

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, 10th May 2017.

PRESENT:

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

IN ATTENDANCE:

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

FC 17/48 OPENING PRAYERS

Opening prayers were conducted by the Venerable Richard Pratt.

FC 17/49 APOLOGIES FOR ABSENCE

Apologies were received from Mr Bonner.

FC 17/50 MINUTES – FC 17/41

The minutes of the meeting held on 15th March 2017 were approved and signed.

FC 17/51 MATTERS ARISING FROM THE MINUTES

i. **FC 17/24 Succession Planning – FC 17/41A.** This item was taken later in the agenda.

ii. **FC 17/25 Management Accounts to 31st December 2016.** Mr Hurton reported that he had not been able to consult regional colleagues on the issue of closed churches as the planned meeting had been cancelled.

iii. **FC 17/28 Parish Offer and Mission Community Sustainability.** Mr Hurton reported that the group would include Mr David Dickinson, one of the Archdeacons, Mr Jaques, Canon Crossley and one other.

iv. **FC 17/29 DBF Employment of Local Staff.** Mr Hurton reported that a date had been fixed for the first meeting to look at this issue.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

FC 17/52 FINANCE REPORT AND ACCOUNTS TO 31ST DECEMBER 2016 – FC 17/43

Mr Jaques reported that the accounts were close to completion. The auditors had undertaken their audit visit in the previous week and had not raised any major questions or concerns. The draft Trustees' report would be sent to Trustees for comments soon after the meeting.

It was agreed that Canon Jayne would present the budget context to the June meeting of the Board of Finance and Mr Johnson would present the Trustees' report to the AGM.

FC 17/53 MANAGEMENT ACCOUNTS TO 31ST MARCH 2017 – FC 17/44

Mr Jaques presented the management accounts which were in an amended format. He was rebuilding the spreadsheets to enable better presentation and modelling going forward. Mr Hurton pointed out that Mr Jaques' reworking of the accounts was intended to give a more accurate year end projection. The projected end year deficit was now £105,000 against a budgeted deficit of £195,000 but this would no doubt be revised as the year went on.

The Trustees again noted that the highest risk areas remained parish offer, clergy numbers, CCL and OpShops. Property expenditure was expected to come in approximately £100,000 under budget but this did not mean that we were putting off necessary building works as the quinquennial work required in 2017 was less than that expected when the budget had originally been set.

Rental income from Diocesan properties was discussed. It was noted that there were a number of properties leased to retired clergy and that the arrangements for these appeared to differ from place to place. Mr Hurton reported that the various arrangements reflected requests by an Archdeacon or the Bishop to provide housing for a retired minister who was having difficulty finding a suitable retirement home, possibly because of delays in the CHARM scheme making a Pensions Board house available. In these cases we would always try to be pastorally supportive by providing a house at a reasonable rent. There were however some cases where clergy appeared to become settled in vacant houses and did not find permanent retirement homes on the timetables originally agreed.

As a general rule we were looking to increase our rental income by ensuring that vacant houses were let from the start of a vacancy, rather than delay to see how an appointment process went on. It was very rare for an appointment process to take less than six months so it should be possible to let almost all vacant houses for a period.

FC 17/54 DIOCESAN BUDGET 2018-20 – FC 17/45

Mr Hurton introduced the budget paper and reminded the Trustees of the assumptions on which the original budget had been based and the actual outturn in 2015 and 2016 against those assumptions. The original budget had been balanced over the period from 2015 to 2020 but the reality to date had been less favourable and the first three years of that period pointed to a cumulative deficit of almost £500,000. The main factors in that performance had been lower than budgeted Parish Offer receipts, higher than budgeted clergy numbers and lower than budgeted investment income, particularly from glebe properties.

