

The Minutes of a meeting of the TRUSTEES of the CARLISLE DIOCESAN BOARD OF FINANCE LTD held AT RYDAL HALL on 12th July 2023.

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
Mr D Bradley
Mrs S Wigley
Mrs J Busk
Mr N Robson

In Attendance: The Bishop of Penrith
Mr D Hurton – Diocesan Secretary
Mr R Jaques – Head of Finance
Mrs A Ng – Head of HR and Governance
Mrs C Bell – Office Manager
Mr N Andrews – Head of Property (Part C)
Venerable R Pratt - Rydal Board (Item 11 Rydal Hall)
Mr N Evans – Rydal Hall General Manager (Item 11 Rydal Hall)
Ms A Whigham – Rydal Board (Item 11 Rydal Hall)
Revd W Sanders – Rydal Board (Item 11 Rydal Hall)
Mr P Yates – Rydal Board (Item 11 Rydal Hall)
Revd D Wilmot – Rydal Hall Chaplain (Item 11 Rydal Hall)

1. Opening Prayers: Prayers were led by Sue Wigley.

The Chair drew attention to the subject of succession planning and the need to refresh the board's skill set. He proposed that a small group of Trustees conduct a skills needs assessment with a view to identifying potential use of the available co-options. Once that was complete there could be a re-evaluation as to what is needed from a new Chair.

2. Apologies for absence: Apologies were received from Mr D Dalgoutte.

3. Minutes: The Trustees approved the minutes of the meeting held on 17th May 2023.

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.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

5. Management Accounts: Ric Jaques introduced the Management Accounts to 30th June 2023. The accounts for the first 6 months of 2023 show a surplus of £320k, which is £311k better than the phased budget.

2023 accounts against budget are a little 'messy' as the budget included a number of new posts and associated funding, many of which are now unlikely to happen until 2024 as part of our Diocesan Investment Funding bid. In most cases forecast underspend on those posts will be matched by reduced income.

Total expenditure after 6 months is around £266k under budget. More than half of this is due to stipendiary clergy vacancies, and some delayed spend and savings made. This underspend on local ministry is an unwelcome operational issue, mainly around recruitment challenges.

The forecast for the year now shows a surplus of £68k which would be £234k better than budgeted. It is based upon the current view of likely clergy changes, and other factors affecting the remainder of the year. However, there are various areas, particularly linked to funded projects, which may change as further work is carried out. In particular the impact on costs and income from the Church Commissioners' Capacity Funding is not yet included, although it should be broadly neutral overall.

6. Ministry Offer: Ric Jaques introduced the Ministry Offer paper highlighting key points about the Implementation of the Ministry Offer process. Receipts of £1,968,507 represent 46.8% of the year's offers due. This compares to £1,812,241 (43.7%) received at the same stage last year.

As usual, some parishes were a little slow to get started with payments, and there have been more instances of banks not processing standing orders correctly. However, contact was made in early April with most parishes that had made no payments at that date, as well as the usual Q1 statements being sent out, and April saw a good increase in receipts and engagement with Treasurers who were having problems with their banks.

Work is under way communicating with Parishes where there are unpaid arrears from 2022 or before. In some cases where lingering over historic 'failures' to pay is unhelpful we have, or are likely to agree to write them off, but it is hoped that the process will also bring in some additional receipts.

7. Stewardship Activities Report: The Trustees noted the Stewardship Activities Report which was introduced by Ric Jaques. Ric informed Trustees that Sophie Hodge, the Stewardship Enabler, will be going on Maternity leave in December 2023. Sophie is a key part of the Ministry Offer conversations that take place around the diocese, so in preparation Sophie is working on a time plan for the next 18 months under which Derek Hurton and Ric Jaques can continue with those conversations in her absence.

John Thompson will continue to support PCCs with the other aspects of Stewardship work, including contactless giving etc. and running the databases that are used to produce the figures and data that are part of the Ministry Offer process.

