

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, 25th January 2017.

PRESENT:

The Bishop of Carlisle	Mr D W Dickinson
The Archdeacon of Westmorland and Furness	Mr J A E Johnson
The Revd M Jayne (Chairman)	Mr R C Morris
The Revd A Towner	

IN ATTENDANCE:

Mr D Hurton – Diocesan Secretary
 Mr R Jaques – Head of Finance
 Mr N Andrews – Property Secretary
 Mr T Evans – Interim General Manager, Rydal Hall

FC 17/01 CHAIR OF THE FINANCE COMMITTEE – FC 17/04

Mr Hurton took the chair and welcomed Mr Evans and Mr Jaques who had taken over from Mr Barrett as Head of Finance.

He drew attention to a paper prepared by Mr Jayne about the role of the DBF chair and governance including the period for which the Chair should be appointed. He suggested that Mr Jayne should be nominated as Chair for a third year. Mr Jayne was elected for a further year and took the Chair.

Mr Jayne thanked the members of the Finance Committee for their confidence in him. He said he was happy to serve for a third year but that the Committee needed to start thinking seriously at its next meeting about a succession plan.

FC 17/02 OPENING PRAYERS

Opening prayers were conducted by the Venerable Penny Driver.

FC 17/03 APOLOGIES FOR ABSENCE

Apologies for absence were received from the Archdeacon of West Cumberland and Mr M Bonner.

FC 17/04 RYDAL HALL – FC 17/02

Mr Evans began by looking back over the past four months and then at what needed to happen in the short term so that Rydal continued to make progress into the future. He described three phases: phase I was “stopping the nose dive, phase II was “the turnaround” in 2017 and phase III was “continued proactive transformation” through 2018.

The restructure of the Rydal management team was more or less completed and there was much greater clarity about what was needed in order to continue the journey that had

begun. In terms of the financial side of the business there was now a set of tools in place that allowed the staff to see what was happening on a regular basis and to scenario-plan for the future. A budget process was also now in place which would engage the management team more closely and a clearer approach to capital expenditure and depreciation. The new Head of Finance, David Weakley, had introduced a cost centre approach to budgeting and reporting. Operating this on a month by month basis meant that departmental heads could see how their departments were doing and spot warning signs early. Having timely management accounts was crucial to how he wanted the business to operate in the future.

Mr Evans reminded the Committee of the existing pattern in which Rydal saw the bulk of its profit being generated in the four months in the middle of the year, with March, April, September and October being break even months and January, February, November and December being months when money was lost. This was a pattern that Rydal needed to break but it would take around eighteen months to do so. Rydal had to look for its niche where it could attract groups of people who would use the facilities but not be worried about the weather. This might include, for example, academic groups from universities.

As far as the human resources side of work was concerned, there was still work to do. New job descriptions were being produced to match the new structures and improved induction put in place. It had been no mean feat to overcome the loss of the non-European Economic Area staff but this had been achieved with the customers seeing little impact on the level of service offered. The staff involved at the time had made a tremendous effort and deserved strong recognition for that. Ill health reporting processes, which had been too informal in the past, were now in place and being applied properly.

Mr Evans intended finalising a new contract with Catering Academy, who provided chef and kitchen services at Rydal. The Teashop was responsible for its own catering.

With regard to business development he had applied resources to taking this critical area of work forward. The first part of the work had been introducing Room Master software which had now been commissioned and was in operation. The first tranche of staff had been trained to operate the system. The website had been updated. At the moment people still had to ring to make a booking but, increasingly, a large proportion of the population wanted to be able to make bookings online and the system needed to be developed to allow this to happen.

Mr Evans reported that the financial figures showed a significant loss in 2017. He showed that if the rent paid by Rydal to the Board of Finance was excluded and there was a more realistic approach to depreciation of capital expenditure then the figures were much more positive. His personal view was that the rent and lease disadvantaged Rydal because Rydal was required both to pay a rent and to maintain the house and estate in good condition. Mr Hurton explained that the rent reflected the fact that the Board of Finance had invested substantially in improving the estate and that the money used to make that investment would otherwise have been invested to generate a return. The rent therefore covered the opportunity cost of the Board investing in Rydal. Mr Evans reminded the Board that a 10% discount was given to the diocese or church groups and this reduced the income of the Hall by around £10,000 a year from what it would otherwise have been.

