

The Minutes of a meeting of the TRUSTEES of the CARLISLE DIOCESAN BOARD OF FINANCE LTD held BY VIDEO LINK on 18 MAY 2022

Present: Mr J A E Johnson (Chair)
The Bishop of Carlisle
The Archdeacon of Westmorland and Furness
The Archdeacon of West Cumberland
Mr A R H Cook
Mr J Edwards
Mrs J Busk
Mrs S Wigley
Mr D Dalgoutte
Mr D Bradley
Mr N Robson

In Attendance: Mr D Hurton – Diocesan Secretary
Mr R Jaques – Head of Finance
Mrs C Bell – Office Manager
Mrs A Ng – HR & Governance Manager (Part A)
Mr N Andrews - Property Secretary (Part A & C)

The Chair welcomed Stewart Fyfe as an ex-officio Trustee of the DBF and Nigel Robson who had joined the DBF as a co-opted member.

- 1. Opening Prayers:** Prayers were led by The Venerable Stewart Fyfe.
- 2. Apologies for absence:** Apologies had been received from Lee Townend, The Archdeacon of Carlisle.
- 3. Minutes:** The Trustees approved the minutes of the meeting held on 16th March 2022.
- 4. Matters Arising from the Minutes:** The Trustees noted the points on the Action Sheet and it was confirmed that all the actions noted had been completed or progressed, or were on the meeting agenda. The action point relating to setting the Finance Trustees objectives had been rolled forward from the previous meeting. It would be taken forward when time allowed.
- 5. Verbal report from Chair of Rydal Hall Trustees:** Richard Pratt, Associate Archdeacon of West Cumberland and Chair of the Rydal Board, joined the meeting to deliver the verbal report. There had been some staff changes: Amanda Fogg had retired from her position as General Manager and Paul Brady had been appointed in her place on an interim basis. He was previously the Estate Manager. An internal restructure was planned. The Rydal Board had recently undertaken an away day where they had looked at vision and strategy. It had

been a very fruitful day. The Rydal Board operated well together and some good ideas had emerged from the day. The vision and strategy for Rydal was centred around three words: Hospitality, Tranquillity and Spirituality.

Richard Pratt left the meeting.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

6. Management Accounts: Ric Jaques introduced the draft management accounts for the year to 30th April 2022. The accounts for the first 4 months of 2022 showed a surplus of £298k, which was £14k better than the phased budget. Spending was around £130k under budget, £72k of which was on clergy stipends as a result of a greater number of local, parochial vacancies than budgeted. Income was under budget and largely offset the underspend, with parish offer receipts proving to be a little slow this year, and some investment income being below budget due to delayed property sales and a dry spring for the hydro schemes.

The forecast for the year was based upon the current view of likely clergy changes, expected property sales, planned severance packages being funded by the designated sustainability fund and an assumption of 99% of parish offer pledges being received. It showed a forecast surplus of £123k, mainly as a result of a significant number of expected clergy vacancies which would more than offset reduced investment income from delayed property sales.

The Chair referred to a paper that had been circulated about a proposal to obtain a company debit card. Ric Jaques explained that it was difficult to operate the business without either a debit card or credit card, and that employees sometimes ended up having to put significant purchases on their expenses as a result. A resolution had previously been passed to approve a plan to apply for a credit card for the company, but the process of actioning that had proved to be difficult and time consuming. Applying for a debit card was more straightforward. Use of the card would be limited to Ric Jaques and two other staff members. The Trustees approved the proposal.

7. Financial Report and Accounts to 31st December 2021: Ric Jaques introduced the Financial Report and Accounts. Dodd & Co had carried out the annual audit and the Trustees were now required to approve the accounts before their submission to the DBF Annual General Meeting on 14th June.

Each year Dodd & Co. issued a 'management letter' to the Trustees reporting on any issues they wanted to highlight arising from the annual audit. There were two highlighted points this year. The first was to acknowledge that we are looking to recover old school debts where possible, and that associated small outstanding historic balances were fully provided for where their recovery was in doubt. The Trustees were reminded that in most of these situations a repayment plan had been agreed. The second point was that Dodd & Co had recommended that good practice was to maintain a register of manual journals posted. This had now been implemented.

