

The Minutes of a meeting of the TRUSTEES of the CARLISLE DIOCESAN BOARD OF FINANCE LTD held BY VIDEO LINK on 13 JULY 2022

Present: Mr J A E Johnson (Chair)
The Bishop of Carlisle
The Archdeacon 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

1. Opening Prayers: Prayers were led by Nigel Robson.

2. Committee membership: The Chair confirmed that it has been agreed with Bishop James that the new Bishop of Penrith, Rob Saner-Haigh, will be present at DBF meetings as a non-voting attendee from September.

3. Minutes: The Trustees approved the minutes of the meeting held on 18th May 2022 with two minor amendments:

- to change the wording of the minute relating to accruals for repairs to properties to reflect that the accruals are based on quotes, outline quotes or estimates
- to note Nigel Robson's attendance at the meeting

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 letter of representation is still to be signed. This is due to a delay in getting the final version from the audit manager. Once this has been received Ric Jaques will arrange for it to be signed by two Trustees.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

5. Management Accounts: Ric Jaques introduced the Management Accounts to 30th June 2022. The accounts for the first 6 months of 2022 show a surplus of £295k, which is £106k

worse than the phased budget at that point in the year. Underspend is around £165k, £50k of which is on clergy stipends and costs, and of the rest, some is due to timing differences whilst some is likely to prove to be real savings. Income is now £271k under budget, with parish offer receipts being around half of this. Some investment income is below budget due to delayed property sales and a dry spring for the hydro schemes. Contributions from other funds also reflect delayed property sales, as well as reduced spend, which in turn reduces the need to draw in that funding. The forecast for the year is based upon the current view of likely clergy changes, and expected property sales, and includes the interim stipend and pay rises agreed at the May meeting. An assumption remains that 99% of parish offer pledges are received.

Overall, the accounts show a forecast surplus of £64k with a significant number of clergy vacancies expected through the year and these, together with savings expected in various areas, compensating for any reduced income.

6. Budget 2023 to 2027: Derek Hurton gave a verbal report on the process for producing the budget. Four elements combine to produce the actual draft budget:

- the budget model spreadsheet
- assumptions about factors such as parish offer, fee income, investment income and clergy numbers
- financial consequences of work on the vision and strategy including the component strategies for ministry, buildings, digital, schools, growing younger and church planting and pioneering
- potential contributions from external funders including ecumenical partners and the Church Commissioners

Ric Jaques reflected on two workshops held recently for Bishop's Council and Finance Committee Members which gave food for thought about both financial assumptions for inflation and Parish Offer, and future aspirations for ministry deployment.

Parish Offer was recognised as highly significant, with the discussions covering the historic trend, what happened during the covid pandemic and early signs about next year's Offer. The general consensus was that we could see a bounce back on parish offer following the reductions associated with the Covid pandemic, but that this wouldn't be as big as the reductions and would be relatively short-lived. The move from Parish to Mission Community Offers and the heightened engagement and conversation that the move implied could also be expected to temporarily increase Offers. In the medium term, however, we should revert back to the pre-Covid trend which showed a decline in cash terms.

Future decisions about ministry deployment would have to take place within the level of finance that could be made available. Over time, those decisions about local ministry would be made through discussions between Mission Communities and Archdeacons and Bishop which would determine the actual level and mix of staffing in the mission communities and parishes. There was nothing to stop Mission Communities from raising

more funds to grow the ministry in their areas, but equally those Mission Communities whose Offers fell consistently from year to year would have to be challenged about the level of ministry that was realistic and sustainable.

In the workshop exercises looking at ministry deployment there was a real energy to see more pioneering posts, more church Youth Workers and growth in Network Youth Church etc. There was also support for the creation of administrative or business management capacity in mission communities, particular to release ministers for mission.

Further discussions at Bishop's Council and the Finance Committee meeting in September would result in a draft budget going to the October Synod and DBF meeting for approval.