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 work is continuing on the bid to the Diocesan Investment Programme for submission in October, and that our contact at the National Church is supportive.

Discussions have been ongoing between Carlisle, Blackburn and Manchester Dioceses for carbon neutral capacity funding which have resulted in a plan to bid for funds to commission consultants to produce decarbonisation plans for our church schools, the top 20% most emitting churches in each Diocese, Cathedrals and other major buildings such as Rydal Hall.

At the Diocesan Secretaries Conference in June staff from the National Church Institutions confirmed that the current national 'priority of priorities' is to double the number of children and young people in church. Derek Hurton gave an impromptu presentation on our Network Youth Churches at the event. The Growing Younger elements of the upcoming bid to the Diocesan Investment Programme are well aligned with this priority.

9. Good Shepherd Multi Academy Trust (GSMAT) & Academy Schools: The Trustees noted the draft minutes of the meeting held on 18th May 2023.

The Chair asked about progress in respect of academisation and the possible creation of another MAT. Derek Hurton explained that the government appears again to be rethinking its policy and that there was unlikely to be a central drive towards academisation before the next election.

10. Restore: Derek Hurton reported that we are still awaiting statutory accounts from Restore so a date for their Annual General Meeting (AGM) cannot be set. This also has an impact on the DBF's consolidated accounts and the timing of the DBF's reconvened AGM.

Ali Ng reminded Trustees of the ongoing employment tribunal involving Restore. A remedy hearing is scheduled for the end of July and this should bring proceedings to a close. There would be financial implications.

In the light of the potential financial and operational risks that this incident exposed, the Trustees agreed that there should be more regular reporting of subsidiaries' risk registers to the Finance Committee.

11. Future Work Patterns – Church House: Ali Ng Introduced the Future Work Patterns paper highlighting that post pandemic patterns of hybrid working, while popular with staff, mean that Church House is currently underutilised. Office working has returned but about two thirds of employees are in the office only one or two days per week. Options in relation

to future working patterns have been assessed looking at both financial and operational aspects. The main thrust of the recommended option was to continue with hybrid working but to assess the scope for reducing the amount of floorspace used in Church House with a view to releasing a wing for rent.

In the discussion the following questions were raised:

- Q. Administratively, are things working with the hybrid model?
Ans. There is a strong sense that it works better. The pandemic actually helped to drive modernisation so working practices are more efficient. The vast majority of employees and line managers report that they work more effectively with the hybrid model, as well as reporting wellbeing benefits from reduced travel time etc.
- Q. Given these proposed changes which imply that the current office arrangement isn't ideal, together with the lack of all-day parking outside the office, what is the rationale for continued occupancy of Church House? Would it not be better to have an office outside Penrith?
Ans. Market research has shown a lack of alternative, out of town offices that are comparable on a cost-basis, especially given the relatively low value of Church House if substantially large parts unoccupied. Free all-day parking is available within 10 minutes walk of Church House with shorter stay parking closer to hand.

Trustees agreed the recommendations set out in the paper.

12. HR and Governance: Ali Ng introduced the following papers:

Follow up on Data Breach from September 2022: Ali provided a further progress report on the steps taken in response to the data breach. This included working with IT providers to purge personal data from dormant purchase ledger accounts and continued IT security training for staff. It was suggested that DBF Trustees who have not undertaken GDPR training in another arena undertake the GDPR training through our Me-Learning portal. The online course takes 90 minutes to complete.

Policy on buying and selling annual leave: The Trustees agreed the policy subject to an amendment that would calculate daily pay rather than an assumption of a 5 day working week.

Adoption of EDI strategy, policy and action plan: The Trustees adopted the strategy and policy that had been agreed by Diocesan Synod in June.

PART C PROPERTY MATTERS

13. Property Issues requiring Finance Committee attention: The Trustees received the minutes from the property sub-committee meeting on 16th June & noted that the next meeting will be on 18th August 2023.

Joint Parsonages Conference 2023: The Trustees received minutes of the meeting held on 9th February 2023.

