

Minutes of a meeting of the **FINANCE COMMITTEE** of the **CARLISLE DIOCESAN BOARD OF FINANCE LTD** held **BY VIDEO LINK** on **19 MAY 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 the Venerable Lee Townend
- 2. Minutes:** The Committee approved the minutes of the meeting held on 17<sup>th</sup> March 2021. It was noted that under section 9, Risk Register, the Board also discussed information security. The discussion is reflected in the updated Risk Register at agenda item 8.
- 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.

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

**4. Finance Report and Accounts to 31st December 2020:** Ric Jaques introduced the Financial Report and Accounts to 31<sup>st</sup> December 2020. The management letter from the auditors highlights two areas of concern. One is that there are uncertainties over the recoverability of a proportion of the school debtors held within the accounts. Steps continue to be taken to work through the breakdown of each school debtor and engage in correspondence with the school. Any financial risk is fully provided for. The second was the Trust Account, where there is a gap between what is in the bank account and what is in the nominal ledger. This is not significant but is likely to take some time to resolve.

The Letter of Representation is the letter that the auditors require us to sign every year to acknowledge both the general responsibilities of Trustees in preparing financial statements, and to confirm some general and, where relevant, some specific points in relation to the accounts themselves. Regulations have resulted in this document gaining additional content this year. Details have been added about transactions with 'Related Parties' to ensure that company/charity Directors confirm all such relationships. The Letter of Representation

refers to the school debts discussed earlier. It expects us to acknowledge that we believe those school debts not covered by provisions are recoverable.

The Trustees agreed the 2020 Financial Statements for presentation to the full Board of Finance and then delegated authority for two Trustees to sign the Letter of Representation and the annual accounts.

The Trustees' Report raised a question in respect of our Reserves Policy. The Diocesan Policy has been to hold a level of free reserves equivalent to at least one month's expenditure. The Board agreed to increase the level to two months, and it was also suggested that there should be a maximum limit. It was also agreed that Ric Jaques would produce a hand-out for Synod to summarise the 2020 outturn and performance, making the difference between restricted and unrestricted funds clear, and to inform that grants received from the Church Commissioners are for specific projects rather than general use.

**5. Management Accounts:** Ric Jaques introduced the draft management accounts for the year up to 30<sup>th</sup> April 2021. The accounts for the first 4 months of 2021 show a surplus of £251k, which is £136k better than the phased budget. However, most of this variance is due to timing as the spring lockdown has delayed certain activities. Some savings have been made through the modest use of the furlough scheme, and income is broadly on track so far.

The forecast for the year currently shows a slightly reduced deficit for the year of £31k, an improvement of £23k on the budget. It is however too early in the year to have confidence in the outcome, and the biggest risk area remains Parish Offer. A continuation of the vaccination roll-out and reduced covid-19 rates could potentially help, but parish finances may remain fragile this year depending on the speed and scale of returning congregations. It has been assumed that the project budgets (eg God for All) will be fully spent by year-end

**6. Trustee Terms of Office etc – Memorandum and Articles:** Derek Hurton introduced the revised Articles of Association which have been drafted in conjunction with solicitors. There are two particular changes, as discussed at the previous meeting. One is the possibility of enabling Trustees to sit for three terms of office instead of two, each term still being three years, with the clock on the first of the three terms running from the start of 2016. The second is in respect of the eligibility for co-opted trustees so that rather than just including members of the Church of England or a church in communion with the Church of England, it goes wider to include members of a church which is a member of churches together in Britain and Ireland, or members of a church which is in a covenanted partnership with the diocese. Our lawyers have also identified a few areas where the articles could be clearer and these have been tidied up. This includes incorporating any constitutional elements that were previously contained in the Memorandum of Association into the Articles.

The Committee approved the proposed revised Articles to go forward for formal approval by the Board in June.

## **PART B FINANCE – MINOR MATTERS**

**7. Emmanuel College membership:** Derek Hurton introduced the Emmanuel College membership paper. The north west Dioceses, under the leadership of their Bishops, are establishing a new joint centre for training ministry, particularly training for Ordination. The centre will be recognised by the Church of England's Ministry Division and validated for academic study through Durham University. It will give the NW Dioceses as a group much greater influence over ordination training for its students, enabling provision to be designed for the north west context.

