

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, 15th November 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
 Mr M Mill – Diocesan Director of Education

FC 17/120 OPENING PRAYERS

Opening prayers were conducted by Mrs Gillian Troughton.

FC 17/121 MULTI-ACADEMY TRUST (MAT)

i. MAT Update – FC 17/119. Mr Mill introduced a progress report on the MAT and explained that as the MAT now included Whitfield School in Northumberland, the Newcastle Diocesan Board of Education had been asked to consider whether they had any objection to the MAT approaching other Church Schools in the west Tyne Valley. Mr Mill then gave an overview of progress and the latest position with respect to the Government's academy programme. He reported on the way the MAT was reviewing its vision, plans and marketing.

Of the schools who had joined recently, positive feedback had been received from Lorton School and there had been a step change in the quality of the education provided at Whitfield school.

As far as attracting other new schools was concerned, a significant secondary school had been in discussion about possibly joining, although these talks were currently on hold. The governing body of a large primary in Carlisle had taken an initial vote in favour of joining.

The debate about whether we should have one MAT or two was ongoing. The argument for having two was that if a school failed within one MAT, it could move to the other. Otherwise it may have to join a non-church-majority MAT.

ii. Draft Minutes of the meeting held on 21st September 2017 and Director/Member's report – FC 17/120. The draft minutes were noted.

iii. Financial Statement to 31st August 2017 – FC 17/121. Mr Jaques explained that the figures showed the position of the MAT "head office" rather than the individual schools and

were adjusted to remove the timing effect associated with Government grant funding. The figures therefore gave an accurate picture of the deficit or surplus for the year and showed a deficit of just under £19,000. The DBF would therefore transfer this sum to the MAT. It was a much lower figure than that budgeted which was £50,000. It was noted that the year end for the MAT was 31st August.

FC 17/122 DBF REPRESENTATION ON STAND ALONE ACADEMIES – FC 17/122

Mr Mill reminded members that DBF representatives were appointed to each of the stand alone academy trusts. In the past he had acted as the DBF's representative at the trusts' Annual General Meetings but he believed it would be more appropriate for a wider range of people from the Diocese to take on this role. The Articles of Association of the trusts stated that the Board of Directors of the member – ie of the DBF - should 'authorise such person as it thinks fit to act as its representative at any meeting of the academy trust, and the person so authorised shall be entitled to exercise the same powers on behalf of the organisation which he represents as that organisation could exercise if it were an individual member of the academy trust.' The Board should also inform the academy trust in question of the name of their representative.

He also believed it would be positive if the DBF, as the corporate member of the stand-alone academies, became more active in its member role, and if its representatives understood how the schools operated and could give feedback on individual schools. Some schools had a pre-meeting before their Annual General Meeting and it would be useful for representatives to attend these. If the Board's representative needed any support or guidance they could get in touch with the Board of Education. Most Annual General Meetings were after Christmas but there were three before. In the future Mission Communities might be expected to identify people locally who could take on this role.

It was reported that Mr David Mills represented the DBF at one of the schools. Representatives did not necessary have to be Finance Committee members.

After discussion it was agreed that Mr Johnson would take on this role at Trinity School and Mrs Troughton at Eaglesfield Paddle school. Further individuals would need to be identified and members were encouraged to bring suggestions forward.

FC 17/123 MINUTES – FC 17/114

The minutes of the meeting held on 20th September 2017 were approved and signed.

FC 17/124 MATTERS ARISING FROM THE MINUTES

i. Communications Manager. There was a query about how long the Communications Manager was likely to be off sick. It was reported that this was likely to be until the end of February. Archdeacon Pratt was currently dealing with media requests and some other urgent items of work and the eNews was being taken care of by the Bishop of Penrith's office.

ii. OpShop Review. The Archdeacon of Carlisle reported on progress in implementing the agreed recommendations from the review. Interviews for the development project manager role were to be held on 20th November 2017. There had been six applicants and three had been shortlisted. It was hoped to appoint before Christmas.

iii. Memorandum and Articles & Succession Planning – FC 17/116. The Archdeacon of West Cumberland reported that the proposed changes to the Memorandum and Articles had been introduced at the DBF/Diocesan Synod meeting and would come back in March 2018 for formal approval. He clarified that at the point of transition to the new arrangements, if member had served for less than half a term they could serve for two more, but that if they had served for more than half a term, they could only serve one more term.

