

CARLISLE DIOCESAN BOARD OF FINANCE LIMITED

Minutes of a meeting of the **FINANCE COMMITTEE** of the Carlisle Diocesan Board of Finance Ltd at Church House, Penrith, on Wednesday, 20th September 2017.

PRESENT:

The Bishop of Carlisle	The Revd A Towner
The Archdeacon of Carlisle	Mr M Bonner
The Archdeacon of West Cumberland	Mr D W Dickinson
The Archdeacon of Westmorland and Furness	Mr J A E Johnson
Canon M Jayne (Chairman)	Mrs G Troughton

IN ATTENDANCE:

Mr D Hurton – Diocesan Secretary
 Mr R Jaques – Head of Finance
 Mr N Andrews – Property Secretary

FC 17/97 OPENING PRAYERS

Opening prayers were conducted by the Venerable Lee Townend.

FC 17/98 MINUTES – FC 17/90

The minutes of the meeting held on 12th July 2017 were approved and signed.

FC 17/99 MATTERS ARISING FROM THE MINUTES

i. Risk Register. This was circulated for information with the agenda for each meeting. In response to a query about its revision it was reported that it would be reviewed formally in November. In between formal reviews Mr Jaques and Mr Hurton kept it up to date. If there was a significant change in the short term this would be drawn to the attention of the Trustees and discussed at the first possible Committee meeting.

ii. Parish Offer Review. Mr Hurton reported that the review group had held its second meeting and had agreed proposals on how to address the issue of bringing in money from the local church to fund ministry and mission in the Diocese. The proposals would be written up and taken back to the group for further comment and agreement. The outline of what was being proposed would involve conversations with each mission community to agree what they would contribute, ideally looking ahead three years. In the course of those conversations other relevant issues could be addressed such as: stewardship; mission community planning; and how the Board of Finance, through the Growth Fund, the Parish Property Fund and the Diocesan Loan Facility, could support the work that mission communities wanted to do. The approach was likely to be piloted in the first Mission Communities to see if it worked. A proposal would come to the Finance Committee and Bishop's Council in November and then to Diocesan Synod for a final decision.

In the discussion it was noted that effective communication would be as important a part of the process as stewardship. There was a question about how the process would work where mission communities were genuinely ecumenical. The process for agreeing the offer

had been developed in an Anglican context and the pilot would help to establish how it could be made to dovetail with the other denominations' approaches.

iii. OpShop Review. Archdeacon Townend reminded members that they had agreed at the last meeting to put time-limited financial resources into OpShops to implement the recommendations from Mr Towner's review. An appointment would be made to a role for eighteen months to set up a Charitable Incorporated Organisation and transfer OpShops into that entity. The role would also be responsible for engaging local churches with the OpShops and to develop new revenue streams. The post was going to be advertised that week with a closing date of the end of October and interviews would be held in mid November. It was hoped that by the end of the year someone would be in post. The DBF's draft budget for 2018-2020 assumed that from June 2019 OpShops' finances would be separate from those of the DBF.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

FC 17/100 MANAGEMENT ACCOUNTS TO 31ST AUGUST 2017 – FC 17/92

Mr Jaques said that at the end of August both expenditure and income for the year to date were almost on budget. Within this, clergy stipends were over budget and property expenditure was under budget. The projected outturn was showing a lower deficit than budgeted but this was still sensitive to movements in fees and parish offer for example.

In the discussion it was pointed out that although OpShops was only a small element of the total DBF operation, there were a numbers of areas of their activity where it appeared that costs were very near a full year's provision after only eight months. At the same time however the bottom line for OpShops was on track to be substantially better than in 2017. The issue for OpShops was to generate increases in turnover in the face of a difficult trading environment and the continued squeeze on welfare benefits.

FC 17/101 DIOCESAN BUDGET 2018-20 AND TO 2022 – FC 17/93

Canon Jayne reported on the discussion at the previous evening's Bishop's Council. There had been a good debate at the Council and the key issues had been addressed. As a result he was confident that the Finance Committee could frame a budget reflecting the priorities of the Diocese to go forward to the October Synod and Board of Finance Meeting.

Mr Hurton agreed that the Bishop's Council had really engaged with the issues both in terms of the overall picture and the detail of proposals to control expenditure and increase income. The discussion had recognised that the two key variables were clergy numbers and the level of contribution from the local church. In considering clergy numbers we were planning that from 2020 they would be stable, with small increases in unit costs from year to year. From 2020 local contributions would need to increase every year. At the moment contributions were not rising in line with the rate of increasing costs and clergy numbers were proving hard to bring down to the target levels.