The corporate basis for the new college will be a charitable company, limited by guarantee. It will use the shell of the existing All Saints Centre for Mission and the corporate members of Emmanuel College are planned to be the 6 Diocesan Bishops and the 6 Diocesan Boards of Finance for the Diocese involved. This structure enables Dioceses to be represented in the governance of the College, both through their Diocesan Bishop, and through the DBF as their corporate vehicle. The college is intended to be financially self-sustaining on the basis of fee income earned from the National Church for the delivery of ordination training and its financial projections clearly show this to be achievable. There is no suggestion or expectation that DBFs will provide other financial support.

The proposed objects and corporate governance arrangements for the College in the Memorandum and Articles are fairly standard. The arrangements give Diocesan Bishops the power to appoint the Trustees and Directors of the Charity and an effective majority in decision-making by the Members, except over any proposals to change to the Memorandum and Articles themselves and any decision to expand the College to include other Dioceses.

In the debate the following points were made, with Bishop James responding on the practical points and Derek Hurton on the financial:

- What are the expectations on Emanuel to design and deliver provision in a way that respects each dioceses' context? Our context is very different from Manchester, Blackburn and Liverpool and we are operating ecumenically.  
This is Partly achieved through two trustees whom we nominate and partly through the fact that one of the hubs for the training is based in Penrith. This gives us the ability to influence the design and content of provision, just as we did previously with CCL.
- Is there an agreement between the college and the DBF that lays out the respective expectations, risks and relationships between the two bodies?  
There isn't an agreement beyond the Articles of Association and there is no expectation that Dioceses will fund the college. We could however ask for this expectation to be set out in writing. Derek Hurton was to ask the project team for this.
- If it made a surplus would it be able to gift it to Dioceses?  
If Emmanuel College makes a surplus it will reinvest the surplus in pursuit of its charitable objects, ie enhancing ordination and other training for ministry.

- What is the impact of Emmanuel on the Northern Pioneer Hub, and how do the two relate to each other and act as partners, not competitors?

The intention is very much that they would work together on the deliver of pioneer ministry training.

The Committee approved the following resolution:

*The Diocesan Board of Finance Trustees resolve that the Carlisle Diocesan Board of Finance shall become a member of the charitable company known as All Saints Centre for Mission and Ministry (charity number 1122789 and company number 06074349), which is to be renamed "Emmanuel Theological College" and governed by the Articles of Association substantially in the form attached in the Appendix.*

**8. Updated Risk Register:** Ric Jaques introduced the Updated Risk Register. At the last meeting we reviewed the Register point by point and this has resulted in the production of a revised version. The next review will be in September.

The subject of data security was raised and how we would cope with a ransomware attack. We have previously had two such events and on both occasions we were able to retrieve data using the previous day's backup. Work is underway with Westcom further to improve data security including a move to two factor identification. Derek Hurton suggested setting up a meeting between himself, David Dalgoutte, Dave Purfield from Westcom, Ric Jaques and Ali Ng to discuss this further. A summary of that meeting can then be reported back to the Board. Richard Pratt expressed a wish to attend the meeting.

**9. Parish Offer:** The Committee received the report on parish offer receipts to 30<sup>th</sup> April 2021.

Receipts in the first 4 months of 2021 are £1,213,436 which represents 29.5% of the year's offers. This compares to 28.3% of offers received as at April 2020 – being the point at which an initial response to the pandemic became apparent. There does not appear to have been a reluctance by PCCs to commit to a standing order this year, which was something that would have been a concern. It would seem that payments, albeit against a lower total of offers made, are showing a very similar pattern to previous 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.

There has been some work done on cost and ministry for next year and that shows about a three percent fall in the unit cost of stipendiary ministry and a significantly bigger fall in unit cost of house for duty ministry, principally because of the restructure and the costs taken out at the centre.