Mr Evans reported that he would be putting forward a couple of requests for relatively small amounts of capital expenditure. He had hoped to be able to bring forward teashop development proposals to the meeting but because there had been an outbreak of a

stomach bug among the staff over the New Year period he had been too busy organising cover to finalise the papers. A campsite development plan would also come later.

Turning to Rydal's culture and ethos, Mr Evans said that there were three key elements to what he was trying to promote. First, he was trying to decentralise the decision-making process within the Hall so that people took more responsibility, showed initiative and were creative, providing solutions and not problems. Second, he wanted people to understand that there was strength in team work, with information and ideas being shared across and between teams. Third, and most important, the end goal was to help make sure that our guests experienced a warm, friendly, family environment. He emphasised that handling the gap between his departure and the arrival of the new General Manager post was a key issue for the Board.

In concluding his presentation, Mr Evans said that looking forward there remained work to be done, both to consolidate the changes that had been made in the last few months and to take forward other major areas of development. The former included ensuring continuity in management pending the new general manager starting, embedding new management practices and dealing with outstanding HR issues. The latter included the feasibility of expanding the teashop and developing the campsite. The governance model for the Board was also being reviewed by the Revd Martin Jayne and Mr Jim Walker and thought was being given to the personal and ministerial development of visitors and staff.

In response to a question Mr Evans said that the Rydal Community remained an important part of what made Rydal special, bringing people from different countries together to serve the guests. We needed to provide support for Community members' personal and spiritual development, to engage them as part of a worshipping community and to provide them with pastoral and spiritual care. The future role for the Rydal Hall Chaplain was important in this respect. Ensuring that these elements were in place and working effectively would also reinforce the *raison d'être* of the Hall.

The ensuing discussion included comment about the roles of the shareholder, the Board and the operating staff. Various governance models could be adopted for the future. The current model risked creating a gap between the Rydal Hall Board and the way that the business operated on a day to day basis because the Board was entirely made up of non-executive directors. There needed to be more clarity about decision-making processes both at the Rydal Board and by the DBF Finance Committee acting as the shareholder. The Rydal Hall Board should meet more frequently in the future. Mr Jayne would decide how best to report back to the Committee once the work to review governance had made some progress.

The Committee confirmed the arrangement whereby the Archdeacon of Westmorland and Furness would continue to chair the Rydal Hall Board for up to six months following her retirement as Archdeacon. In the period until the new General Manager took up his post the remainder of the Rydal Hall Management Team would meet regularly and would be supported by the Archdeacon.

The Chairman thanked Mr Evans for all his work at Rydal. Mr Evans said he had enjoyed his time at Rydal and felt encouraged by where the Hall was now positioned.

FC 17/05 MINUTES – FC 16/122

The minutes of the meeting held on 16th November 2016 were approved and signed with one minor correction.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

FC 17/06 MANAGEMENT ACCOUNTS TO 31ST DECEMBER 2016 – FC 17/03

Mr Jaques presented the latest management accounts. The figures would inevitably change between this version and the final audited accounts as end year adjustments were made. In line with the previous forecasts, there was a deficit of well over £200,000 for the year.

Reporting on how Rydal Hall was treated in the accounts, Mr Jaques reported that the Hall had made a payment this month towards payroll costs. Rydal's payroll was managed in the Diocesan Office and the costs charged back to Rydal. The Committee had resolved to recapitalise Rydal Hall Limited to the tune of £200,000 and this would be done through the purchase of new shares. This transaction would need to be disclosed on both Rydal and the Board's statutory accounts and would be noted by our auditors in their letter of representation.

Mr Jaques said he would welcome the Committee's thoughts on the presentation of future financial information.

FC 17/07 CHAIR OF THE FINANCE COMMITTEE – FC 17/04

Following on from the discussion earlier, it was suggested that as well as finding a new Chair the Committee should continue to look to attract new candidates for membership. Improving the connectivity between parochial church councils, deanery and diocesan synods would make it more likely that good candidates emerged for the Finance Committee.

FC 17/08 PARISH OFFER TO 31ST DECEMBER 2016 – FC 17/05

It was reported that all except 7 parishes' 2017 offers had now been received. If those parishes offered the same amount as in 2016, the total 2017 offer would be around the same level as that for last year. This was an improvement against the assumptions used in the 2015-20 budget, but continued to represent a real terms fall in funding.

