

The Minutes of a meeting of the TRUSTEES of the CARLISLE DIOCESAN BOARD OF FINANCE LTD held BY VIDEO LINK on 19th September 2023.

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

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

1. Opening Prayers: Prayers were led by Janet Busk.

2. Apologies for absence: Apologies were received from The Bishop of Penrith and the Archdeacon of West Cumberland.

The Chair informed the Trustees that Sue Wigley had resigned from the Board for personal reasons. She had indicated that she was willing to be consulted on policies and procedures with the HR department if the need arose in the future.

3. Minutes: The Trustees approved the minutes of the meeting held on 12th July 2023.

4. Matters Arising from the Minutes: The Chair drew attention to Trustee succession planning and the importance of undertaking a skills audit to ascertain the strengths represented on the Board and highlight any gaps. Elections would take place next year so it was prudent to plan ahead.

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.

Ric Jaques explained to Trustees that previously the DBF had agreed to issue a business debit card in the name of Richard Jaques (Ric) to enable easier work-related online purchases and avoid staff having to use their personal credit cards for high value purchases. It had proved difficult to complete the application process due to the level of inherent bureaucracy. The proposal was now to obtain three debit cards with the others being in the names of Catherine Bell and Nick Paxman. A suitable way of reconciling spend to receipts,

and authorisation each month would be put in place to provide third party control. Trustees agreed that Jim Johnson be added to the bank mandate and the debit cards be ordered as proposed.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

5. Management Accounts: Ric Jaques introduced the Management Accounts to 31st August 2023. The accounts for the first 8 months of 2023 showed a surplus of £175k, which was £359k better than the phased budget.

Total expenditure was around £330k under budget. Nearly 75% of this was due to stipendiary clergy vacancies, with some delayed spend and expenditure savings accounting for the rest. This underspend on local ministry continued to be an unwelcome operational issue, mainly related to recruitment challenges.

The question was raised as to whether parsonage quinquennial inspections should be done internally or whether this was a case of the Diocese 'marking its own homework'. In response it was reported that this practice was common among other Diocese and that quinquennials were undertaken alongside a set of national guidelines for the standard of housing. It was agreed that at the next meeting the Trustees would discuss property standards and expectations.

Recast Budget 2024 2027: Derek Hurton introduced this item reminding Trustees that the Diocese was in the first year of a 5 year budget. When the budget had been set it had been noted that achieving the proposed outturn would be tough and this was proving to be the case. Progress had been kept under close review and this had provided insights into what was going on behind the headline figures. A detailed annex showed the key assumptions and variables and also provided information about proposed levels of grants and allowances which previously had been dealt with on an ad hoc basis.

The overall headline picture was not substantially different from the previous year. The cumulative projected outturn over the 5 years was a bit better while the position in 2027, which was the baseline for the next budget period, was a bit worse but still balanced. Behind these headlines inflation had not reduced as fast as forecast and so had pushed up some costs. The Bishop's Staff meeting had pushed hard to maximise the number of local ministry roles that could be afforded within the budget, including in some anomalous situations where the decision had been taken to invest in the hope of better performance. Those factors worsened the financial outlook but were partially offset by parochial fees holding up better than expected and extra income from the Church Commissioners.

Other factors were also significant for the longer term outlook. The vacancy assumption had been increased due to the anticipation that posts will be vacant in each year going forward. This simply reflected the reality of the situation and would not of itself determine appointments decisions and timescales.

Ministry Offer was performing much better but still not at the levels required. It was up by 2.5% for 2024 which was 3 percentage points better than the trend in recent years. This

year's increase alone meant around £500k of additional income over the budget period compared to a scenario in which the previous trend had continued. However, we had originally budgeted on the basis that we would need a 4% overall increase for 2024 in addition to closing the gap between Offer and costs in some specific locations. If this trend continued it would have a significant impact in terms of affordability of ministry in the future. Work had started to address anomalous situations where Offer and costs were significantly misaligned, but substantial progress was yet to be made and this would require continued leadership input from the Church House team, archdeacons, and bishops. The budget was predicated on those anomalous situations being resolved one way or the other by 2027.