Vacant Properties & House Sales/Purchases

Matters Requiring Further Finance Committee Consideration And Approval

Beacon Team Housing: The Trustees agreed to defer a decision as to whether the parsonage for the benefice should be at Skelsmergh or the Kendal St George vicarage until the recruitment of the next incumbent so that the incumbent could participate in the decision. Recruitment was expected immediately after Christmas following the current incumbent's move in the summer. The Trustees agreed to the sale of Burneside Vicarage following the move of the current incumbent.

Coniston Vicarage: The PCC have made representations against the proposal to sell the vicarage to the current tenant and have requested a year to put together a plan for alternative use. They have also requested that if the option to sell is agreed the property should go on the open market.

The Trustees noted that the sale of surplus parsonages and investment of the sale proceeds is a significant element of the diocesan financial strategy and that any prolonged delays in progressing that element will necessitate further savings being found in the diocesan budget.

Trustees agreed to defer the sale of the vicarage to give the PCC an opportunity to bring forward proposals by the end January 2024 for consideration at the Finance Committee meeting in March 2024. The Trustees confirmed that the PCC could not determine how the DBF should approach any sale and that the DBF would take advice from its agents as to the most appropriate route, including ensuring adherence to charity requirements.

Netherton Vicarage/ Wigton Vicarage: Netherton Vicarage has suffered very major fire damage which could result in a complete rebuild resulting in the current tenant having to vacate the property. This could have a knock-on impact on the use of other properties in the Deanery including potentially delaying sales.

Significant Update Items To Note Since The Property Meeting

Dalston Road, Carlisle: An agent is instructed and providing no representations from the mission community are received prior to this meeting then it will be marketed for sale at the recommended guide of £200,000.

Barrow St John Vicarage: There is strong interest and multiple offers having marketed for sale at £225,000. Best and final offers have been invited.

11. Rydal Hall: The Trustees noted the management accounts to 31st May 2023 and draft minutes of the meeting of the Rydal Board held on 16th May & 20th June 2023.

Rydal Board members joined the meeting and Ric Jaques introduced the Hall's 5 Year Business Plan. Rydal has faced a number of significant challenges over the last 5 years including the Covid-19 pandemic and the subsequent economic downturn, impacting on its ability to return to the previous break-even financial position.

Since the pandemic various external and internal factors have been at play. The material challenges have been finding a strong General Manager able to lead the team, grow income and control costs. Since Brexit and Covid it has been increasingly difficult to recruit and retain good hospitality staff in the Lake District. Energy costs have increased substantially. The Board has been historically strong on mission and commitment, but has not included enough hospitality industry expertise. The aging demographic of the Hall's core residential guests has seen group sizes reducing over time. The objective of fulfilling the core, missional, purpose as part of the Diocesan vision can, at times, compete with the time and energy required to 'fill beds' and increase income to meet costs. As traditional church groups reduce in size, the temptation to act like a 'hotel' simply to bring in income risks losing focus on the key ministry at the heart of Rydal Hall.

Ric reminded the meeting that Diocesan Synod voted overwhelmingly in 2021 to support the ongoing ministry of Rydal Hall, including the commitment of £250,000 of working capital. The Rydal Board decided to use the language of that being for investment rather than working capital in its true sense. Substantial Covid-recovery heritage grant income secured by the Board meant that the Hall has not yet drawn down the working capital.

Although the new General Manager is still in his first 4 months in post, a number of initiatives are already underway as part of the turnaround process including a much stronger approach to Team Management, working towards a more committed, flexible and well-trained staff team and Department Heads. A review of what the Hall's offer and pricing across the various areas of the business is seeing changes being made, particularly around what food is offered and more flexible pricing. A more flexible approach to groups is envisaged to ensure that they are not priced away from Rydal but still contribute a profit from their visit. There will be efforts to strengthen the relationship with pioneer and Fresh Expressions ministry in the Diocese. The Outdoor Pioneer, Paul Rose, could be partly based at Rydal to work closely with the Rydal Team developing opportunities for visitors and guests on the Rydal Hall Estate to encounter God as part of their visit. Links are possible with the Diocese's Intern Scheme with a hope that an intern will be based at the Hall. The Hall is also exploring working much more closely with St Mary's Church, Rydal to see how it can use the church building as part of its spiritual life and ministry.