Trustees were asked to sign the Letter of Representation to Dodd & Co to acknowledge the general responsibilities of Trustees in preparing financial statements and to confirm a number of general and specific points in relation to the accounts themselves. The Trustees approved the Trustees' Report and the 2021 annual Financial Statements for submission to the DBF Annual General Meeting on 14th June 2022.

A question was raised regarding the accruals on repairs that are no longer visible in the accounts: how would progress be reported on outstanding works? The Chair explained that this was reported at the Property Sub-Committee and commented that much of the backlog was due to the pandemic affecting our ability to find available tradespeople and gain access to properties to undertake work. Ric Jaques reassured the Trustees that in order for the spending to be accrued, for the outstanding work, we would have received underlying quotes or estimates and plans made as to when it will be carried out (subject to the availability of contractors), so it was unlikely that the accruals would not get spent in the next year.

8. Budget 2023+: Derek Hurton introduced the budget paper. He reminded the Trustees that in 2014 we had set a 6 year budget for the period 2015-2020 to match the original implementation period for the ecumenical county vision God for All. By 2020, in financial terms, our overall position had been in line with that budget and the underlying principles with the significant exception of our failure to reverse the downward trend of Parish Offer over the period. The impact of the Covid 19 pandemic had meant that 2020 was out of line with the budget, although as a result of continued efforts on the part of our local churches and management action to make savings and access external funding we had managed to come through the year without making a loss. Since then, and given continued uncertainty and the extended duration of the Vision and Strategy Refresh we had set only one year budgets for 2021 & 2022. As we moved into a time of 'living with covid' and approached the completion of the Vision Refresh, we should set a multi-year budget that provided the resources to implement our strategic plans.

Ric Jaques had set out 11 possible principles or approaches to underpin the budget, recognising that at this stage in the process the priorities could only be described in general terms with the detail to be determined in the coming months. The proposed set of principles and approaches were:

- Alignment with Vision and Strategy: The Budget should be aligned with the financial needs of the Vision and Strategy.
- A balanced budget over the 5 year cycle
- Investing capital receipts to secure long term income streams: converting any surplus working assets into investment assets to provide a long-term sustainable income stream to fund mission and ministry.
- Local church contributions to fund local ministry: the biggest single components of the Diocesan budget in the next 5 years would continue to be income from Parish Offer and expenditure on local ministry. The principal purpose of the contributions from the local church would continue to be to fund the cost of local Ministry.
- Investment vs Subsidy: Over the last 10 years the proportion of local ministry costs covered by the Parish Offer had fallen and other Diocesan income had been used to

bridge the gap, with no real strategic thought given to that in advance. In the last couple of years we had started to talk about that bridging finance being used to invest in local ministry, rather than simply subsidising areas that cannot cover their full costs. This language should increasingly be used to prompt greater thought about where and how the money is spent.

- Low cost and social enterprise models of ministry and mission: Given the current financial pressures and trends we were unlikely to be able to continue to fund the current levels of local stipendiary clergy even if we applied all additional investment income towards that cause. Subject to the refresh of the County Strategy for Ministry we should therefore continue to explore and promote lower cost and flexible models of ministry, including those funded by related social enterprise, where these can contribute to mission community plans.
- Inflation link for stipends and salaries: We have typically tried to link increases in stipends and salaries to underlying rates of inflation so that the purchasing power of the stipend is maintained over time. Unless there are exceptional reasons we tend to set the same rate of increase for salaries as stipends reflecting the fact that lay pay scales do not allow for any other incremental annual increases. This approach should continue in the forthcoming budget period.
- External funding for major strategic initiatives: Where work on the Vision Refresh and associated component strategies identified substantial areas for investment it was unrealistic to expect that there would be scope to reallocate sufficient funds from within the existing budget headings. In order to fund these areas we would need to seek external support, most significantly from the Church Commissioners, but potentially from other partners.
- Budget for God for All Programme costs: Over the last few years we had provided an overall implementation budget for God for All, to be allocated on the basis of an internal prioritization exercise within the ecumenical governance framework and work programme. This had worked well, teasing out capacity issues, beginning to strengthen the sense that the God for All team exists to deliver in a flexible and co-ordinated way, and providing strong financial control. That approach should continue in the next budget period, but with scope to allocate budgets on a multi-year basis where appropriate.
- Reallocation of existing resources: In establishing the 5-year budget there would be some limited scope to reallocate resources between the existing headings in order to match funding with priorities and respond to changes since the 2015-20 budget had originally been agreed.
- Phasing of changes: Some of the expected reallocation of expenditure that emerged from work in the coming months would of necessity probably have to be phased in over time.

