches until the end of February.

## PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

7. **Board Review 2020 and Actions arising therefrom:** The Chair had produced a questionnaire for the Non Executive Board members to review the Board's Individual and Collective Effectiveness. It addressed a range of areas. Outcomes in respect of the areas covered were as follows [ideas and issues were introduced by the Chair unless otherwise stated]:-
- Understanding of Property portfolios with Location map and Investments, and work of Sub Committees – property portfolios with location maps would be very complicated but the question will be put to Neal Andrews as to the feasibility of producing them. If Members would like a better understanding of investments it was suggested that they attend the annual review with CCLA as CCLA provide fact sheets and also talk through each investment product.
  - Annual Review of Governance Effectiveness, and agree set of Measurable Objectives (KPI's?) for Board – Sue Wigley and Janet Busk will discuss an approach to this with Derek Hurton and Ric Jaques with a view to coming up with measurable objectives for the Board's operation.
  - Understand revised Staffing Structures - the reorganisation chart has been circulated to Members, and there were no other comments or questions.
  - Understanding of "Small Funds", some of which are quite large (!) – it was suggested that if Members would like to know more about the small funds there could be a separate session with Ric Jaques for those who wish to attend.
  - Relationship between Main DBF and its Subsidiaries (Governance, Accountability, Funded Support levels) – it is uncertain what, if any financial commitments would be requested by Rydal and Restore in the future so a separate session will be organised for those Members who wish to attend. This item also requires a full Board discussion and potential conversation with Bishop's Council.
  - Retention of balance of Trustee skills and experience, given limitations of Maximum Terms of Service – Derek Hurton suggested that the terms of office need re-evaluating because the organisation and governance is unusual, and the churches complexity and number of funds puts it in to a different category to most charities. Those two factors mean that it takes elected and Co-opted Trustees a while to get up to speed and there is a risk, with only 6 meetings a year, that Trustees have to retire at the point when they are most effective. This is also true for the Chair. We could potentially have longer terms of office without suffering from "time-serving" Trustees who made little contribution. The current term will be reviewed.
  - Scope of Trustee Company and Charity Governance Responsibilities – could be the subject of an induction type zoom.
  - Adaptation of Memo and Articles to permit election from Non Anglican Ecumenical Partner Denominations – Derek Hurton will find the relevant sections of the Memo and Articles and formulate some wording.
  - What do we mean by "Diversity" and therefore how to judge whether we address that adequately? – Richard Pratt commented that there are several ways in which we are not as diverse as we could be, pointing out that there are not enough women

on the Board. Also we have a policy theme to become a younger Diocese, but we have meetings during the day making it difficult for anyone working to be part of this. More thought will be given to how this can be addressed.

- Broader awareness/understanding of other areas of Diocesan activity, and how to appropriately influence them – especially how we become more joined up with other bodies such as Bishop’s Council and Diocesan Synod. Derek Hurton suggested that there are two ways in which this could be achieved. The first would be to review the Diocesan governance structure and change the arrangements, for example so that the Bishop’s Council also becomes the DBF Trustees. A decision like that would need to be thought through carefully given the potential consequences in terms of ensuring continued effective management of the business and maintaining appropriate right checks and balances. Overall he did not recommend progressing this line of thought unless we have enough energy to appraise changes properly. The second way to increase understanding would be to arrange separate sessions to explain how the relationships and governance structure is put together, and discuss how it actually works in practice and can be improved. Communication flow between the different Boards and Committees could also be scrutinised to see if there is scope for improvement.
- More communication between Finance Committee meetings, to aid efficiency of time management in actual meetings – more meetings and more information is not necessarily the answer but perhaps a more streamlined smarter way of working. In terms of improving efficiency the same topics are often discussed in different meetings within the Diocese, without decisions being reached.

8. **Management Accounts:** Ric Jaques introduced the draft management accounts for the year to 31<sup>st</sup> December 2020. The accounts have improved further since the forecast presented in November, with the net surplus, excluding any impact of Rydal Hall, now being £569k, which is £663k better than budget. Parish offer & fee income had been stronger than expected in October and November, and other income has been strong throughout the year.

Much higher levels of savings were made through the year than initially projected in March, with ongoing extensions to the furlough scheme and much of the God for All project budget not being used. The projected savings in the housing budget were successfully made.

Non-parish income has been strong this year. The impact of Covid-19 has affected Parish Offer and parochial fees, but by less than we feared. Analysis by Chris Angus estimates that parishes probably lost around £2 million of income, but it would appear that the majority of this was absorbed through local savings and in particular by using reserves, rather than large-scale reductions in their Parish Offer payments.