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 introduced the paper, highlighting two items. First, the God for All pooling resources meeting, at which it became clear that the URC, Methodists and CofE are all making financial decisions this autumn. This means that there is real scope to identify areas of implementation of the ecumenical Vision and Strategy that could be co-funded.

The second highlight was the Church Commissioners' announcements about their Triennial Funding of Mission and Ministry. They were looking increasingly at long term Diocesan strategies and to make indicative funding commitments for up to nine years. Very positively, our Vision and Strategy shares a number of priority themes with the national vision, particularly around promoting the mixed ecology of church and 'growing younger'. Our Mission Community approach is also in line with the national vision for a Parish System revitalised for mission.

11. Rydal Hall: The Trustees noted the management accounts to 31st May 2022 and draft minutes of the meeting of the Rydal Board held on 17th May & 14th June 2022.

Ric Jaques introduced the management accounts and reported to the Trustees that the Lake District tourist trade appears to be having a particularly quiet year, with far fewer than day visitors than in previous years, including pre-pandemic. This was reportedly connected with the increased costs of fuel and the broader cost of living crisis. It means that the financial situation is challenging.

There are however also areas of real encouragement. Significant changes to staffing are in progress, including the appointment of a new General Manager and changes to line management, accountability etc. The booking system is being replaced with one that is more suited to Rydal's business and should help to generate more bookings.

The Chair asked whether Rydal Hall is likely to need further financial support. The DBF's policy since the decision made in March 2021 to retain Rydal is that Rydal must be

financially self-sustaining. Ric Jaques reminded Trustees that the working capital committed to Rydal as part of the Synod decision in 2021 has yet to be requested by Rydal Hall. Cashflow is not a problem at the moment as Rydal generates cash for booking deposits and received a Heritage Lottery Fund grant last year to rebuild reserves.

12. Stewardship Activities Report: The Trustees noted the Stewardship Activities Report.

14. Good Shepherd Multi Academy Trust (MAT) & Academy Schools: The Trustees noted the draft minutes of the meeting held on 19th May 2022. The Chair asked about plans to expand the size of the Trust by recruiting new schools in the light of the need to grow to be sustainable. Ric Jaques reassured the Chair that the MAT is continuing to work actively on recruiting.

The Trustees agreed to the appointment of Charlotte Tudway to represent the DBF in its corporate membership of Eaglesfield Paddle Academy Trust.

15. Parish Offer: The Trustees noted the Parish Offer Receipts to 30th June 2022. Ric Jaques highlighted that the deadline for informing us of the 2023 offers is 29th July. We have currently received a 2023 offer from around 40% of parishes, covering one third by value of the offers. In our communications about the Offer we indicated that the inflationary cost facing us next year is in the region 5%. At this stage, the offers proposed are showing a growth of 4.6%, although this figure was highly sensitive, given the potential impact of a small number of larger churches Offers on the total.

12. Risk Register: Ric Jaques introduced the Risk Register item. It is an important requirement regularly to review the risks to which the DBF is exposed and, taking into account the potential impact and likelihood of risks being realised, to mitigate against such risks. In November 2021, a paper was submitted to the Finance Committee proposing a full review of risk assessment and the financial risk register held by the DBF, with a proposal to present an updated risk register to the July 2022 Finance Committee. The updated register would be widened and deepened in areas such as key staff, reputational risk, IT etc. A heavy workload this year has prevented much progress being made.

The Trustees reviewed the Register and made a number of points:

- need for clarity over expectations of financial support for the Vision and Strategy from ecumenical partners.
- Response: the current contribution amounts to a Methodist grant of £25k a year, so the scale of risk is small
- the risk relating to Parish Offer was interesting in terms of the long term fall in the Offer as a proportion of Diocesan income. It has fallen to 56% of our income, down around 20 percentage points on what it was 10 to 15 years ago.
- were we connected with professional networks through which we could keep abreast of developing risks that affect dioceses, charities and businesses in general. These might include IT-related risks such as like fraud and hacking?
Response: we compare notes on risk registers with neighbouring North West

dioceses and Trustee Janet Busk has shared with us the way the Mission Aviation Fellowship approaches risk. On the IT side in the last few of years we worked with our IT supplier to make significant changes to upgrade security including two factor identification and cloud-based working. The biggest threat we face is human error and there are frequent reminders to employees about potential risks.