A timeline had been set outlining the key points in the process of setting the budget. A key part of that was in July when strategic thinking would be turned into actual expenditure priorities. The end date of the process was the 15th of October, when it was hoped that the budget would be approved at Diocesan Synod.

The Trustees endorsed the proposed timeline and process for setting the budget and resourcing strategy.

9. Response to increase in cost of living: Ali Ng joined the meeting and introduced the response to the increased cost of living paper. Earlier this year it had been stated that the Trustees would review salaries and stipends in the light of increases in inflation and the cost of living. Derek Hurton, Ric Jaques and Ali Ng had assessed the situation and made the following recommendation which was felt to be affordable:

- with effect from July 1st 2022, all stipendiary clergy (not those in training) and employees (including Network Youth Church leaders), to receive a 1.5% additional pay increase to their base stipend or salary
- curates in training to remain on the national minimum stipend but to receive an equivalent one-off payment to the increase above
- employees, including Network Youth Church, below Heads of Department/Director level, to receive a one off non pensionable sum of £500

Local clergy, including curates, who were struggling with energy and fuel costs could apply to the Bishop for a hardship payment funded from a Church Commissioners grant of £31k made for this purpose. A substantial number of individuals had already been helped in this way.

The Trustees agreed to the recommendations. Ali Ng left the meeting.

PART B FINANCE – MINOR MATTERS

10. Financial implications from associated meetings: The Trustees received the paper on the financial implications from associated meetings.

Derek Hurton explained that the one item that was particularly of interest given recent developments was the Church Commissioners' and Archbishops Council's announcement of their spending plans for the next nine years.

The Commissioners were releasing substantially more money than in previous 3-year periods and trying to give greater confidence about funding in the longer term. There were four elements of funding beyond the mainstream allocations for Bishops, Cathedrals and national work:

- funding for one-off, time-limited initiatives such as progressing the racial justice agenda
- a significant one-off allocation of £190m over 9 years for the carbon neutral goal
- funding to support the 'ministry pipeline' including ministry in low income communities and the increased numbers of curates and incumbents emerging as a result of the successful push in recent years to increase vocations
- continued and increased support for mission investment plans with similar goals as recent Strategic Development Funding, Strategic Transformation Funding and Strategic Capacity Funding

There had been reports in the media that through these plans the Archbishops were making substantial amounts of money available to the rural church. Dioceses like Carlisle could now apply for funding for more rural contexts, and this was a positive development. However, the approach taken was likely to continue to prioritise larger and more deprived population centres, supporting work with underrepresented groups and helping the church grow younger, rather than being allocated to rural areas by right.

11. Rydal Hall:

The Trustees noted the management accounts to 31st March 2022 and draft Minutes of the meeting of the Rydal Board held on 15th March.

Neal Andrews joined the meeting to discuss renewing the lease between the Board of Finance and Rydal Hall Limited. Derek Hurton explained that given the extent of control the DBF had over its subsidiary the details of the lease were less important than the nature of the working relationship between the parties. However it would be helpful to renew an update the formal arrangement, in part because we were working with a partner to instal electric vehicle charging points on site.

Neal Andrews had drafted Heads of Terms addressing a number of specific issues. The most significant point for discussion surrounded the rent. Given that the DBF owned Rydal for purposes of mission rather than as an investment asset it made little sense to expect Rydal also to contribute financially over and above covering its own costs. If we were to adopt this principle we would charge a peppercorn rent, while at the same time ensuring that Rydal Hall was not subsidized by the DBF in other ways. This would mean that Rydal Hall funded the Hall's Chaplaincy rather than the costs being subsumed within the DBF's local ministry budget.

The Trustees agreed the following elements of the Heads of Terms as the basis for a discussion with Rydal's Board:

- appointing Sintons as solicitors for both the Board of Carlisle DBF and the Rydal Hall Ltd
- a 125 year lease with a five-year landlord break and tenant rolling break provisions on 12 months' notice
- allowing elements of commercial subletting to allow for the EV charging points, Herdy Huts etc.
- a peppercorn rent
- a full repairing and maintaining lease including responsibility for the cost of any works to the access road
- the starting point for the condition of the building and estate to be based on the previous schedule of condition

There was some discussion as to the likelihood of Rydal requiring further financial help in the future and some Trustees members thought there was a strong likelihood that this would be the case. Derek Hurton reminded the Trustees that the future of Rydal Hall had been debated by Synod in 2021, at which point Synod had agreed that we would retain Rydal Hall on the understanding that it operated without future subsidy.