The Archdeacon reported that he had circulated the results of the skills audit. The skills audit had showed that the current Trustees did not have the full range of professional expertise in the areas relevant to the DBF. However, we had professional officers in areas such as HR and legal, and accessed external professional advice, so this should not necessarily be a concern. The area where extra expertise and experience would be increasingly required in the future was entrepreneurship. The hydro schemes were a good example of a situation in which the DBF had been prepared to explore a new entrepreneurial opportunity and we needed more trustees who could appraise similar opportunities in the future. The Archdeacon also noted that the Finance Committee was not currently diverse. We should therefore particularly encourage applications that would broaden its membership.

The plan was both to advertise and to headhunt proactively for potential Trustees. We should also be looking to identify and recruit people who could potentially be the Chair.

The Chairman said that he would write to Parochial Church Council Treasurers and Secretaries and the clergy to let them know what kind of people we were looking for and encourage applications and nominations.

It was agreed that the skills audit would be repeated following the election of new trustees in October 2018 with a view to informing any need for co-options.

iv. Appointment of a Vice Chair. The Venerable Richard Pratt moved and the Venerable Vernon Ross seconded the appointment of Mr Johnson as Vice-Chair. There were no other nominations and Mr Johnson was duly appointed.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

FC 17/124 MANAGEMENT ACCOUNTS TO 31ST OCTOBER 2017 – FC 17/117

Mr Jaques reported that we were continuing to do well compared to budget. As we got closer to the year end the number of uncertainties in the projection would be smaller. That said, a lot of transactions occurred towards the end of the year. There were four areas where the outturn could make a significant difference to the overall position. These were: the final payments of Parish Offer where the rate of payments had been very strong for the year to date; housing repairs, where the saving versus budget could be in excess of £100,000; the provision for support to Cumbria Christian Learning; and the valuation of the hydro schemes. He believed the projected figures were currently on the cautious side.

There was a query about how much might have to be written off the Barchester Fund's balance sheet in terms of school maintenance accounts. Detailed accounting work was continuing on this front and schools were being informed about the history of outstanding balances. The balances in question could amount to as much as £100,000.

FC 17/125 PARISH OFFER REVIEW – FC 17/118

Mr Hurton introduced a report from the Parish Offer Review group and told members he wanted them to consider the proposal which had been trailed at the last meeting and considered by the Bishop's Council the previous Monday.

In the last twenty five years Parishes had had to absorb more and more of the costs that had previously been met by the Church Commissioners, especially in terms of stipends and pension costs. The local church had risen to this challenge and there was now a general acceptance that it was responsible for funding local ministry rather than funds coming from the Church Commissioners or the Diocesan Board of Finance.

The increase in contributions from parishes had originally been provided through the quota or parish share system. It was nine years since we had moved from the parish share to the parish offer system. The system now needed to reflect the fact that we were moving to establish mission communities and implementing a strategy for ministry which would make significant changes to the deployment of stipendiary and non-stipendiary ministry in the diocese. The parish offer had been very effective in engaging parishes and had resulted in a very high collection rate but the overall amount received had fallen in real terms.

In terms of the budget, if the cost of local ministry went up by 2.5% a year and the number of stipendiary posts stayed the same year on year – as was planned from 2020 - then if four fifths of parishes increased their offer by 2.5% and one fifth offer no extra, there would be a structural deficit amounting to approximately £25,000 in the first year, compounding in year two to £50,000 and in year three to £75,000. This was the risk associated with the current system which tended to accept the offers from parishes without any conversation about the context or the impact of particular levels of offer. The process of making offers was currently handled by deaneries and there was clear communication about the process but less conversation within deaneries about the levels of offers. No system could solve the problem of a significant number of parishes running deficits from one year to the next, but the system currently hid those problems.