The Council had also enjoyed a very good discussion about the importance of encouraging giving by new Christians, the financial expectations on fresh expressions of church and the need to promote stewardship. The God for All stocktake was showing significant growth in the number of fresh expressions and it was important that the members of these churches saw generosity as part of discipleship. The Council had strongly encouraged a push on stewardship, the effects of which might not be felt until the 2021 and 2022 budgets, but

which needed to be started now. In the long term the solution was to have more Christians giving more money.

In terms of specific proposals, the Bishop's Council had agreed the following:

- Pushing to achieve 2020 stipendiary numbers with associated pastoral reorganisation
- Reducing stipendiary curates to three a year
- Adjusting the Diocesan stipend to the Northern Province average by April 2020
- Applying a 1% lay salary increase for 2018 and 2019
- Reducing the housing maintenance budget consistent with maintaining our houses in good condition
- Require parish property fund and growth fund grants to come from mission communities as part of their (written) plans for buildings and mission
- Investment in stewardship
- Investment in establishing dedicated funeral ministry
- Accelerating closed church building sales

Mr Jaques had revised the draft budget on the basis of these proposals. The overall impact was that the previously forecast deficit for 2018, 2019 and 2020 was turned around by the changes so that across the three years as a whole there would be a very small surplus. Projections beyond 2020 continued to show a deficit but it was reduced from £600,000 to £250,000, without assuming any additional income from the proposed push on stewardship and the review of Parish Offer. For the purpose of the post-2020 projections we had assumed that CCL and the Reach Team would continue to be funded at the current level whereas in reality those figures would be subject to discussions about our strategy beyond that date and the associated resourcing required.

There was a discussion about the proposals and priorities identified by Bishop's Council which addressed questions such as our confidence that savings in the housing maintenance budget would not store up problems for the future, any potential impact on morale of aligning the stipend with the Northern Province average, the possible impact of the stewardship push, and whether we should build additional Offer from fresh expressions of church into our assumptions about future income. It was explained that Mr Andrews, the Diocesan Property Manager, had proposed the changes to the maintenance budget on the basis of having been through a complete quinquennial cycle for all our houses which had resulted in underspends. In terms of stipend we currently paid £226 above the Northern Province average so to come down to that level by 2020 meant a small reduction in the annual increase to 1.6% from the 2% that had been paid for the last two years. There would be discussions with the Reach team about our expectations that fresh expressions of church should be financially sustainable.

The Committee agreed that Mr Hurton and Mr Jaques should finalise a proposal based on the Bishop's Council's discussion and the Committee's discussion and email it to members before the end of the day for approval.

FC 17/102 TREASURY AND INVESTMENTS – FC 17/94

Mr Jaques presented a paper summarising the Investment Working Group's conclusions. The group had consisted of himself, Mr Johnson and Mrs Troughton. Their report contained terms of reference which covered this year's work and suggested that they became established as a permanent group. It set out a number of proposals for reporting on and

managing our investments, suggested a review by a professional advisor, and set out a revised draft Diocesan Investment Policy. The policy could be described as terms of reference or rules of engagement for the Head of Finance, codifying our approach to our asset mix and providing clear levels of authority for decisions to invest in or disinvest from particular asset classes. The policy set out parameters for the asset mix that were based largely on where we currently were but which could be amended if required.

In the next few years we expected to see substantial capital receipts coming to the DBF from the sale of surplus parsonages and some glebe land. The policy was intended to help us decide where those receipts should be invested.

The Committee approved the revised investment policy with the next review date being set for 5 September 2018. The next area of work for the Investment Group was to consider investment opportunities for future capital receipts.

FC 17/103 CONSTITUTION OF THE DBF INCLUDING SUCCESSION PLANNING – FC 17/95

The Archdeacon of West Cumberland presented minor changes that had been made to the paper previously seen by the Committee before it had been considered by the Bishop's Council. The Council had agreed it and the Committee agreed that they were happy with the revisions. The plan was to take the revised Memorandum and Articles to the DBF and Diocesan Synod on 14th October so that members had plenty of time to consider them and raise any questions prior to being asked to approve them in March 2018.

Archdeacon Pratt reminded the Committee that there was currently one co-option available and said that he thought it could be used to recruit a potential chair of the Board.