The Trustees agreed to the Heads of Terms as the basis for a new lease between the DBF and Rydal Hall Ltd. Derek Hurton and Neal Andrews would progress the Heads of Terms with the Rydal Board and Sintons.

Neal Andrews left the meeting.

12. Stewardship Activities Report: The Trustees noted the Stewardship Activities Report. Ric Jaques highlighted that the most significant activity was the roll out of the changes to the Parish Offer approach. The overall tone of that exercise had been helpful, with Parishes and Mission Communities actively engaged. However, we would not achieve as substantial a shift as originally hoped for in 2022 to adopting the new three year covenant approach.

Vernon Ross reported that from his Archidiaconal perspective many parishioners were tired and less resilient than before the pandemic and that this, together with the difficulties in planning ahead, was likely to result in Parish Offers not increasing in the next year.

13. Board of Education appointments:

The Trustees appointed Charlotte Tudway, the Director of Education, as a Director of DBE Services.

The Trustees confirmed Charlotte Tudway's nomination as the DBF's nominee member of Cartmel Priory Academy.

Derek Hurton reported that the DBF was a member of the Good Shepherd Multi Academy Trust (GSMAT) in its own right as well as having the right to appoint a member. It needed to appoint a new representative as Richard Pratt had been the DBF's representative member but had stepped back from that role in favour of becoming a director of the GSMAT. The Trustees confirmed Stewart Fyfe as the new representative of the DBF as a member of the GSMAT.

14. Good Shepherd Multi Academy Trust (MAT): The Trustees noted the draft minutes of the meeting held on 24th March 2022.

15. Parish Offer: The Trustees noted the Parish Offer Receipts to 30th April 2022.

PART C PROPERTY MATTERS

Neal Andrews joined the meeting.

16. Property Issues requiring Finance Committee attention: The Trustees received the minutes and action points from the property sub-committee meeting and the PFK management review on the 22nd April 2022, and noted that the next meeting will be on the 24th June.

Vacant Properties and House sales

Matters Requiring Further Finance Committee Consideration And Approval

Rockcliffe Vicarage: The tenant was in arrears and had responded to the no fault notice issued to end the tenancy. He was expected to hand back the house by the end of May. The Trustees agreed to taking no further action if the house is surrendered by the end of June.

Skelsmergh Vicarage: progress had been made with the reported issues and further action was not therefore required at this time.

Diocesan Board Of Finance – School Properties

Matters Requiring Further Finance Committee Consideration And Approval:

Cartmel Primary – Nursery Lease: The lease renewal was previously approved subject to professional advice on the commercial terms being received. The lease was now being amended to fall within educational trust provisions, avoiding any requirement for “best terms”. The continuation of the nursery was critical to maintaining the school roll. The Trustees agreed to proceed as recommended.

Millom Holy Trinity School/School House: There were a number of complicating factors. It was suggested that the school might be leased on a very long term, full repairing and insuring lease, at the minimum rent that could be justified. The Trustees agreed in principle, subject to fuller terms being agreed, to the granting of a long lease on the school for the ‘heritage triangle’ project.

Neal Andrews updated the Trustees on the glebe land at Dent. Its disposal was now in the hands of the Registrar who was in touch with the West Yorkshire Diocesan registrar.

Grasmere Rectory: A property potentially suitable as a replacement rectory for Grasmere was about to come onto the market for sale. The funds from the sale of the former rectory in the Benefice Buildings fund were potentially insufficient to fund the purchase. The Trustees agreed to supplement the Benefice fund with some of the funds that had been generated from the Glebe sale, which had historically been part of the parsonage complex.

PART D FINANCIAL STATEMENTS AND REPORTS

17. Treasury and Investments: Ric Jaques reported on the fund statements. The Investment Fund prices were being monitored weekly given the current potential for market turbulence. Fluctuations in prices had however not been as significant as feared. At the end of April, the Investment Fund share price had fallen by 7.5% in the year to date but the Property Fund share price had increased by 5.5%.

18. The Trustees 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

19. Date of Next Meeting: Wednesday, 13th July 2022