The change to the parish offer had represented a move away from a taxation system to a system based on generosity in which the parishes took responsibility and control. Once this responsibility was granted it could not be taken away.

The review group had considered a set of principles for any revised system. This included the need for us to see ourselves as being part of a wider church, a principle which applied both to individual churches within mission communities and individual mission communities within the Diocese and the ecumenical county. The system should also embody the need for mutual support between churches and mission communities rather than being based on the position of individual churches. It should be based on relationship, conversation and mutual agreement. It should be rooted in a theology of generosity underpinned by stewardship. There should be a clearly transparent presentation of the financial realities including the costs of ministry and the diocesan and parish financial situation.

The proposal was that we should continue with an offer system but one that came out of conversations between on the one hand, the mission community, and on the other hand, the Board represented by the Archdeacon and officers. The Trustees could also be involved in the conversations. The conversation would cover areas such as the local financial contribution in the context of local plans for mission and ministry, support that the DBF

could offer in way of the Growth Fund, loans and grants and stewardship. It would be important to treat every mission community in a consistent way.

The conclusion of the discussions with a mission community would be an agreed financial contribution from the mission community for three years or for one year with indicative figures for the next two years. The principle that a church or group of churches made a generous offer remained at the heart of the proposal but the offer would be better informed and discussed rather than unilaterally made. The system would need to be underpinned by the continued transparent presentation of the diocesan finances, and by re-emphasising through our communications the key aspects of mutuality and generosity and the need to take stewardship seriously.

The suggestion was that the proposed approach would be piloted in around 6 mission communities in 2018 for their receipts in 2019 with the remainder of the parishes carrying on in usual way. It was proposed to take this proposal to the Diocesan Synod in March after having approached mission communities to assess their willingness to be part of a pilot. The Bishop's Council were happy with the proposals.

In the discussion the value of looking at offers across a Deanery was stressed. This was an important part of ensuring mutuality and accountability. A system where the only discussions and information flows were between mission communities and the DBF would weaken this. It was suggested that the management of the system could involve mission communities dealing directly with the DBF but that deanery-based discussions could also be valuable. The pilot would also need to establish how the ecumenical aspect of financing mission and ministry would work.

The Trustees agreed that mission communities should be approached about piloting the change and a wider consultation and communication about the proposed changes should be undertaken in parallel.

FC 17/126 RESERVES POLICY – FC 17/123

Mr Jaques presented a paper on this issue. The paper highlighted the fact that we had not met our reserves policy for some time. The Trustees were already aware of this and were currently kept abreast of the situation at each meeting. The Board was effectively operating on one month's free, liquid reserves. This meant that we did not hold significant amounts of cash which did not earn interest, and that we were thereby maximising our income, but it also meant that we had to keep a very close eye on cashflow. In order to meet our current policy we would need to liquidate some assets and hold more cash which would reduce our income. Our cash flow and balance sheet were strong, but most of our reserves were tied up earning a return, for example in the hydro schemes. Mr Jaques suggested that we should amend our policy to reflect the reality of our current approach. A realistic approach would be to hold one month's average expenditure in free, liquid reserves.

In discussion the question of what "reasonable reserves" meant was asked. The Charity Commission wanted charities to use their resources in support of their charitable objects, rather than to sit on significant reserves. They would be happy with us holding just a month's expenditure in free reserves provided that our cash flow was adequate and we did not put the charity at risk through such an approach. One month could be justified because most of our income came in monthly and we could easily liquidate some investments or access credit if we needed to.

In response to a question it was reported that we were fairly confident that, if we agreed the policy change, this would be fulfilled in the year end accounts. If we were a small charity where the trustees met three or four times a year and had a voluntary treasurer we might decide to be more prudent but as we operated with a full-time, professional finance manager and effective financial systems we could have confidence that the policy being proposed was appropriate.

The Committee agreed that the reserves policy be amended to a requirement of one month's expenditure and that the reserve position should continue be reported in the management accounts every two months.