FC 17/09 RISK REGISTER – FC 17/06

Mr Hurton and Mr Jaques introduced the risk register, focusing on a small number of key risks around Parish Offer, clergy numbers, Rydal Hall, Cumbria Christian Learning and OpShops. The register had been updated to present the latest assessment of the risks we faced and to address some additional risks that Mr Jaques had analysed, particularly in respect of financial control and fraud.

In respect of the Parish Offer, which continued to present the largest medium term financial risk, the Chairman said that in the next month or so thank you letters would be sent to parishes that had paid in full. The abbreviated accounts leaflet for last year would be included along with a message of thanks for what had been given and encouragement for parishes to pay what they had offered for 2017.

In the discussion it was noted that there was some ignorance within the Diocese about how some of the new posts which had been created in the Reach Team and CCL were being funded. There was a danger that they were seen to be funded at the expense of parochial posts, whereas the reality was that they were being funded by the Archbishop's Council's Strategic Development Funding grant, which could not be used to support parochial posts.

As far as clergy numbers were concerned, monitoring and controlling their payroll costs remained an important part of our risk management. As time went on, we were becoming more confident about predictions of future clergy numbers and therefore costs, but we remained above budgeted numbers for the time being.

With regard to loans to Parishes, it was noted that where these were for substantial amounts they were either secured against assets in the parishes concerned, or were for cashflow purposes pending receipt of grant payments or tax reclaims. The protocols for loan approvals, as agreed by the Committee previously were in place and being adhered to.

Mr Hurton reported that Cumbria Christian Learning's financial model was highly sensitive to the number of ordination trainees who were recruited. These trainees generated fee payments from the Archbishop's Council for their training costs. The fee payments were larger for younger ordinands. In 2016 two people had started training, with up to four starting in 2017. All four of these were in the oldest age category as far as fee income was concerned. This was likely to have an adverse impact on CCL's financial position and he would be presenting an analysis of the situation to the CCL board later in January and to the Finance Committee in March. He already felt that this meant that the Risk Register needed to be updated to show this as a high rather than a medium risk. The end result could potentially be a larger working capital requirement for CCL. Bishop James reported that eighteen people were in the process of exploring their vocation with the Diocesan Director of Ordinands and his team. We should expect that many of those people would eventually train for ordination with CCL, with a positive impact on fee income.

FC 17/10 OPSHOP REVIEW – FC 17/07

Mr Towner introduced his report, which reviewed the operation of OpShops to date. He said that he had concluded that OpShops were right at the heart of the aspirations within our strategy of God for All. The work done through the shops was a practical ministry supporting people who often faced difficulties in their lives and felt distant from God. This ministry was hard work and often messy and needed to be recognised as such. If we could make OpShops work, they represented a very effective means of making the Gospel relevant to many people living in urban parts of the Diocese. However, OpShops were not making the sort of progress towards real sustainability that had been envisaged as a result of their obtaining grant funding from the Archbishop's Council around four years ago. Many of the key issues that had been outstanding at that time remained to be solved. Work had to be done now to resolve them and this would require some changes.

Mr Towner recommended that OpShops should be separated out from the Board of Finance and established as a separate Charitable Incorporated Organisation (CIO) with diminishing grant support from the Board. This would help OpShops to raise funds towards their work. The CIO should be taken into the ownership of the local churches to enhance church:shop links. It should have a bigger board, including Christian people with retail experience who could make a significant contribution to developing the network. The Salvation Army, who were now full partners in the Ecumenical Diocese, were obvious partners to look towards.

He also recommended that the current model in which a pioneer curate had been appointed to OpShops on a 50:50 basis with a parochial curacy should be honestly appraised. Managing a curacy with two bases and a strong pull towards the parish half of the role was inherently difficult. If we wanted to invest in OpShop ministry then it might make more sense to appoint a lay minister with the right skill set.

In Mr Towner's opinion, suggestions of growing the network from its current base in Carlisle and Penrith should not be considered until the existing network had a stronger local foundation.

In the discussion it was agreed that the new Archdeacon of Carlisle should be asked to take the lead on work to develop a proposal through which Mr Towner's recommendations could be explored and implemented. This would involve spinning OpShops out of the Board of Finance and into a new structure with local church engagement and ownership. The new Archdeacon would be asked to liaise with Mr Towner and Mr Hurton to bring an interim report to the Finance Committee's meeting in May.

In the meantime, the OpShops 2017 budget had been developed with a view to breaking even across the year as a whole. However, this would require a significant increase in takings when compared with 2016, so it was inherently risky. The financial situation would be monitored closely.