Two of the main impacts of the pandemic on the Diocese are the hit at Rydal Hall and the Parish Offer. The unavoidable loss made by Rydal Hall is still to be finalised but estimated to be around £225k for 2020, with consequential further losses likely to be made in early 2021 until the impact of lockdown eases. 2021 Parish Offers are around £500k less than 2020 offers made, and were based on what now look to be optimistic assumptions about the end of restrictions. Lower parish income will not only add pressure to funding ministry going

forward, but also inhibit the ability of the Diocese to restructure its ministry to implement the new strategy and vision, and to restructure accordingly.

In the light of these two financial challenges, it was necessary for the DBF to make a grant of £300,000 to Rydal Hall to bring its balance sheet back into a positive net assets position. The Finance Committee also designated £150,000 into a new fund established to help pay for some of the restructuring costs required in the coming few years, in particular for clergy early severance settlements that are likely to be necessary.

In the debate the following points were made

- Instead of giving a grant to Rydal Hall could we explore other options like supporting the costs of the Diocese becoming carbon neutral or giving a parish offer holiday?
  - The demand for holidays in this country in the summer will be high and Rydal Hall had an exceptionally good August and September last year, so it is expected to be the same this year.
  - It feels difficult to commit the money to Rydal Hall when its long term future is currently subject to review. Would it be better to give it as a loan?
  - The importance of sensitive presentation of the surplus was stressed. The long term trends suggest that we may have to continue to reduce stipendiary clergy numbers even though year by year we tend to balance our books or make a small surplus. In this context, providing a bail out to Rydal Hall could be a difficult circle to square.
  - The £220k loss that Rydal Hall has made is money that has already gone and as the Company's owner the DBF has to provide the money to cover this. Rydal therefore requires £300k by way of Grant to cover its working capital commitments and retain solvency.
  - The financial model that has been adopted with Rydal Hall being part of the Diocese is that annual surpluses have been transferred to the DBF. It could be argued that Rydal Hall as an organisation undertaking charitable activities to provide a missional benefit through the use of an asset belonging to the DBF should not have been asked to pay a rent. If the rent and surplus had remained in Rydal's accounts over the years Rydal would have been very largely able to cover this year's losses.
  - Uncertainty about the 2021 trading environment and associated factors such as the roll-out of vaccination, which had gone down significantly this week, meant that we were likely to have to put more money into Rydal.
  - The Trustees, some reluctantly, accepted that for balance sheet and audit purposes it was necessary to write off the £220k operating losses that have already been made by Rydal Hall and to transfer £300k to the company at 31 December 2020.
  - The Trustees approved the DBF to designate £150,000 into a new fund to cover the cost of potential future ministerial reorganisations.
9. **Risk Register:** Ric Jaques has been unable to look at this Due to staffing shortages in January but thanked those who have responded with comments. He will give a full report at the March meeting

## PART B FINANCE – MINOR MATTERS

- 10. Parish Offer:** The Committee received a report on Parish Offer receipts to 31<sup>st</sup> December 2020. The total offer pledged for 2020 was £4,674,599, a reduction of £82,997 (1.74%) from the 2019 offers. This includes the increased offers from the Penrith West Mission Community to fund some additional ministry.

Best estimates given current staffing shortage are that receipts up to 11<sup>th</sup> January relating to 2020 offer were £4,308,731. This represents 92.2% of the year's offer. With modest arrears payments added, the year's receipts are around £396,000 below the year's budget of £4,750,395. Last year receipts were £4,697,511 (£343,359 higher) which would mean a fall of 7.3%.

It would appear that after a strong October and November, offer receipts in the calendar month of December were weaker again at a time when, usually, the underpaying parishes might have paid enough to cover some shortfalls. One small Parish, Rampside, which had received a significant legacy in 2019 gave an additional £10,000 to support the Diocese. The books for 2020 receipts remain open until 31<sup>st</sup> January so final receipts will be monitored and reported accordingly.

Treasurers/PCCs had been asked to make their 2021 offers given certain assumptions and a view of how the pandemic might impact on their parish finances. The Finance Team had provided a tool to help parishes forecast their 2021 finances. We have yet to hear from 8 parishes but these are being chased.

At this point the offer for 2021 looks like being around 11.5% less than the original offers made for 2020, a reduction of a little over £0.5 million and about £175k less than we have received in 2020. When the detailed 2020 figures are out the Finance Team and Archdeacons will look at the 2020 final positions and 2021 offers to see if there are any specific situations that need addressing.

- 11. Rydal Hall:** The Committee noted the management accounts to 30<sup>th</sup> September 2020 and Richard Pratt gave a verbal update highlighting that Rydal Hall has taken similar actions to the DBF to minimise losses by controlling costs, applying for grants and taking advantage of the furlough scheme etc. Staff worked extremely hard over the summer and the Hall had an excellent August which reduced the forecast losses.
- 12. Stewardship Activities Report:** Ric Jaques introduced the Stewardship Activities Report. In particular he highlighted the contactless giving project, informing the Board that for those churches who receive contactless giving units will pay no rent for the first 12 months but they will then have to decide if they want to keep them. Some, but not all, of the units have a monthly rental cost of £10 so viability will be dependent on how much churches take through them.

