

## CARLISLE DIOCESAN BOARD OF FINANCE LIMITED

### **Minutes of a Meeting of the Carlisle Diocesan Board of Finance, held at Houghton Church, Carlisle on Saturday 9<sup>th</sup> October 2021**

#### **Chair's Remarks**

The Chair, Mr Jim Johnson, introduced the meeting and gave a brief summary of the role of the Diocesan Board of Finance for the benefit of new members.

It is very much closely linked to the Bishop's Council who sets priorities for the Diocese that the DBF then has to fund. The DBF seeks to align the financial strategies that we adopt in terms of management of our assets and finances with the spiritual and mission aspirations and policies of the Diocese. The Board's role is therefore to maximise income to support the maximum promotion and deployment of missionary staff.

The Board of Finance is also the legal employer of all the lay staff in the Diocese and it acts as the HR department for the clergy. It maintains a large property portfolio of parsonages and it also has the responsibility to look after closed churches pending disposal.

There is an agreement with Bishop's Council that this Diocese will attempt to break even on an annual basis in order to sustain its viability for the longer-term future. We try to reorganise our non-people assets in order to produce a better return than they are currently producing, selling surplus houses and land and reinvesting through our investment managers CCLA into reliable investments and also hoping that the lion share of the money, which has historically come from parish offer, will continue to be sustained. The reality is that it hasn't been the case for several years, and over the last 13 years the buying power of the parish offer has gone down by 40%. That gap has been made up through other income from the Diocese and through reduction in paid ministry. We have a break-even position for 2022 but for 2023 continuing problems remain unless the main source of income, which is Parish Offer, revives through faith reviving and money coming in from the people in the parishes and beyond.

#### **Minutes**

The minutes of the meeting of the Diocesan Board of Finance held on Tuesday, 5th June 2021 were approved.

#### **Minutes of the Finance Committee & Questions to the Chair**

The minutes of the meeting of the Finance Committee held on Wednesday, 19<sup>th</sup> May 2021 and Wednesday 14<sup>th</sup> June 2021 were received.

#### **Formal approval of Diocesan Budget**

Derek Hurton introduced the Diocesan Budget paper. 2021 was a tough year and required us to set a budget in the middle of the pandemic. That required us to make some tough

decisions particularly around staffing and Church House where we have made substantial and painful cuts to protect front line local ministry. In the short term that has proven to be a successful financial fix and we came through last year in a better financial position than most Diocese.

The draft 2022 budget is based on a similar set of assumptions as those used for the 2021 budget but updated on the basis of experience and known future requirements. On the expenditure side there is little overall as, in spite of prioritising resources for front line ministry, we are still making small numbers of reductions to stipendiary & house for duty posts. The budget contains a 1% increase in stipends and 1% increase in employees' salaries. The stipend increase is in line with current national expectations so we appear to be on a par with other Dioceses. The ministry side of the budget is based on the requirement for the Bishop's Leadership Team to manage the payroll budget within a tight constraint. This means they will have to think carefully and monitor the budget position carefully before they make any decisions about appointments as the year unfolds. This replicates the approach taken for 2021 which had proved to be successful without significantly delaying or preventing appointments.

After 2 years where we have spent nothing in terms of capital improvements to vicarages, we have reinstated the capital improvement budget.

Assumptions on the income side continue on the basis that we will continue to dispose of houses that are needed for clergy occupation in the foreseeable future, thereby releasing funds for investment in the Central Board of Finance's income generating funds. We continue not to spend these capital receipts in order that they can be invested to give a return in perpetuity.

The budgeted Offer towards the cost of local ministry is based on the actual offers that have been submitted and the figure is about 12% less than the offers that were being made pre covid.

Taking the income and expenditure elements into account on the basis of these assumptions provides a balanced budget with expenditure and income about £7.7m. The steps required to achieve this balanced budget for 2022 together with the initial projection for 2023 illustrate that the long-term financial position remains some way from being sustainable. Discussions in the Bishop's Staff Team and Bishop's Council have identified that there needs to continue to be a series of positive & realistic conversations between rural deans, deanery lay chairs, mission community leaders, Archdeacons and the Church House finance team to strengthen the local episcopal partnership and to strongly promote and support the adoption of three-year "Ministry and Finance Covenants" between Mission Communities and the DBF.

Concerns were raised that parishes would feel an extra financial burden by the pledge to become carbon neutral by 2030 and that this may affect Parish Offer in the future, Derek Hurton urged any parishes to open up conversations with the Finance Team if they were struggling to pay the parish offer. It was also suggested that we revisit the building strategy to assist with the carbon neutral agenda.

Mr Hurton recommend that Synod and the Board of Finance approve the 2022 budget and note work to be undertaken in the remainder of 2021 and 2022 to promote more sustainable Diocesan ministry and finances in the future. Mr Johnson proposed the following resolution, which was carried with no votes against:

“That the expenditure and contributions proposed in the budget for 2022 are approved.”