Moving onto designated funds, the existing Sustainability Fund had been accrued from designation of surpluses in previous years and currently stood at around £200k. It was proposed to use this for two purposes: to provide the remaining £150k of working capital that Synod had committed to Rydal Hall in 2021, and to support the development and viability of the Restore shop network through additional management capacity and opening a further shop in Carlisle city centre. The city centre shop was within the scope of the church planting plans developed by Bishop Rob. There was also scope to designate a one-off windfall profit that the hydro schemes were expected to make as a result of a high electricity price fix in 2024 & 2025. Given the exceptional nature of this profit it could be put aside for missional purposes in the future, perhaps to be determined after the appointment of a new Bishop of Carlisle.

During the discussion a question was raised about the relationship between Bishop's Council and the Finance Committee in relation to judgements about whether Rydal Hall was operating effectively. The response was that the DBF reviewed the management accounts and annual report and would advise the Council if it became apparent that Rydal Hall might need additional capital. Bishop's Council would then take a view on the relative priorities for support as any further injection of capital at Rydal would have a material impact on the ability to fund other priorities. Bishop's Council had the primary responsibility for evaluating Rydal's contribution to the mission of the Diocese.

The Trustees agreed that the Diocesan budget for 2024-2027 was reasonable and appropriate to go forward to Diocesan Synod in October for discussion and approval. The Trustees also approved the proposed use of Designated Funds and levels of grants and allowances.

Diocesan Investment Programme (DIP) – financial implications: Derek Hurton introduced this item informing Trustees that the proposals currently contained in the draft bid could amount to £8m over the 5 years from 2024-2027. This would make for a five-fold increase on the current Reaching Deeper Strategic Development Fund programme and amount to nearly 20% of the Diocesan budget.

This development would represent a significant shift in how the Diocese was funded and resourced, changing the overall financial dynamics so that external funders' agendas would be much more influential. Funding would also be increasingly dependent upon achieving agreed outcomes and targets, with applications to future funding programmes likely to be assessed on previous performance. This could have implications for sustainability as our application assumed that the vast majority of the work that was funded through the DIP would ideally need to continue beyond the end of the bid period. Some of this work would be related to targeted geographical interventions such as Church Planting or Mission Community Administration/Operations support roles which were not expected to be self-sustaining within 5 years. In other areas, for example vocations and NYC oversight, the DIP funding would be supporting what would normally be considered to be mainstream activity.

Funding for these roles was likely to have to come from subsequent DIP applications and there was a risk that if this was not secured we could end up having to make newly recruited staff redundant, with associated costs.

During the discussion the following comments were made:

- There was a cliff-edge in the budget related to assumptions about obtaining national funding. If those assumptions were not borne out because our applications for support were not successful, redundancy costs could well be incurred before the end of the budget period.
- There were some mainstream roles that, post-Covid, could not be funded from Diocese resources. Money from the Church Commissioners Strategic Development Fund Reaching Deeper project had been used to fund those since 2021. The draft budget anticipated that from next year those, plus a substantial chunk of other work, would be funded by the Church Commissioners for 5 years. This would mean work could be funded until the end of 2028, which was beyond the end of this budget period, at which point, potentially, there was a further cliff-edge.
- The intention had always been to look beyond the 5-year budget and potentially to try to forecast 10 years ahead, on which timescale the risks surrounding the funding could be fully addressed.
- There were major challenges in terms of stewardship and churches were likely to have to develop other income streams rather than rely on individual giving to cover the Ministry Offer.

6. Ministry Offer: Ric Jaques introduced the Ministry Offer paper highlighting key points about the implementation of the Ministry Offer process. Receipts to date of £2,639,230 represented 62.8% of the year's offers due. This compared to £2,600,863 (62.5%) received at the same stage last year.