There was a query about the use of technology and it was clarified that the proposed change in that area did not mean that routine meetings would be held remotely. Instead, if an exceptional meeting was needed it would be easier to achieve greater levels of participation by the Trustees.

The revised memorandum and articles set the term of office for a Director/Trustee at three years to be consistent with triennial appointment basis of the Diocesan Synod and other Boards and Committees. Appointments could be for a maximum of two three year terms. Members were asked to return the Skills Audit to Archdeacon Pratt by the end of September.

PART B FINANCE – MINOR MATTERS

FC 17/104 PARISH OFFER TO 31ST AUGUST 2017 – FC 17/96

Mr Jaques reported that to end August Parish Offer was 1.3% up on last year, compared to the national rate of increase of 1.9%. This year four churches had contributed about £6,000 in total towards arrears. There were seven parishes who had yet to make a payment.

In the discussion it was noted that the figures were always presented to the Archdeaconry Mission and Pastoral Committees but the way in which they were handled differed. In the West the Offer was discussed in some detail whereas in the North the figures were noted and work to chase up low levels of payment went on outside the meeting. Mr Hurton, Mr Jaques and the Archdeacons were to meet to discuss the situation and agree whether there should be a more consistent approach across the Diocese.

The Committee noted the offers received for 2018. So far this 80% of parishes had confirmed their offers. So far twenty parishes had offered increases above the rate of increase in the cost of local ministry but the overall position showed no increase. It would only take four or five parishes to revise their offer upwards to turn this into a 1% increase but this would not be easy to achieve.

FC 17/105 MULTI-ACADEMY TRUST – FC 17/97 & FC 17/98

The Committee noted the draft minutes of the MAT meeting held on 12th July and the financial statement to 31st July 2017. The Archdeacon of West Cumberland reported the good news that Whitfield and Lorton schools had joined the MAT. He reminded members that Whitfield school was outside the county. Wreay school was working supportively with Whitfield. It was hoped that through this work Wreay would see how the MAT worked and wish to join. One piece of bad news was that Heversham school had closed. Although it was a good school and had a good Ofsted report it was simply unviable in terms of pupil numbers. Mr Mill was in discussion with clusters of schools in the east and west with a view to them joining. The Regional Schools Commissioner had said that she would be having conversations with schools in the South Lakes to encourage them to consider joining the MAT.

The MAT was grappling with two specific budget issues of interest to the Finance Committee, namely the costs of the Director and of communications support, both of which were currently provided via the Board of Finance in the form of the Director of Education and the Diocesan Communications Manager. Funding for these was not currently provided for in the MAT budget but the MAT intended to develop associated budget lines in the future.

Mr Jaques was working with the MAT Business Manager on a form of financial reporting that would enable the Finance Committee to have a clear indication of the MAT's central financial position, as opposed to that of its constituent schools. Archdeacon Pratt commented that should the MAT fail, the main risk to the Diocese was now reputational rather than financial as the extent of the Diocesan Board of Finance's financial commitment was known and quantified. By the end of the year the MAT was expected to draw down a further tranche of the money which had been allocated to it by the DBF.

FC 17/106 RYDAL HALL – FC 17/99 & FC 17/100.

The Committee noted the minutes of the meeting held on 4th July 2017 and the Management Accounts for 31st August 2017.

The Chairman reported that new lighting had been installed in the Bulley Barn and that plans for improving the heating there were in hand. An application for charitable status had been submitted to the Charity Commission but it was not likely to be actioned until early in 2018 because of delays in the Commission. The Board was now receiving regular and comprehensive financial information which showed that performance was improving, albeit that there would, as budgeted, be a loss in 2017. Given the positive impact of the savings being realised following the decision to cancel the contract with Catering Academy, the only reason why the Hall might not be in a position to make a surplus in 2018 would be if its application for charitable status was refused. The capital budget which had been developed by the Interim Manager at the end of 2016 was now being revised in the light of developments and should provide a sound basis for investment.

FC 17/107 CUMBRIA CHRISTIAN LEARNING – FC 17/101

Mr Hurton, as a Director of CCL, reported that the Director had been on sick leave since mid-July. Canon Peter Clement had been leading CCL throughout the summer and had done a good job and given staff members confidence but was not in a position to continue in an interim role because of the pressures of his vocations work. The Board had therefore agreed to appoint a part-time Interim Director potentially until Easter 2018.