We had now updated the assumptions for the remainder of the period to 2020 and it appeared that in 2018 and 2019 there could be a small surplus followed in 2020 by a deficit of around £375,000. The reason for this pattern was that by 2020 the contribution from the Archbishop's Council's strategic development funding grant would have ended and clergy numbers would be significantly above those originally planned. Mr Hurton's concern was that unless clergy numbers fell substantially by the end of 2020 and Parish Offer stabilised and then grew, the £378,000 deficit would be compounded in 2021 and beyond. Although there were strong grounds for continuing to fund the implementation of the God for All strategy, that strategy had to result in a financially sustainable church from the end of 2020. If we were confident about our plans for Mission Communities then when they were in place we should not need to reduce clergy numbers further. There was no point in setting a budget for the next three years without understanding whether it would be sustainable beyond that point.

The draft figures provided the resources that had been identified as necessary to implement God for All and did not include any further commitment to the MAT or Rydal Hall which were expected to be self-supporting. The figures included the agreed start-up contribution to Cumbria Christian Learning but did not include any commitment to additional funding. This was a major risk as the number and mix of ordination students was unlikely to match the original planning assumptions. Potentially the additional start up funding required by CCL could be more than £100,000.

The paper suggested a number of areas where further work would be required before a draft budget could be produced. These included rolling the budget period forward to 2021 and 2022 to assess its future sustainability; looking for ways to reduce the 2017 deficit including adopting a more active approach to renting vacant houses; the scope to reduce clergy numbers to target levels more quickly; whether to try to recoup the losses incurred in 2015&16; and reviewing Parish Offer.

In the discussion the following points were made:

- there was no expectation in the assumptions used that the relaunch of the stewardship approach of Giving for Life would result in increased levels of Parish Offer. Although it was expected to increase per capita giving, there could be a time lag of at least two years before it showed up in the Parish Offer. Initially we should be looking for better stewardship to enable a standstill in parish income in the face of the long term decline in church membership that had been experienced.
- we would be able to apply for additional Strategic Development Funding grant support but would need to be clear how it would help implement our strategy. It could not be used to fund work that was already planned and budgeted for.
- the speed with which we approached 2020 clergy numbers was an issue. Although we might need to move quickly because of the financial pressures, we must not be driven simply by finance. Our job should be to facilitate the strategy to the best of our ability. If we withdrew ministry too quickly we would not have the local capacity to implement God for All. At the same time however, there were several locations where we were well above target clergy numbers and the clergy in post were not actively involved in shaping mission communities. In these areas it was worth taking a very proactive approach to encouraging early retirement or moves and these conversations were starting to take place.
- communicating effectively with local churches about God for All and our associated financial plans would continue to be very important. Individual church members

needed to understand our plans for ministry, including the changing role of stipendiary clergy and the diversity of ministry now envisaged. In the future, with the most visible ministry in a parish being self-supporting, there could be a temptation to reduce the Parish Offer because the direct cost base appeared to be reduced. We needed to ensure that local churches were aware that their self supporting ministers were themselves being supported by Mission Community Leaders and that money we being put into new forms of ministry such as Network Youth Church. It was also important to remind local churches that the funding for new central posts and work such as the Fresh Expressions enabler and the Leadership in Mission Communities Development Programme was not coming from Parish Offer, but was instead supported by national Strategic Development Funding.

- CCL needed to be active in promoting what it was offering to local churches. It should also be asking local churches and mission communities what help they needed to establish their ministry teams and equip all their church members for discipleship and God for All.
- there would be value in the Trustees considering a “catastrophe budget” scenario in which income fell substantially and costs remained high.

The Chair concluded the discussion by noting that Synod and the Board of Finance had set a budget for 2015-2020. The Trustees were responsible for managing our financial affairs within that overall budget. As we approached the mid-point of the budget period we were experiencing significant financial and operational stress. This was making it unlikely that we could deliver our strategies for outreach and ministry within the originally anticipated balanced budget. The challenge for the Diocesan church was to deliver our strategies by 2020, not to deliver a balanced DBF budget, but equally we would not be able to deliver the strategy if the necessary financial resources were not there because they had already been spent. The Trustees therefore needed to balance things carefully.

The Chair asked Mr Hurton and Mr Jaques to continue to work on the budget to address the issues raised in the discussion. In that work they should involve the Bishop’s Leadership Team to ensure that it addressed the management of areas such as deployment and housing that would have a significant financial impact.

