

The Minutes of a meeting of the FINANCE COMMITTEE of the CARLISLE DIOCESAN BOARD OF FINANCE LTD held BY VIDEO LINK on 19 JANUARY 2022

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

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

1. Opening Prayers: Prayers were led by Rob Cook.

3. Apologies for absence: No apologies had been received.

5. Minutes: The Committee approved the minutes of the meeting held on 17th November 2021 with two amendments, namely to record that Bishop James and Rob Cook were present.

6. Matters Arising from the Minutes: The Committee 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. It was agreed that the action point relating to setting the Finance Committee's objectives would be carried forward to the next meeting.

5. Proposed dates for 2023:

The following dates were agreed:

Wednesday 18th January
Wednesday 15th March
Wednesday 17th May
Wednesday 19th July
Wednesday 20th September
Wednesday 22nd November

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

7. Management Accounts: Ric Jaques introduced the draft management accounts for the year to 31st December 2021. The early draft accounts show a surplus of £49k, which is £103k better than budget. Total funding is £180k below budget although £131k of this is Reaching Deeper income which is net-neutral to the year's outcome. Expenditure is £286k under budget including £131k of Reaching Deeper spending. Overall, savings more than compensate for reduced income. With modest parish offer and parochial fee income expected to come in during January and some final invoices to arrive, there will be some movement to these figures. They assume that when finalised the property repairs provision will result in spending in that area being close to budget.

The Board resolved to designate to the Growth Fund the balance of the historic Parish Offer 'refunds' pot which dates back to 2009 and is showing as a creditor on the DBF balance sheet. The auditors have agreed that this would be better as a designated sum for future project funding within the Growth Fund. The sum is £85,702.50. It will show as income into the general fund but then transferred to the designated Growth Fund as at 31 December 2021. The Growth Fund supports applications for new work submitted by local churches, mission communities and deaneries.

In the discussion it was suggested that any surplus at year end could be designated for future spending to achieve the Church of England's Carbon Neutral target or to support work required as a result of developments in academisation policy, for example to set up a second or third Diocesan Multi Academy Trust. The Board noted the Management Accounts and deferred decisions about designation until more precise end year figures were available at the March meeting.

PART B FINANCE – MINOR MATTERS

12. Financial implications from associated meetings: The Board received the paper on the financial implications from associated meetings. Derek Hurton explained the background to the proposed updating of the Board of Education Scheme. The updating addresses a number of technical points relating to accountabilities and responsibilities which have been troublesome in a small number of dioceses. These issues have been more significant in situations where a Diocesan Board of Education is incorporated, which isn't the case for Carlisle. Each Diocese has been given an option as to which sort of arrangement it would like to adopt in the future and in our case the DBE will continue to be a Statutory Committee of the DBF. In terms of the practical work of the DBE and DBF nothing will change and there is a good working relationship between the DBE and the DBF. A new legal scheme codifying respective roles and responsibilities will be circulated to the Trustees for comment and approval before it is considered by our Diocesan Synod in early March.

13. Rydal Hall: The Committee noted the draft Minutes of the meeting of the Rydal Board held on 16th November and 14th December 2021 and the management accounts to 31st December 2021. Ric Jaques introduced the first draft of the management accounts. Overall, they show a surplus YTD of £382,680, but if the DBF grant and the Heritage Recovery grant

are taken out, the result for the year is a surplus of £8,530. This compares to a deficit of £24,826 in 2019, the last “normal” year, and a deficit of £230,110 in 2020, a year which was greatly impacted by covid-19. There are some one-off gains this year including the Business Rates rebate, continuing furlough until 30th September and the reduced hospitality VAT rate. These have improved this year’s result. Against this improvement was a loss of business caused by the Covid lockdown in the first part of the year. With a number of months of closure and then reduced operating capacity, the year started poorly. However, the Hall then benefitted from an unprecedented summer of staycations. The autumn has been mixed with some months being stronger than others and a sense that public fears about the Omicron variant have reduced December turnover.

Richard Pratt, the Chair of the Rydal Board gave a verbal update on the work and life of the Hall. There has recently been a flood which is believed to have been caused by United Utilities carrying out some work on adjacent land. They mistakenly bypassed a reduction valve resulting in very high water pressure being transmitted straight into Rydal’s water system. This burst a pipe in the top storey and water came down through the dining room and drawing room ceilings. The Dining Room has been closed due to concerns about the safety of the ceiling. A loss adjuster is due and a recovery management company have already attended. Heating, water, electricity, and the fire alarm system are on in some but not all areas. Rydal Hall remains open to B&B guests but closed for group bookings.