FC 17/126 FINANCIAL RISK REGISTER – FC 17/124

Mr Jaques told members that he and Mr Hurton had been through the risk register to update figures and include additional comments. One risk had been added in respect of the forthcoming changes to data protection regulations where failure to comply could result in substantial fines. He asked the trustees to consider whether any more financial risks needed to be added.

A number of specific comments were made in respect of the following: OpShops, where the date for plans to separate the OpShops into a CIO should be 2019; Data Protection, where a report on plans to implement the new regulations would come to the next Finance Committee meeting; Rydal, where there were currently some significant operational risks which could have financial implications; parish offer, where any impact from stewardship would not be seen until 2019/20; investment income, where there was an assumption of a 2% increase in CBF dividends for the next three years; and CCL where the risk was principally about student numbers. Mr Jaques would update the register accordingly.

Mr Jaques reported that he would be working on an operational risk register to accompany the financial risk register and would be developing a new disaster recovery plan.

PART B FINANCE – MINOR MATTERS

FC 17/126 INTER-DIOCESAN FINANCE FORUM – FC 17/125

Mr Jaques circulated a paper for information about the issues discussed at the recent Inter-Diocesan Finance Forum. This was a twice yearly meeting of DBF Secretaries, Chairs and Heads of Finance for discussion of issues which would impact on Dioceses. This particular meeting had focused on clergy pensions and the costs of plans to increase the number of ordinands in the Church of England.

The clergy pension scheme valuation was very sensitive to fluctuations in the background assumptions for areas such as gilt yields, future inflation and stipend increases. It looked as if the deficit could potentially have grown in spite of the additional payments being made by Dioceses to address it. There were a number of proposals to address this including revisiting the assumptions and seeking a contribution from the Church Commissioners. On ordinands' costs, there were clearly concerns about how the national church's plans for a 50% increase in ordinand numbers could be met, both in terms of the costs of training and the costs of deploying stipendiary curates.

Mr Jaques reported that at the forum some tensions between the national church institutions and the Dioceses had been apparent. Some Dioceses had expressed a sense

that the centre was trying to manage what went on in Dioceses. Certainly the approach being followed in the implementation of the Renewal and Reform agenda implied a deliberate wish to centralise control over resourcing. At times it appeared that the national institutions had a prescriptive model in mind of what Dioceses' strategies and approaches to the future should be. However, it was also clear that many dioceses had not formulated realistic strategies for future ministry deployment and some appeared to be in denial about their ability to fund stipendiary clergy in the future.

In relation to the pensions issue the Church Commissioners appeared highly unlikely to provide additional resource to fund any deficit in the scheme. This was partly because their investment return was better than that achieved in the clergy pension fund and partly because it would reduce their ability to provide Strategic Development Funding to dioceses.

In the discussion the risk of paralleling the mistrust in the relationship between the national church and the dioceses in the relationship between our local churches and the diocese was identified. It was important to ensure that there was a partnership between the Board of Finance and the parishes and emerging mission communities. The discussions about mission community offers would need to be held in that spirit. It was easy to imagine a scenario in which mission communities felt that they were being micro-managed or their decisions were being second-guessed. Open and transparent communication and a real effort to embed the key principles of generosity and realism would be essential. Associated with this, Mr Jaques reported that he had given some thought to producing a single page briefing for parochial church council treasurers and others interested in the nuts and bolts of diocesan finance. It might also be worth more regular communications with treasurers about the sorts of issues that were discussed at the IDFF so that they were aware of the context in which the DBF was setting its budget.

FC 17/127 CDBF DEFINED BENEFITS PENSION SCHEME – FC 17/126

The Chair explained that this fund was for lay staff but that the number of staff who were in it was gradually falling. All new staff were now enrolled in a defined contributions scheme. The scheme for new staff was generous but there was no danger of the contribution rate increasing because it was fixed.

The defined benefits scheme applied to a handful of staff in employment and a number of people who had left but deferred their pension. The scheme was currently in surplus but there would be an increase in the contribution rate for future service. The increase required was slightly less than that contained in the diocesan budget.