Mr Jaques had been working with staff to help them break down the overall budget between the areas of work. Individual staff members had attended the recent Board meeting to present their plans for the coming year. Those plans, plus the budget, would suffice for a business plan for the immediate time being. The period between now and Christmas was when we would see the work of CCL really start to manifest itself in the support offered to clergy and laity. CCL's principal financial risk continued to relate to the number of ordinands in training because so much income was generated by their training fees. The budget had been revised to reflect our latest assumptions about the number of students. The revised assumption for starts in 2017 was four and we had achieved this, which was a significant increase on the figures of two and one in the previous two year. Canon Clement was reasonably optimistic that the figure would double again in 2018 but we needed to achieve the steady state target of 11-13 as soon as possible. Canon Clement understood the situation and his work was clearly having a positive impact.

The Bishop added that most of the members of CCL staff had been in post for only a few months and that this was one of the reasons why progress in delivering support appeared slow. He was confident that this was changing and that the staff were beginning to work well together and would make a success of CCL.

It was reported that the Revd Robert Hannaford, Chair of CCL, had attended the Bishop's Council the previous evening to talk about CCL and its ongoing work.

FC 17/108 OPSHOPS – FC 17/102 & FC 17/103

The Committee noted the report and accounts.

FC 17/109 RETIRED CLERGY TRUSTEES

The Committee agreed to appoint the Venerable Penny Driver, Retired Clergy and Widows Officer, as a Diocesan Trustee.

The retired clergy fund was part of the DBF's accounts, but was held separately and was subject to a separate return to the Charity Commission as it was trust in its own right.

PART C PROPERTY MATTERS

FC 17/110 PARSONAGES COMMITTEE MINUTES

i. Archdeaconry of Westmorland and Furness – 1st June 2017 – FC 17/104. The minutes were received.

ii. Archdeaconry of Carlisle – 15th June 2017 – FC 17/105. The minutes were received.

iii. Archdeaconry of West Cumberland – 27th June 2017 – FC 17/106. The minutes were received.

FC 17/111 PROPERTY ISSUES REQUIRING FINANCE COMMITTEE ATTENTION – FC 17/107

i. Minutes. The Committee noted the minutes of the Property Sub-Committee meeting held on 12th September 2017.

ii. Matters Requiring Further Finance Committee Consideration and Approval

(a) Beckermeth Vicarage. The Archdeacon of West Cumberland reported that the Archdeaconry Mission and Pastoral Committee had now considered this house. There were issues with the house but if it was sold there would be no house in the whole of the south Calder area for any potential future curate. It was agreed that the house should be retained and rented out pending the review of curate locations.

(b) Kirkby Lonsdale Rectory. The future of the house had been raised at the Archdeaconry Parsonages Committee but it was for the Finance Committee, as the Parsonages Board, to approve the sale of Kirkby Lonsdale Rectory and the sourcing of a replacement house.

The Committee approved in principle the sale of the house, sourcing a replacement and the issuing of notices as a preliminary stage towards the sale.

(c) Curate Housing – East of Eden Mission Community. The Archdeacon of Carlisle explained that there were plans to place a curate in the East of Eden Mission Community. A central location in the deanery was favoured as it could then serve any of the three proposed Penrith mission communities. The Diocesan view was that Lazonby or Plumpton would be suitable locations. Although Plumpton was outside the mission community it was well connected in terms of road links and could serve more than one mission community. In conversations with local representatives it had been suggested that Culgaith would be a better location, but suitable houses in that village were likely to cost in the region of £400,000. Once all the mission communities were established in Penrith and Appleby Deaneries it was expected that there would be more suitable locations than Culgaith, especially if locations were expected to serve more than one mission community.

The Archdeacon had said that if an alternate house became available he would be prepared to move out of Plumpton Vicarage to release it for the curate. As this would potentially obviate the need for any capital expenditure it was the Committee's preferred option.

Mr Hurton explained that as far as future policy was concerned, he hoped to settle on a number of locations with suitable houses across the Diocese which would form the basis for all offers of curacies from 2019 onwards. The issue in 2018 was that we were in transition to mission communities so there were relatively few suitable locations.

(iii) Further Update Items to Note

(d) Heversham. The Committee noted that a letter of thanks had been received from the Parochial Church Council regarding the part of the sale proceeds to be paid over to them by the Board.

(e) **Grayrigg.** The Committee noted that the sale of the prospective purchaser's house had not gone through and that they had therefore been unable to proceed with the purchase.