14. Stewardship Activities Report: The Committee noted the Stewardship Activities Report.

15. Good Shepherd Multi Academy Trust (MAT): The Committee noted the draft minutes of the meeting held on 9th December 2021. There was some discussion around communications with the GSMAT about their business case for financial support. Initial tentative plans to designate funds money from any DBF surplus to support development work by the MAT had been put on hold for two reasons. First, there was uncertainty over the DBF’s expected end year position. Second, the Regional Schools Commission has given a strong indication that the Diocese will need to be able to offer more than one MAT to its church schools. There is no clarity over the potential costs of this development and, given current financial constraints, it would not be appropriate to commit to supporting the MAT until the future position and financial implications are more clear.

There is a need to appoint new DBF-representative Directors to the MAT. This would be pursued via the Bishop’s Staff meeting and the Bishop’s Council in the first instance.

Appointment of Directors: Charlotte Tudway, the Deputy Director of Education, is putting in place a more robust record of appointments by the Board of Finance of representatives as Members of single school academies.

Bishop James joined the meeting.

16. Parish Offer: Ric Jaques introduced Parish Offer. Total offers made for 2021 stand at £4,153,407, which represents a fall of 11.75% on offers originally made for 2020. Receipts made as at 31st December 2020 are £4,051,427, representing a shortfall of £123,019 (3.0%)

and £366,762 (8.3%) less than received in 2020. November and December receipts were strong, with churches catching up and a number giving extra money after making lower offers initially. It is expected that there will be further small receipts in January before the 2021 ledger closes.

Most of the 2022 offers are now in. They show that offers made for 2022 are 0.9% lower than the offers made for 2021, and 12.6% lower than the 2019 receipts. In the paper the principle of a Diocesan subsidy or mission supplement has been applied to each Deanery to illustrate the support or vacancy savings required to balance Offers to local costs. This totals £988,518. If the drop of over 12% since 2019 is to a new baseline then this has serious and long-lasting implications for the future affordability of locally funded ministry.

A discussion will take place between the Finance Team and the Archdeacons to see how to approach those parishes with underpayments from 2021, or arrears not yet paid or written off.

We are beginning to restart conversations with Mission Communities about moving towards Mission Community-based Offers and the 3 year covenant approach now used in the East of Eden Mission Community. This effectively means picking up again on the approaches trialled before the pandemic.

During the discussion the following points were made.

- For 2023 there may be a significant number of churches and Mission Communities where the situation has not improved and they might not be able to give what they gave in 2021 & 2022
- As compared to 10 years ago the DBF generates substantially more non-Parish Offer income and uses it to subsidize the costs of ministry in parishes who, over time, are contributing less in their Parish Offers. We should consider this shift carefully, potentially being more explicit in using the DBF's contribution from other funds to invest in mission rather than it simply covering an increasing gap between local costs and local contributions. This will require ongoing conversations with Mission Communities in a spirit of partnership between the local church and the Diocese/Bishop.
- There will be two joint budget meetings of Bishop's Council and Finance Committee this year. It is for Bishop's Council to set priorities but for the Finance Committee to say what is affordable.

PART C PROPERTY MATTERS

Neal Andrews joined the meeting.

17. Property Issues requiring Finance Committee attention: The Committee received the minutes and the action points of the property sub-committee meetings on 10th December 2021 and noted that the next property meeting will be 9.30am Friday 18th February (by Zoom).

Vacant Properties and House sales

Matters Requiring Further Finance Committee Consideration And Approval

33 Holebeck Road, Barrow: Having marketed at the agents recommended guide price since mid-December the interest has been limited with sporadic viewings and no offers. The Finance Committee agreed to reduce the guide price.

Significant Update Items To Note Since The Property Meetings

Kirkbride Rectory: This is still stalled as the purchasers advise they are finalising mortgage finance.

Burnthwaite, Windermere: Some concerns that the purchasers and their solicitors are not responding to emails requesting progress updates. It was agreed that if no progress has been made by the end of January the property will be re-marketed.

Rockcliffe Vicarage: A valuation inspection has been undertaken but the advice received needs further consideration before any proposal for sale will be made.