FC 17/128 PARISH OFFER TO 31ST OCTOBER 2017 – FC 17/127 & FC 17/128

i. Parish Offer Receipts. Mr Jaques reported that the parish offer receipts were a fraction higher than at the same point last year but the overall increase seen, at 0.9% was lower than the national average increase of 1.4%. In terms of the offer for next year, there were around forty parishes who had not yet submitted their offers, and that when these were stripped out, the offer represented a 0.4% decrease compared to the offers made for 2017.

In response to a question about parishes giving major cause for concern, it was reported that the Archdeacons would continue to monitor and chase outstanding amounts.

ii. Parish Offer Arrears. Mr Jaques introduced a paper about parish offer arrears and the need for clarification about our response to arrears. They did not appear on the books as

debtors. We had received £61,000 last year in payments of arrears. Continuing to show arrears on parishes' statements had a mixed impact. In some cases it reminded parishes of the need to use windfalls to pay off arrears, but in other cases it demoralised parishes who were trying hard to pay their offers in difficult circumstances. We needed to be clear how we were going to approach situations where parishes with arrears ceased to exist or became part of mission communities so that there was a consistent approach.

A number of parishes were in correspondence with Church House about their outstanding arrears. It was agreed that arrears in a number of cases should be written off. These cases applied in the following situations: where arrears were up to and including £200; historic arrears associated with the parishes in the Binsey Team Mission Community; where a church had closed and there was no final balance to be used to pay off arrears; and where agreement had been reached with a previous Archdeacon. The Archdeacon and Mr Jaques would discuss action in respect of the other cases and keep the Committee informed.

FC 17/129 RYDAL HALL

i. Management Accounts to 30th September 2017 – FC 17/129. The Committee noted the management accounts to the end of September prepared by Mr Weakley. Performance continued to be slightly behind budget with both income and expenditure lower.

ii. Charitable Status Update. It was reported that the Charity Commission had accepted the proposal.

iii. Director's Report. See confidential minute.

FC 17/130 CUMBRIA CHRISTIAN LEARNING

i. Minutes of the meeting held on 5th September 2017 and Director's Report – FC 17/130. It was reported that Mr Ashurst, who had been appointed as part-time Acting Director, three days a week, was making significant progress towards developing a plan for CCL.

ii. Management Accounts to 31st October 2017 – FC 17/131. The figures showed that non-staff costs were above budget. Mr Jaques was working closely with CCL officers to put in place a detailed budget for 2018. The commentary sheet that accompanied the financial report included details of how ordination funding was going to work in the future.

FC 17/131 OPSHOPS – FC 17/133

Mr Hurton reported that Mr Greenwood had worked hard to control costs in the course of the year and that there was currently a small surplus. He believed that revenue would be up by about £15,000 on 2016 and that expenditure would be significantly below budget. Although this was very welcome news, it did not detract from the need to implement the findings of the recent review.

PART C PROPERTY MATTERS

FC 17/132 PARSONAGES COMMITTEE MINUTES

i. Archdeaconry of Carlisle – 7th September 2017 – FC 17/134. The minutes were received.

ii. Archdeaconry of West Cumberland – 12th September 2017 – FC 17/135. The minutes were received.

iii. Archdeaconry of Westmorland and Furness – 17th September 2017 – FC 17/136. The minutes were received.

FC 17/133 PROPERTY ISSUES REQUIRING FINANCE COMMITTEE ATTENTION – FC 17/137

i. Minutes. The Committee noted the minutes of the Property Sub-Committee meeting held on 3rd November 2017.

ii. Matters Requiring Further Finance Committee Consideration and Approval

(a) Grasmere. The Archdeacon was meeting the Parochial Church Council on 3rd December and the Committee were asked not to take any action until after this date. It was hoped that the parish would allow the sale of the Rectory to go ahead. This was a house which could be let but would need a considerable amount of money spent on it in order to do so. Mr Andrews was looking into what had to be done if we could not sell the house.