There has been some change planned around how to manage the 2022 Parish Offer 'ask'. Archdeacons have begun conversations with Rural Deans and Mission Community Leaders about ministry levels and offers needed to finance that ministry. By the end of July all PCC's

will have submitted their offers. They are being asked to do this slightly earlier than normal so that we can do early financial planning in terms of the offer. They could potentially be asked to consider how they handle their reserves as we know that overall, levels of reserves have gone up over the 10 years before covid. They will also be asked to engage seriously with stewardship, especially where they have not done so in recent years.

**10. Rydal Hall:** The Committee noted the draft Minutes of the meeting of the Rydal Board held on Tuesday 20<sup>th</sup> April 2020 and the management accounts to 31<sup>st</sup> March 2021.

Richard Pratt gave a verbal update. Bishops Council have appointed Chris Angus, chairman of the House Clergy and previously of the Programme Office for the County Churches' Vision, as a critical friend to liaise over the Diocesan Vision. There is a lot of work going on in terms of reopening and Rydal Hall is full at the moment. The big risk facing Rydal is recruitment because every hospitality business in the country, particularly in the Lake District, is struggling to appoint and recruit in that sector.

Rydal Hall would normally expect to lose about £70,000 in the quieter first three and a half months of the year and catch up in the spring and summer. This would be a challenge in 2021 as social distancing rules continued to be applied into May and June.

Rydal successfully managed to secure a grant from the government's Heritage Recovery Fund to maintain the gardens and rebuild reserves. Conversations have begun about how to deal with that in relation to any recapitalisation by the DBF Finance Committee.

There are two vacancies on the Rydal board. One of them is a non DBF appointment and the other is a DBF appointment. Two appointments with substantial hospitality experience were being suggested: Nick Lancaster, formerly of Langdale Estates and a professor at Cumbria University; and Andrea Whigham, a consultant for Cumbria Chamber of Commerce. The Rydal Board would appoint Andrea and the Finance Committee approved the appointment of Nick Lancaster.

The Committee received the management accounts to 31<sup>st</sup> March 2021. Ric Jaques made the Board aware that the Hall and other elements of its trade have been mainly closed during the latest pandemic lockdown. The tea-shop started to serve as a take-away in March but passing trade was light. A majority of staff have been on furlough, and Covid-Support grants have been claimed where available. Costs are being kept to a minimum, but some are fixed or unavoidable, even when not trading. The £300k DBF grant, designated at 31 December, was paid in February.

Rydal ended Q1 with a better result than 2020, and only slightly worse than 2019 despite the lack of trade. Booking look strong for the summer so there is some cause for optimism that the cumulative deficit will be reduced in the coming months.

**11. Financial implication from associated meetings:** The Board received the paper on the financial implications from associated meetings. There were no questions or comments.

**12. Stewardship Activities Report:** The Board received the paper on the Stewardship Activities Report noting that the contactless giving pilot is making progress.

**13. MAT:** The Committee noted the draft minutes of the meeting held on 21<sup>st</sup> January 2021.

Vernon Ross gave a verbal update. The MAT is having conversations with the Regional School Commissioner about ensuring future sustainability. The RSC wants to see more MATs and we are working with them on this idea with an eye to what is best for our schools and for the financial implications. With the government now pushing the MAT agenda, the opportunity for the MAT to grow is encouraging.

### **PART C PROPERTY MATTERS**

**14. 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 16th April 2021.

The next property meeting will be 9.30am Friday 18th June (by Zoom). If any finance committee member wishes to attend they are to advise Neal Andrews.

#### **Significant Update Items To Note Since The Property Meetings:**

Dacre Vicarage – An appointment has been made but the appointee is not expecting to arrive until late September which will fit in with the tenancy end date providing the tenant leaves on time.

Langdale Vicarage – A clergy move to Langdale is confirmed. Arrangements to end the tenancy are to be made with view to an early 2022 move date.

House sales currently in progress:

- 139 The Parklands Cockermouth – sale for £305,000 completed 10th May 2021
- Kirkbride Rectory – Title to the land has at last been registered and the sale is now moving towards completion.