FC 17/11 MULTI-ACADEMY TRUST – FC 17/08

The Chairman reported that the Bishop's Council had discussed policy regarding the MAT at its residential meeting. Within that discussion it had been made clear that there was no expectation of additional financial support. He also reported that Mr Nigel Appleton had been appointed as Chair of the MAT.

PART B FINANCE – MINOR MATTERS

FC 17/12 HYDRO SCHEMES

It was reported that the hydro schemes were operating effectively and continued to generate electricity at or above the target levels.

FC 17/13 CENTRAL STIPENDS AUTHORITY CONSULTATION ON STIPENDS 2018 – FC 17/09

The Chairman explained that each year the Central Stipends Authority asked what we were paying our clergy in the current year – ie 2017/18 - and what percentage increase in stipend we felt would be appropriate for the next year – ie 2018/19. It was reported that lay staff typically received the same percentage salary increase as the stipendiary clergy. In the discussion it was noted that in the budget to 2020 increases had been included at 2%.

Once the Central Stipends Authority had received the responses from the Dioceses they would set the increase in the national minimum stipend and the regional benchmarks. Having taken into account the economic data provided, including forecasts of retail and consumer price inflation and earnings growth it was agreed that the Diocese would recommend a 2% increase.

FC 17/14 DATES FOR 2018

The following dates were agreed.

Wednesday, 24th January

Wednesday, 21st March

Wednesday, 16th May

Wednesday, 18th July

Wednesday, 19th September

Wednesday, 28th November

PART C PROPERTY

FC 17/15 PARSONAGES COMMITTEE MINUTES

i. Archdeaconry of Carlisle – 8th September 2016 – FC 17/10. The minutes were received.

ii. Archdeaconry of West Cumberland – 13th September 2016 – FC 17/11. The minutes were received.

iii. Archdeaconry of Westmorland and Furness – 22nd September 2016 – FC 17/12. The minutes were received.

FC 17/16 REPORTS

i. Property Sub-Committee Report – FC 17/13. The report of the Property Sub-Committee was noted.

ii. Property update – FC 17/14.

(a) Church House and West Walls Old Vicarage, Carlisle. It was reported that the transfer of the Old Vicarage to the Board was almost complete. There was an issue with a small piece of land at the back of the garage which was currently used as part of the Tithe Barn garden but this was expected to be resolved. Heads of terms for the sale had been largely agreed.

(b) Heversham. It was reported that the current Vicarage had been bequeathed to the parish by a parishioner in 1947. The proceeds of the sale of the Old Vicarage in 1947 would, at that time, have been paid into a benefice endowment fund which was then transferred to the Diocese under the Endowments and Glebe Measure.

The intention was to sell the current house at Heversham and buy a replacement house in Milnthorpe. A request had been received from the Parochial Church Council for part of the sale proceeds to be used towards the repairs to the Church roof. It was noted that in the past a grant from sale proceeds had been made in a situation where the parish in question had used the Vicarage as a meeting place.

Given the background to the original provision of the vicarage, the Committee were sympathetic to the request and agreed to consider the request again once the sale had taken place and the price was known.

(c) **Cotehill.** This house was no longer required and would be put on the market when the tenant vacated after Easter.

(d) **7 Cross House Gardens, Great Orton.** A revised offer for the property had been accepted. This was a cash sale and would be put in the hands of solicitors once the agents had received all the relevant paperwork.

(e) **Grayrigg.** This house was now on the market and the decoration had been tidied up and the house carpeted.

(f) **Grinsdale.** Mr Johnson reported that some of the issues had been resolved and Mr Andrews said that work on the faculty application was ongoing. Mr Andrews was to keep Mr Johnson informed of progress.

(g) **Barrow St Luke.** The sale of the Church and Church Hall had been completed. The calculation of the sale proceeds due to the Parochial Church Council and Church Commissioners would soon be completed.

(h) **Cleator Moor.** It was reported that the scheme for closure was imminent. Arrangements were in hand to take the building over upon closure.

ii. Glebe update – FC 17/15

(a) **Castle Carrock – Planning Application.** Mr Morris declared an interest in this item.

The Committee noted the objections received to the proposed development. It was reported that a revised application might be more acceptable, at least to the AONB, but would still attract objections. Of the eight houses proposed two would be affordable housing and talks were being held with Mitre Housing about these.