(b) Cleator Moor. The Committee noted that this house could now be let.

(c) Dacre. It was reported that this house was to be held.

(d) Curates Placements/Housing in 2018.

i. East of Eden. It had been agreed that Plumpton Vicarage would be used for the curate subject to the Archdeacon of Carlisle securing agreement over the availability of alternative housing.

ii. Barrow Furness. The curate would be housed in either St John's Vicarage or St Aidan's Vicarage as 98a Roose Road would not be available in time.

iii. Workington. Arrangements were expected to be finalised for a curate to be housed in St Michael's Rectory.

(e) Grinsdale. The Committee agreed to accept the agent's recommendation that a lower offer on the building be accepted.

(f) Barrow St Luke. The Committee noted that British Gas had confirmed a write off any outstanding charges and consequently final accounts were with the Commissioners and could be settled.

(g) Warwick on Eden St Leonard. The Committee noted that with marketing at a guide price of £75,000 having produced a number of enquiries, interested parties were being invited to submit use proposals and best offers in time for consideration by the Archdeaconry Mission and Pastoral Committee on 30th November.

Closed Schools

i. Update Items to note since the Property Sub-Committee meeting

(a) **Heversham School.** This was now a closed school and would be transferred to Barchester. The Committee agreed that the custodian trusteeship be transferred from the Vicar and Churchwardens to the Board.

ii. Further Update Items to Note Since the Property Sub-Committee Meeting

(b) **Allithwaite Institute.** The Committee noted that the sale of the building was now complete after the transfer of funds had been delayed by the purchaser's solicitor.

PART D PARISH PROPERTY FUND

FC 17/134 REQUESTS FROM PARISHES FOR FINANCIAL ASSISTANCE

None had been received.

PART E TRUST MATTERS

FC 17/135 COCKERMOUTH PAROCHIAL CHURCH COUNCIL - ALL SAINTS CHURCH ROOMS

The Committee, having previously given its consent to the draft scheme to sell the Church Rooms, gave formal consent to the sale.

FC 17/136 HAWKSHEAD PAROCHIAL CHURCH COUNCIL – SALE OF FIELD

As Custodian Trustee of a field in Hawkshead on behalf of the Vicar and Churchwardens, the Committee gave its consent to the sale of the field.

PART F FINANCIAL STATEMENTS AND REPORTS

FC 17/137 TREASURY AND INVESTMENTS – FC 17/138

The Committee noted the paper prepared by Mr Jaques and circulated for information. A third part review of our investments by an external adviser was still awaited.

FC 17/138 PASTORAL ACCOUNT STATEMENT TO 31ST OCTOBER 2017 – FC 17/139

The Committee noted the statement.

FC 17/139 GLEBE STATEMENT TO 31ST OCTOBER 2017 – FC 17/140

The Committee noted the statement.

FC 17/140 BARCHESTER STATEMENT TO 31ST OCTOBER 2017 – FC 17/141

The Committee noted the statement and commentary sheet provided by Mr Jaques.

FC 17/141 PARISH PROPERTY FUND TO 31ST OCTOBER 2017 – FC 17/142

The Committee noted the statement. It was reported that the building strategy suggested that parishes should apply for grants to carry out feasibility studies to develop their church buildings and the Committee agreed that the scope of the Fund should be extended to provide funding for such studies.

FC 17/142 GROWTH FUND STATEMENT TO 31ST OCTOBER 2017 – FC 17/143

The Committee noted the statement.

FC 17/143 LOAN STATEMENT TO 31ST OCTOBER 2017 – FC 17/144

The Committee noted the statement. Mr Jaques had been in touch with a parish where no repayment had been made but a VAT claim had been outstanding. It was believed the claim had now been paid but nothing had been received as yet.

FC 17/144 CHURCHES TRUST FOR CUMBRIA

A report was given to the Committee about the work being done by the Churches Trust for Cumbria. The DBF funded the Trust through an annual grant of £22,000.

FC 17/145 DATE OF NEXT MEETING

Wednesday, 24th January 2018