Work had been under way communicating with Parishes where there were unpaid arrears from 2022 or before. In many cases it had been agreed to write them off to avoid a situation where lingering over historic failures to pay was unhelpful and demotivating. In other cases additional money had been received with some other outstanding amounts still potentially within scope.

A comprehensive report on the 2024 offer process would be presented to the November Finance Committee.

7. Stewardship Activities Report & Strategy: The Trustees noted the Stewardship Activities Report which was introduced by Sophie Hodge. The deadline for submitting 2024 Offers had been the end of July. At that point, approximately 70% of parishes had made their Offers. A substantial part of August was spent chasing the remaining 30%, almost all of which were in by the end of August.

The Stewardship Team had met with four new vicars to the Diocese to provide an introduction to Stewardship, Finance and Ministry Offer. July and August had shown very strong performance for contactless giving donations, over and above what might be expected from the peak holiday season. Awareness around contactless giving continued to increase. A lot of work had gone into preparing for the October Free Will Writing month, during which churches would be encouraged to encourage their church members to consider making or updating their Wills, and to think about whether they would like to leave a gift to their local church.

The Stewardship Strategy had been reviewed and some details updated but the 2 key goals remain unchanged. These were focusing on stewardship as an aspect of discipleship and increasing the total level of resources within the church economy. The objectives of the strategy were: to see overall income into the local church economy increase; to support the Diocese's strategic intention to see Ministry Offer start to increase in line with inflation; to see the level of gifts and number of givers in individual churches increase; to support churches in diversifying their income streams; and to offer support in other financial matters.

The Trustees commended the updated strategy.

PART B FINANCE – MINOR MATTERS

8. Financial implications from associated meetings: The Trustees received the paper on the financial implications from associated meetings. Derek Hurton highlighted that Diocesan Boards of Finance were invited to this year's Emmanuel Theological College (ETC) AGM after unfortunately not being directly invited in previous years. Carlisle was one of the 6 North West DBFs that were corporate members of the College. Although independent inspection was showing that ETC was delivering a high-quality product, there were concerns about the current financial position. This was caused by factors including some member Dioceses sending a number of part-time Ordinands to train at institutions other than ETC and delays in obtaining accreditation from the Office for Students which in turn prevented admissions by independent fee-students. A proposal was being developed to draw on accumulated restricted Resourcing Ministerial Education funds across dioceses in order to provide any necessary working capital. This would require the support of the national Ministry Division.

Given these developments it had been suggested that ETC should be included within the scope of work to strengthen links to our subsidiary/related bodies and associated reporting lines.

9. Good Shepherd Multi Academy Trust (GSMAT) & Academy Schools: The Trustees noted the draft minutes of the meeting held on 18th July 2023 and received the Diocese Board of Education update report.

10. Restore: The Trustees noted the draft minutes of the AGM held on 2nd August 2023, the statutory accounts and the management accounts.

The Trustees passed the following resolution:

“That Jim Johnson, as Trustee Director of the Carlisle Diocesan Board of Finance, is authorised to sign the ‘Statement of Guarantee’ in relation to Restore, on behalf of the DBF.”

Rydal Hall: The Trustees noted the management accounts to 31st July 2023 and draft minutes of the meeting of the Rydal Board held on 18th July 2023.

As part of this item the Chair informed Trustees that Martin Jayne had stepped down from involvement in the hydro scheme boards. Trustees agreed that Derek Hurton should take over these roles.

Ric Jaques gave a verbal update on Rydal Hall. Savings on staffing in particular had resulted in the July accounts being £17k better than budget. Work was continuing on the business plan which would be presented to Finance Committee in January to address the questions that were raised at the meeting in July. Levels of bookings for the Hall and Cottages continued to be challenging. Revenue was expected to be lower than budget, but as costs were also expected to be a lower, the outlook for the year’s outturn hadn't changed materially.

Derek Hurton reminded Trustees that Richard Pratt, who was currently the Chair of the Rydal Board, would be retiring next year. Thought needed to be given to finding a suitable replacement.