Housing

Matters Requiring Further Finance Committee Consideration And Approval:

Pooley Bridge Vicarage: The Finance Committee agreed the offer of a long term lease subject to obtaining positive advice from the Registrar.

Significant Update Items To Note Since The Property Meetings

Additional Curates 2022: A successful application to the Church Commissioners for additional funding is expected to enable 2 additional curate appointments in 2022 subject to local funding for a small balance of costs and recruitment.

Other Diocesan Board of Finance Properties:

Matters Requiring Further Finance Committee Consideration And Approval

Bardsea Schoolroom: This former school, bought and acquired by the PCC and used as a parish hall is disused since Covid and now redundant. The parish wish to sell and have complied with Charities Act requirements. The Board agreed to the PCC selling the property.

Significant Update Items To Note Since The Property Meetings

17 Wordsworth Drive Kendal & 34 Valley Drive, Kendal: the seller has withdrawn.

Closed Churches:

Matters Requiring Further Finance Committee Consideration And Approval

Broughton Moor St Columba: The local parish council have asked to take over the building for community purposes. Consideration is needed as to whether to give the building away and, if so, on what terms. There were concerns raised as to whether the parish council will be successful in maintaining it for community use and if there is enough local support for the proposal. The Board agreed to transferring the freehold of the building to the parish council for no consideration, subject to Charity Act requirements and the parish council providing a credible business plan within 4 months, with an interim report after 2 months.

Significant Update Items To Note Since The Property Meetings

Carlisle St Luke: With the departure of the priest in charge, and lack of ministry cover, no services were expected from January. However, a new PCC is now being formed and a churchwarden elected and worship is expected to restart in March.

Glebe:

Kirkbride Glebe: the impasse over agreeing plans for title registration has been resolved with the tenant. The application is now being submitted which will clear the way for sale to proceed.

PART D FINANCIAL STATEMENTS AND REPORTS

18. Treasury and Investments: Ric Jaques reported on the fund statements. The two CBF Funds in which we invest finished the year strongly, both showing capital growth of 14.3% and declaring higher dividends than in 2020. The high share prices reduce the yield, meaning that future returns on any shares we buy at current prices will be slightly lower as we will receive fewer shares for our money.

A recent CCLA webinar on the property sector reiterated that the assets held in the CBF Property Fund were high quality but also underlined the need for our fund managers to continue to shift the balance of the portfolio to escape high street retail and tertiary office space. Overall, exposure to these elements is low. Interest on the CBF Deposit Accounts which had fallen over the year to 0.01% has now increased to 0.2% following the increase in Bank of England base rate to 0.25%.

19. 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

John Edwards gave an update on Restore. There has been substantial change in terms of staff. A new operations manager was appointed but subsequently left and a new manager with retail experience has been appointed at Petteril Bank Road. Negotiations are still ongoing on a new Penrith shop but have not yet come to fruition. The year has started slowly in terms of turnover with customers remaining cautious because of Covid, but grant funding has been available including from the Tudor Trust towards the costs of an administrative role.

Ric Jaques reminded the Committee that when Restore was launched as a separate charity the DBF had set aside designated funds to provide working capital and underwrite their expected early year losses. Restore are yet to draw from that fund but it is expected that they will do so this year.

Any Other Business

20. The Chair drew attention to the fact that last year a thorough Board review was undertaken. As the Committee Members remain the same he proposed that the next such review should take place in 2023. Committee Board agreed.

20. Date of Next Meeting: Wednesday, 16th March 2022

Confidential Minute

17. Housing

Pooley Bridge Vicarage

The Archdeacon occupies the benefice house and is currently priest in charge. A new priest in charge is due to be appointed, with a preferred candidate who would be self-housed or otherwise the post to be housed in the Penrith team vicarage, 7 Park Close. With some local parties querying the Archdeacon's continued occupation of the vicarage a means to protect this occupation is being sought. A proposed transfer of the house to glebe has been rejected by PCC members. A notional long-term tenancy, potentially to retirement date but tied to ongoing appointment as Archdeacon, is being contemplated subject to Sintons agreeing the arrangement and the PCCs approving it. One of the issues is whether the original decision to allow the Archdeacon to occupy the house was legally sound. The Registrar's advice on that point has also been sought. The Board agreed to offer a long term lease subject to advice from the Registrar.