FC 17/55 OPSHOPS REPORT – FC 17/46

The Archdeacon of Carlisle reminded members of the OpShop review paper that Mr Towner had produced for a previous meeting and presented his own accompanying paper on future planning.

The review paper had highlighted four main challenges and Mr Towner’s solution to the challenges had been for OpShops to be transferred into a dedicated Charitable Incorporated Organisation (CIO) with a board of six or seven new trustees drawn from local churches and denominations. The new board would need to set a clear long-term direction for OpShops and lead it quickly to a point of financial independence by developing new income streams including grant aid. The Archdeacon said that he felt that OpShops could thrive if they went down this road but that the DBF would need to provide help and financial support to set up the CIO.

The Archdeacon then described three options set out in his paper for processing this proposal, along with a fourth option which was to close the network down. The differences between the options related to the timescales for establishing the CIO and the amount of

time and resource that we were prepared to devote to this work. He felt that if we wanted to make the change quickly we would need to employ a project manager to undertake the work. If we were happy for OpShops to develop at a slower pace and probably continue to make an operating loss in the meantime, then we could try to establish the CIO using existing staff time.

In his opinion the best option would be to employ a full-time Project Manager on a fixed term contract for eighteen months with a tight job description and expected outcomes. They would identify and secure alternative revenue streams, integrate the project more closely with the local churches, establish a new governance structure and set up the CIO. The aim would be financial independence for opshops within two years. The cost to the DBF could be around £130,000. The risk of trying to do this work with existing staff was that capacity constraints meant it would take longer and have less focus. Dedicated effort needed to be given to make a success of it. There was undoubtedly great potential within OpShops to be a powerful vehicle for mission to our more deprived communities but the current arrangement needed a hand-up in order to fulfil its potential.

In the discussion members commented that there were potentially partners in Carlisle who would be very interested in supporting OpShops, including the Salvation Army and the Hope Carlisle network. In recent years the Cumberland Building Society, Church Urban Fund, Archbishop's Council and Laing Foundations had provided grant support to OpShops which demonstrated that the work was attractive to funders. Cumbria Community Foundation administered a number of grant schemes that could be used to support OpShops' work. Our problem was a lack of capacity to make the applications to other funders.

There were significant opportunities to engage with rural churches around Carlisle who would be interested in supplying stock to the shops and potentially providing volunteers and prayer support. Given the progress that had been made since the first OpShop had been opened and the fact that OpShops now provided two fresh expressions of church which involved people who would not be at home in most Anglican churches, the project was worth continuing with. Given the work envisaged under the Archdeacon's proposals, a part-time appointment might be capable of providing the necessary input and could be more cost effective.

The Committee agreed that the Archdeacon should come back to the Chair and Secretary with a more detailed proposal setting out his preferred option. The Chair and Secretary would be given delegated authority to agree a proposal within the parameters discussed, consulting the Committee further if necessary. Ideally a post would be advertised in the summer with an appointment made by the early autumn.

PART B FINANCE – MINOR MATTERS

FC 17/56 PARISH OFFER TO 30TH APRIL 2017 – FC 17/47

Mr Jaques said that our collection rate to the end of April was similar to that achieved at the same point in 2016. However, as far as the change in the actual amount collected was concerned, we were doing slightly worse than the national average. In terms of our efforts to encourage stronger stewardship it was reported that the Revd Graham Burrows was now linked into the national stewardship network and was working on the re-ignition of the stewardship approach "Giving for Life".

The Archdeacons were asked to chase up the small number of parishes who had paid nothing to date and where a payment would have been expected by now. It was not easy to assess Parishes' ability to pay since many PCC Treasurers now provided their financial statistics online and no longer sent copies of their annual report and accounts to Church House.

FC 17/57 MULTI-ACADEMY TRUST

i. Draft Minutes of the meeting held on 23rd March 2017 – FC 17/48. The draft minutes were noted.