There was felt to be a need for housing in the area, especially affordable housing. As a charity the DBF had to take seriously its responsibility to exploit its assets to generate an income for use towards our providing ministry across the Diocese. In the Eden, Gelt and Irthing Team Ministry, of which Castle Carrock was a part, the Parish Offer did not cover the costs of ministry and Castle Carrock's Parish Offer had fallen by 10% in cash terms since 2006.

The Bishop said that he would respond to those objectors who had written to him directly. It was noted that the Parochial Church Council were not expected to withdraw their objection and that if we pressed ahead, even with a revised scheme, then the sale would need to be referred to the Church Commissioners.

It was agreed that a revised planning application be submitted based on the plans discussed at the meeting.

(b) **The Old Register Office, Penrith.** The Committee noted that the offer to purchase from Edward's Formal Wear had been accepted. The property was currently occupied by them for two months under a temporary licence during which time it was hoped the sale would be completed.

(c) 7 Devonshire Street, Penrith. The Committee noted that despite the tenant apparently not having traded since June 2016, the rent had again been paid on the December quarter day. The situation would be monitored.

(d) 30 Market Place, Richmond. It was noted that an offer by the former tenants to pay the outstanding rent quarterly, beginning in March, had been accepted. Documenting the agreement was in the hands of solicitors.

(e) Unit 3, Etal Way, Newcastle. It was noted that the agents had been instructed to agree a rent review.

iv. Closed School update – FC 17/16

(a) Millom Holy Trinity School and School House. The Archdeacon of Westmorland and Furness explained some of the background to this case. Holy Trinity Church was a grade I listed building. It was used regularly for services and attracted tourists. The old school and school house were close to the church and on land where there was car parking for the church. Continued car parking provision would be essential to the life of the Church and parking was not allowed on the main road because of highways restrictions.

The parish were interested in selling the school and school house in order to raise funds to improve the church itself. Over the years the parish had invested in the fabric of the buildings. There had been some confusion historically over the ownership arrangements for the properties, but the Deeds to the properties had now been located at the Barrow Archive Office. Given the complexities of the situation, the PCC had suggested that they meet representatives of the Finance Committee to discuss how to move forward.

The Archdeacon suggested that although no faculty application had yet been made for work on the Church, the Trustees should take steps to inform their consideration of the parish's request for part or all of the sale proceeds of the school and school house, should they be sold.

It was agreed that for the time being the Committee did not need to meet with representatives of the parish. However, it would be sensible to obtain a valuation of the properties so that we had an idea of the sums involved. Whatever arrangements were made there would be a discussion with the parish about how to secure the provision of adequate car parking.

(b) St John's Former Girls School, Edward Street, Carlisle. It was noted that the building had been vacated by OpShops on 20th January and the agents had been instructed to put it on the market.

(c) Little Langdale Closed School. The Committee noted that the lease to the Cheese Making business had been completed on 23rd December 2016.

(d) Allithwaite Institute. The Committee noted that a memorandum for sale, subject to survey and planning, had been issued to the potential purchaser. Confirmation of the agreement and instruction of solicitors was awaiting their initial planning enquiries.

PART G PARISH PROPERTY FUND

FC 17/16 REQUESTS FROM PARISHES FOR FINANCIAL ASSISTANCE

i. St John the Baptist, Old Hutton. It was noted that a grant of £3,000 had been approved towards work to remove some pews, to be replaced by chairs, and adding worktops, kitchen base units and a sink unit.

PART H TRUST MATTERS

FC 17/17 RAMPSIDE PAROCHIAL CHURCH COUNCIL – CHURCH HALL

The Committee noted that the hall was let to a Village Hall Committee on a long lease. One of the conditions of the lease and trust arrangement was that the consent of the Landlord (the DBF) must be obtained to any alternations.

The Village Hall Committee had acquired in their own right a small area of land to form a playground and the Committee gave its consent for removing the existing boundary wall and rebuilding it to incorporate the extra land.

PART I OTHER STATEMENTS

FC 17/18 LOAN STATEMENT AT 31ST DECEMBER 2017 – FC 17/18

The Committee received the loan statement. Mr Jaques agreed to contact one parish where no payment had been made. It was noted that payment of a long standing loan had been received.

FC 17/19 DATE OF NEXT MEETING

Wednesday, 15th March 2017

At the conclusion of the meeting the Chairman expressed the thanks and appreciation of the Diocese to the Venerable Penny Driver for all her work and the contribution she had made to the Diocese since her arrival.