PART C PROPERTY MATTERS

13. Property Issues requiring Finance Committee attention: The Chair informed the Trustees that work was ongoing to find a suitable replacement for Martin Jayne on the property sub-committee. The Trustees agreed that, if a suitable candidate was found, their appointment could be made via an email to Trustees.

The Trustees received the Minutes and action point list from the property sub-committee meeting and the PFK review meeting on the 18th August 2023 & noted that the next meeting would be on 20th October 2023.

Vacant Properties & House Sales/Purchases

Matters Requiring Further Finance Committee Consideration And Approval

Coniston Vicarage: The Trustees' decision from July to allow a 6 month deferral of sale had been advised to the PCC. A further response had been received from the PCC again requesting this be extended to a year. Trustees agreed to extend the deadline to the middle of March but were clear that at that point they would need to see evidence that there was a viable scheme in the offing and progress on an explicit timescale.

Significant Update Items To Note Since The Property Meeting

1 St John's Gate, Threlkeld: Marketing was underway for sale at the guide price. There had been some viewings but no offers yet.

Burneside Vicarage: Marketing was underway for sale at the guide price, and an offer had been accepted.

Barrow St John Vicarage: Further to best and final offers the best bid had been accepted. Sale was expected to complete on 22nd September.

118 Dalston Road: The guide price had been dropped but interest remained limited.

Egremont Team Vicarage: Richard Pratt had confirmed that the sale could proceed, there being more than sufficient houses in the benefice including one held on parochial trusts. Neal Andrews would confirm this to the Mission Community and instruct agents.

Closed Churches

Matters Requiring Further Finance Committee Consideration And Approval

Carlisle Holy Trinity: HB Villages had advised that their offer including demolition would not be increased. The Lighthouse Baptist had offered staged payments and had therefore been ruled out. The Redeemed Church of God had made the highest offer and Trustees agreed to proceed with it, subject to confirmation that funding was in place.

Significant Update Items To Note Since The Property Meeting

Croglin St John: Sintons were in the process of producing a draft lease.

Glebe

Significant Update Items To Note Since The Property Meeting

Gelt Bridge Farm: Sale for £1,900,000 completed on 21st August.

Kirkby Thore Glebe: The faculty for release of covenant benefitting the church had been received. Solicitors had been instructed to progress the release.

Church Hall Cottage, Chapel Stile: Mitre Housing had agreed to proceed with the assignment. Neal Andrews was to meet with Mitre and the Community Land Trust on 20th Sept to agree how to progress the assignment.

School Property

Matters Requiring Further Finance Committee Consideration And Approval

Endmoor School House John Robson and Nick Paxman had inspected the property. The generally very poor condition had been confirmed. Initial assessment suggested it required wholesale refurbishment which would incur substantial cost, perhaps as high as £100k. With the current level of rent versus capital value a solely commercial decision would be to seek vacant possession and sell, but the possible perception of the church's actions in ending the long-standing tenancy had previously led to the conclusion that this was not a tenable option.

Trustees agreed to entering into negotiation with the tenant with a view to helping them obtain a suitable alternative property.

Significant Update Items To Note Since The Property Meeting

Warcop School House The school governing body had decided against dropping the guide price for the time being but were due to review this decision in the Autumn.

PART D FINANCIAL STATEMENTS AND REPORTS

13. Treasury and Investments: Ric Jaques introduced the fund statements. The Gelt Bridge Farm sale had completed in August for £1.9mil. Sale proceeds had been held on deposit pending the purchase of replacement houses at Natland and Kendal totalling over £750k. The Natland property was purchased in August for £510k.

The sales proceeds have been used for the Natland purchase and to repay the Cumberland Building Society loan (£50k) with the remainder put on deposit (75%) or used to purchase CBF Property Fund shares (25%).

The Trustees noted the statements and updates on the following funds:

- Minor Funds Update
- Pastoral Account Statement
- Glebe Statement
- Barchester Statement
- Parish Property Fund
- Growth Fund Statement
- Loan Statement

14. Date of Next Meeting: Wednesday, 22nd November 2023