Glebe

i. Matters Requiring Further Finance Committee Consideration and Approval

(a) **Borrowdale.** The Committee were asked to consider whether part of the glebe land should be sold for affordable housing if it would not be detrimental to the potential combined value of the vicarage and the glebe. Mr Andrews did not believe the land would add significant value to the vicarage and felt that if we sold the land for affordable housing the parish would be supportive. Mr Andrews had asked the Priest in Charge to raise this with the Parochial Church Council. The parish was aware of the situation with regard to the unlikelihood of there being a future clergy appointment.

In terms of timing, it would detract from marketing the vicarage if there was a building site on the glebe. There was also a potential issue with drainage rights which would need to be sorted out before the house could be sold.

The Committee was broadly supportive of the idea of providing affordable housing subject to avoiding a detrimental impact on the value of the sites. It was agreed to await advice from the DBF's agent before a firm decision was made. The Committee gave approval for the property sub-committee to make the final decision.

(b) **Castle Carrock Glebe.** It was reported that no progress had been made.

(iii) Further Update Items to Note

(c) **Unit 2, 19-24 Friargate.** The Committee noted that one potential lessee had withdrawn and discussions were continuing with a second. Penrith Town Council were now occupying Unit 1.

Closed Schools

i. Matters Requiring Further Finance Committee Consideration and Approval

(a) **Beetham School Playing Field.** The Committee considered an unconditional offer by the purchaser to sell half of the field for half of the purchase price. At the moment the land was classed as agricultural and the school would need to apply for planning consent for a change of use. The Committee agreed that the land be purchased subject to planning consent being obtained by the school for use as a playing field.

Update on Church House

It was reported that we had agreed in principle to the offer from Carlisle Key for the old Vicarage. Subject to them firming up their offer we were ready to proceed with the sale and it was hoped that this would clear the way for the Cathedral Trust to move forward with their plans. The Cathedral Trust would be discussing the potential purchase of Church House in November.

PART D PARISH PROPERTY FUND

FC 17/112 REQUESTS FROM PARISHES FOR FINANCIAL ASSISTANCE

i. Embleton. The Committee noted that a grant of £370.00 had been agreed towards a loop system and audio amplification.

PART E TRUST MATTERS

PART F FINANCIAL STATEMENTS

FC 17/113 PASTORAL ACCOUNT STATEMENT TO 31ST AUGUST 2017 – FC 17/108

The Committee received the statement.

FC 17/114 GLEBE STATEMENT TO 31ST AUGUST 2017 – FC 17/109

The Committee received the statement.

FC 17/115 BARCHESTER STATEMENT TO 31ST AUGUST 2017 – FC 17/110

The Chairman reminded members that questions had been raised about this fund. Mr Jaques reported that he and Mr Mill, together with their staff, had looked into the Barchester account with a view to identifying and resolving apparent gaps in some schools' maintenance accounts where it was proving difficult to link the outstanding balances with historic work. The work would take some time to complete but would be a priority in the coming months. It was conceivable that in a few cases sums would have to be written off.

New processes had been put in place to ensure that the issues could not recur. In the future every project would have its own unique account and schools would be asked to pay half of their 10% contribution up front. Even under the new approach there would continue to be a risk of a school defaulting but this was unavoidable unless we divested ourselves of all responsibilities for church schools. If the Church wanted to provide education it had to take some responsibility and accept some level of risk.

The Chairman expressed his appreciation of the extra work that was being done by the staff involved and the Committee received the Barchester statement.

FC 17/116 PARISH PROPERTY FUND TO 31ST AUGUST 2017 – FC 17/111

The Committee received the statement.

FC 17/117 GROWTH FUND STATEMENT TO 31ST AUGUST 2017 – FC 17/112

The Committee received the statement.

FC 17/118 LOAN STATEMENT TO 31ST AUGUST 2017 – FC 17/113

The Committee received the statement. One loan was causing concern and it was proving difficult in that case to contact the treasurer involved. Loans typically fell into one of two categories: those where there was an asset against which the loan was effectively secured and those which provided cashflow in advance of approved grant income being paid. The

problem loan fell into the second category as most of it had been expected to be repaid once a reclaim of VAT on building work had been made.

The Committee agreed that Mr Jaques should continue to try to contact the Treasurer in the first instance before involving the Archdeacon.

FC 17/119 DATE OF NEXT MEETING

Wednesday, 15th November 2017

For Information

Risk Register