An application has been submitted by the Diocese to the National Giving Team for financial support for a 'Giving Advisor'. If successful, we will be able to fund, at no extra cost to the Diocese, a second person in the Stewardship Team, in support of the Stewardship Enabler's ongoing work. The new post would carry out specific project work around giving, parish

offer and parish finances. This is part of the National Giving Team's push to promote and support generous giving at all levels of the church.

13. **MAT:** Vernon Ross gave a verbal update. The MAT is in conversation with the DBE about a strategy going forward. Bishop's Council will be informed that there will be a request for additional funding in order further to grow the MAT to a sustainable size.
14. **Cumberland loan facility:** Ric Jaques introduced the paper. The Cumberland will renew the facility for another 3 years on the same terms and at no fee.

The Board had resolved to renew the loan on similar terms in November 2020, but the Cumberland want to see a formal resolution passed confirming the terms and the signatory mandate that is in place. Once passed the Chairman and Secretary will need to sign the facility document.

The Society has also indicated that it may need new Trustees to go through their director identification process. This would mean taking some official ID to a branch, but this would not be practical until covid is no longer a concern.

The Trustees approved the following two resolutions:

- i) It is resolved that the Carlisle Diocesan Board of Finance Ltd accept the terms of the revolving loan facility offered by the Cumberland Building Society on the terms specified in their agreement dated 22 December 2020, and that the Chairman and Diocesan secretary sign the facility letter on behalf of the company.
- ii) It is resolved that the current mandate be maintained with the Cumberland Building Society, allowing any two of the following to sign drawdown requests on behalf of the Carlisle Diocesan Board of Finance in relation to the revolving loan facility:

- Derek Hurton
- Lee Townend
- Vernon Ross
- Richard Pratt
- Ric Jaques

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

15. **Property Issues requiring Finance Committee attention:** The Committee received the draft minutes of the Archdeaconry Parsonage Committee meetings of the North on the 26<sup>th</sup> November 2020, South 26<sup>th</sup> November 2020, West 1<sup>st</sup> December 2020, and the draft minutes of the property sub-committee meeting of 18th December 2020.

The committee noted the following:-

- Planned dates for property sub-committee meetings for 2021. Finance committee members are invited to advise if they wish to attend any meetings.
- Isabel Ford's start as Property Officer has been delayed until week commencing 18th January.
- That it has not been possible to produce the usual action point list from the property meeting. It will subsequently be circulated to any finance committee members who would like a copy.

**2.2.1 Current sales in progress, offers accepted:**

- 54 Eden Street, Carlisle - £170,000
- 7 The Green, Houghton - £212,000
- Kirkbride - £262,500
- Arlecdon - £305,000 - title registration has now been completed

**2.2.2 139 The Parklands, Cockermouth has now gone on the market.**

**4.2.1 34 Valley Drive/17 Wordsworth Drive Kendal. The survey report on Wordsworth Drive has been received and is to be reviewed but seems to raise no significant concerns.**

**5.2.2 Warwick on Eden St Leonard - The purchasers have proceeded with further excavations, which should only have taken place after exchange of contracts. An acceptable septic tank position has however now been identified. There is nothing now preventing simultaneous exchange and completion on the sale which is now imminent.**

**6.1.1 The Committee approved the property sub-committee continuing with a general policy to actively pursue sale of those minor land holdings without imminent development potential that produce minimal income for disproportionate management time and cost, with overage clauses to be included where appropriate in case of any possibility of future development.**

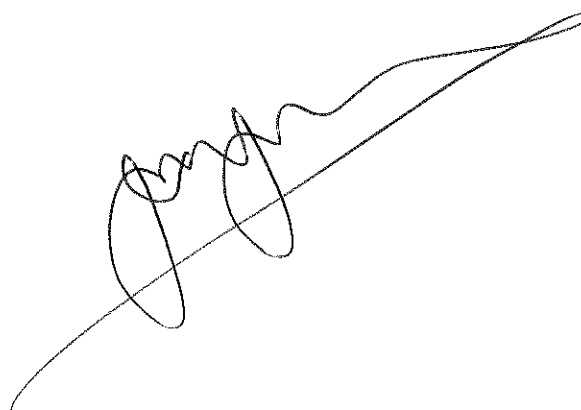
**PART F FINANCIAL STATEMENTS AND REPORTS**

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

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

- Pastoral Account Statement
- Glebe Statement
- Parish Property Fund
- Growth Fund Statement
- Loan Statement

**18. Date of Next Meeting: Wednesday, 17 March 2021**

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