The question was raised about the possibility of Rydal Hall accommodating wedding receptions as an income stream, but the experience of previous wedding receptions was that on the whole Rydal Hall could not meet the expectations that guests have nowadays. However, recently a small low key wedding reception was held successfully, so this market is not completely ruled out.

Nigel Evans introduced a paper setting out thinking about the Rydal Hall Vision. It is clear that Rydal Hall is a unique venue with a strong Christian foundation but open to all regardless of faith and background. However, in recent years it appears to have become

uncertain about its identity, particularly whether it is a hotel or a Christian retreat Centre. The Rydal Board's Vision is centred on the Hall not being viewed narrowly as a hotel but rather being suffused with the ethos of a Christian retreat centre. This will give potential guests an honest view of the Hall's offer.

Irrespective of the ethos the Hall must operate on a commercially sustainable basis. Marketing is key to achieving this and there are plans to market to specific groups to raise awareness of the full range of what Rydal Hall has to offer. The variety of the accommodation on site is one of Rydal's strengths but can also be complex and confusing. In addition to the main Hall with accommodation and events for individuals and groups, there is the camp site, glamping, two self-catering cottages and a bunkhouse. Initial research suggests that both Durham and Manchester Universities have a strong Christian presence and could find Rydal an attractive place to stay.

During the discussion Trustees expressed support for the vision that had been presented. Two specific issues were raised. First, that the need to ensure that the growth envisaged in the business plan is based on proper research into intended new markets. A strong vision needs to be backed up by confidence that there is a demand for the product. The Rydal Board agreed more specific work needs to be done in terms of a marketing strategy and plan but was confident that the initial work on reviewing the product, identifying potential customer groups and how to approach them was on the right lines.

Second, the information provided by Rydal Board showed that £60k of the agreed £250k working capital would be drawn down with the remaining 190k being held in reserve for the time being. What is the 60k earmarked for? The Board confirmed that the intention is to invest initially in the product ie the rooms and the 'offer' around the Hall itself. This recognises that continual investment is required in the bedrooms and facilities, simply to keep up with expected standards.

15. Cont. Rydal Hall – Finance Committee Further Reflection: The Trustees discussed the Hall's Vision and 5 year Business Plan presented by the Rydal Board and it was agreed that the Board should be invited to present a progress update at the January DBF meeting. The expectation is that by that point there will be more information to demonstrate financial progress together with more detail about the proposed marketing strategy and plan. The Trustees recommended that progress and plans should subsequently be reported to and discussed at Bishop's Council.

PART D FINANCIAL STATEMENTS AND REPORTS

13. Treasury and Investments: The Chair introduced the fund statements. Interest on the CBF Deposit Accounts is currently at 4.7% and it is anticipated that there will be further increases as the Bank of England base rate increases. Deposit interest rates are now higher than the dividend yield on the CBF Investment Fund. The Investment Sub-Group has concluded that this will enable the Board to generate some additional income while interest rates are high, but without changing the existing agreed investment mix.

The Investment Sub-Group Meeting discussed the Cumberland Building Society (CBS) loan facility. The DBF use this facility to support parish projects, but in recent years the amounts borrowed by parishes have reduced, with only tentative enquiries about possible new loans. In addition, the interest rates, which were originally very generous, have become less competitive. It was agreed that the remaining balance on the loan will be repaid and CBS will be informed that we did not intend to renew the facility in December. Instead the DBF will use its own finds to supply loans to parishes as needed at a rate of interest that is comparable with that earned by the DBF.

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, 20th September 2023