- we should assess the risk of high staff turnover in a labour market where vacancies are hard to fill.
- changes to working patterns post-Covid, while perhaps not strictly a risk, are also relevant in terms of business effectiveness, cost, people management and teamwork.

Response: a further review of working patterns and practices is underway, including looking at the costs and benefits of mixed mode working and retaining or disposing of Church House. This work will come to the Trustees for consideration in due course.

PART C PROPERTY MATTERS

16. Property Issues requiring Finance Committee attention: The Trustees received the minutes and action points from the property sub-committee meeting on the 24th June 2022, and noted that the next meeting will be on the 12th August 2022.

In the absence of Neal Andrews, Derek Hurton introduced this item.

Vacant Properties and House sales

Matters Requiring Further Finance Committee Consideration And Approval

Wigton Vicarage: With the approval of the Property Sub-Committee members, an offer of £300,000, subject to survey and contract, has been made for a potential replacement house. Trustees approved proceeding with a DBF purchase of the property, the service of notice for the sale of the existing vicarage, transfer of the new house to parsonage, and pursuing necessary adaptation to the new house to be carried out before clergy occupation, but with the house rented out in its current form in the meantime.

Housing

Matters From the Annual Parsonages Conference Requiring Further Finance Committee Consideration And Approval

Decorations grant: The ingoing decorations grant paid to clergy has not been increased from the current £500 level for a number of years. Trustees approved the recommendation to increase the decorations grant to £650.

Parsonages 2030 Net Carbon Zero Steering Group: The conference agreed to form a subgroup to oversee the net carbon zero agenda for clergy housing. Derek Bradley agreed to stand as a DBF representative, subject to DBF approval. Trustees approved Derek Bradley as DBF representative on the subgroup.

Diocesan Board of Finance - Glebe

Matters Requiring Further Finance Committee Consideration And Approval

Egton cum Newland Glebe: Possible sale for development is again being explored and a property developer is interested in purchasing the land. The land is zoned for development in the District plan. The incumbent has written on behalf of the PCC to object to the sale but the PCC has not taken up an offer of attending the Finance Committee meeting to make representations. Around 10 public objections have been received.

In deciding whether to progress with a glebe disposal the DBF is required to give consideration to any representations made by the relevant parties. It is the recommendation of the property committee following consideration of the case that the proposed sale for development of the land should be sensitively pursued notwithstanding the representation that has been made.

The Trustees discussed the case including the local views, the planning position and the expected sale price and annual return if the sale proceeds were invested in CBF funds and agreed to continue pursuing sale of the land for development.

PART D FINANCIAL STATEMENTS AND REPORTS

17. Treasury and Investments: Ric Jaques reported on the fund statements. In terms of Treasury and Investment we remain in uncertain times, although with interest rates still relatively low, it is intended to invest more of the cash held on deposit into CBF Fund shares where liquidity plans allow this. The Land element at 10.6% is close to its lower limit and any reduction in value could push this below the 10% limit following further land sales in 2022.

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

Rob Cook gave an update on Restore. A store manager for the Penrith shop has been appointed and the shop was expected to open on 1st August. The warehouse and outlet Shaddongate would benefit from a higher profile. The new Bishop of Penrith will be joining the Restore Board. There is currently no system in place to deal with gift aid donations and as this could produce extra income of up to £50k its introduction is high on the list of priorities to be dealt with.

19. Date of Next Meeting: Wednesday, 21st September 2022