House Sales – Forthcoming:

- Workington St John, 59 Thorncroft Gardens – A sale has been agreed and solicitors have been instructed.
- Rosley vicarage – The tenant has given notice to leave at the end of May, earlier than expected. Land registration and drainage easement need progressing urgently to enable sale.

Tenancy Notice Periods – The notice period required to end a tenancy, previously extended to 6 months under coronavirus regulations, is being reduced to 4 months from 1st June.

The Board approved the following proposals regarding housing contained in pastoral schemes that are currently being progressed:

- Pennington and Lindal with Marton and Bardsea – On dissolution of the benefice the Pennington vicarage to transfer to the DBF for diocesan purposes (continued use for curates).
- South Lakes – On merger of the benefices the 3 current parsonages to become:
  - Windermere St Martin rectory – Parsonage to new benefice.
  - Staveley & Windermere St Mary vicarages – Transfer to the DBF for diocesan purposes (continued use respectively for team vicar and curates).
- Heversham and Milnthorpe and Levens – On merger of the two benefices the Levens vicarage to become the parsonage for the combined benefice.

Joint Parsonage Conference – The proposed date of 24th June for the re-arranged conference is being cancelled. The Parsonages constitution mandates that every year there shall be an annual conference where representatives from each of the three archdeacon committees get together to discuss matters of mutual concern. It was due to take place in February but due to the pandemic was postponed to June. The easing of restrictions is still a matter of conjecture so the decision has been taken to defer it again until February 2022.

Restore, 4 Angel Lane – Now confirmed that notice to end the tenancy is to be given. Neal Andrews to serve notice.

Valley Drive, Kendal (sale) 17 Wordsworth Drive, Kendal (purchase) – The owner of 17 Wordsworth Drive has withdrawn from the sale. Consequently the sale of 34 Valley Drive has fallen through.

Rydal Hall – A letter of comfort has been issued to Rydal Hall Ltd as the lease from the DBF has yet to be renewed formally.

West Seaton Holy Trinity – A 1st June 2021 completion date for the sale has been agreed.

Rampside St Michael – The Commissioners published the draft closure scheme on 27th April.

Gelt Bridge Farm, Brampton - The property committee is contemplating sale of the farm to the sitting tenant on a secure agricultural tenancy, with inheritance rights. Detailed terms were presented to the Finance Committee including Overage and Embarrassment clauses.

The committee approved the property sub-committee proceeding with the sale on the terms proposed. The investment sub-committee would consider the options for re-investing the proceeds in line with our investment policy.

## **PART F FINANCIAL STATEMENTS AND REPORTS**

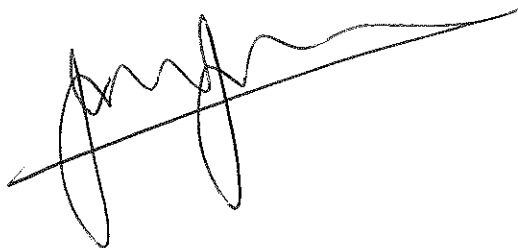
**15. Treasury and Investments:** We continue to closely monitor the impact, actual and potential, of coronavirus and the Brexit deal on our investments. Clearly the longer-term impact of covid-19 will continue to unfold globally with massive national debt to be repaid over many years to come. CCLA's diversification and quality of investments have led to continued growth and dividends in the CBF Investment Fund, and the potential concerns around the CBF Property Fund appear to be reducing, with the 2021 proposed dividend being at the same level as that declared in 2020, and the share price beginning to rise again. The investment portfolio has come through the pandemic well, and CCLA have grown the value and income of our overall investments well over the last 15 months.

We have been approached by Eden Tree Investment Managers who are owned by and part of the Ecclesiastical Insurance Group. They have a growing reputation, and they represent a number of Dioceses with their investment portfolio. A number of Diocese use them as well as CCLA to complement them, or to spread the risk and diversify of the investments. This issue will be considered further by Investment Subcommittee later in the year and any proposals will be brought back to the Finance Committee for consideration.

**17.** 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
- Loan Statement

**18. Date of Next Meeting: Wednesday, 14<sup>th</sup> July**

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