FC 17/58 RYDAL HALL – FC 17/50 & FC 17/51

i. Draft minutes of the meeting held on 21st March 2017 and Director's report – FC 17/50. The minutes were noted. The Chair reported that the work to restructure Rydal and put it back on a sound footing was progressing well. At the previous day's Board Meeting Jim Walker had been welcomed as the new Chair and grateful thanks had been given to Penny Driver for her tireless work as Chair through the Hall's recent troubles. The latest management accounts were slightly worse than budget but things were moving in the right direction. Changes that were being discussed had the potential to make a significant improvement to the bottom line. In particular there were plans to convert the existing limited company into a charity which could bring 80% exemption from non-domestic rates and some VAT savings and to change the catering arrangements. Both of these were expected to have a positive impact before the end of the year.

Mr Hurton welcomed the developments and reminded Committee members that the DBF had invested £200,000 in additional share capital, £150,000 of which was to compensate for losses in 2016 with the remaining £50,000 providing additional working capital for 2017. Given that the 2017 budget was based on a trading loss of £54,000, it was likely that all the investment would be committed by the end of the year. The new general manager and Chair would be coming to the July Finance Committee to brief members on developments. The members would no doubt want to underline the importance of Rydal being financially self-sustaining.

FC 17/59 CUMBRIA CHRISTIAN LEARNING – FC 17/52

i. Minutes of the Board meeting held on 26th January 2017. Mr Hurton explained that CCL Board minutes would be presented to the Finance Committee from now on. Management accounts would also be available for the next meeting of the Committee.

FC 17/60 OPSHOPS – FC 17/53 & FC 17/54

The report from Mr Greenwood, the Business Development Manager, to the OpShop Project Management Group dated 12th April 2017 was noted.

FC 17/61 HYDRO SCHEMES

Canon Jayne reported that performance in April and into May had been below target due to the recent lack of rain but that for the year to date generation was on target. Both he and Mr Hurton had attended Rydal and Scandale Hydro Board meetings earlier in the month to discuss the schemes' performance and their accounts. Mrs Troughton, our other Director, had not been present. He was pleased to report that the company continued to repay its

loan to the DBF as planned, along with generous interest payments. Dividend payments would follow.

Mr Hurton reported on discussions at the Board meetings about developments in the energy market and the potential for the Board to work further with Ellergreen to develop projects. We would be looking to invest capital receipts in the coming months and years but the yield on CBF Investment Fund shares was currently low because the unit price had risen sharply. This presented us with a dilemma. A future meeting of the Finance Committee should therefore revisit the Board's investment policy.

FC 17/62 HEALTH AND SAFETY – FC 17/55

The Committee were reminded of their responsibility for the health and safety of the Board's employees. The Chair was the Director with lead responsibility for health and safety but the all Trustees shared the legal responsibility. Mr Hurton said that Helen Harker, who worked with Neal Andrews in the Property Department, had prepared a report which showed where we stood against our statutory requirements. The fundamentals were in place, risks were relatively low given the nature of the Board's work and our policy was being reviewed and updated. Miss Harker was also going to put in place a new monitoring regime. In response to a question it was confirmed that the Board had a lone worker policy which had been reviewed recently and provided a common-sense approach as well as offering an annex of good practice. The policy adopted by the DBF had been produced by Ali Ng, the Diocesan HR Manager.

PART C PROPERTY MATTERS

FC 17/63 PARSONAGES COMMITTEE MINUTES

i. Archdeaconry of West Cumberland – 7th March 2017 – FC 17/56. The minutes were received.

ii. Archdeaconry of Carlisle – 9th March 2017 – FC 17/57. The minutes were received.

iii. Archdeaconry of Westmorland and Furness – 23rd March 2017 – FC 17/58. The minutes were received.

FC 17/64 PROPERTY ISSUES REQUIRING FINANCE COMMITTEE ATTENTION – FC 17/59

i. Minutes. The Committee noted the minutes of the Property Sub-Committee meeting held on 31st March 2017.

ii. Matters Requiring Further Finance Committee Consideration and Approval

(a) Heversham Vicarage. Members were reminded that they had agreed in principle to offer a proportion of the sale proceeds to the Parish in recognition of the fact that the house had been gifted by the Trustees of a bequest from a former parishioner. The previous benefice house would have been sold and the money put into a benefice fund which would have subsequently passed to the Diocese. The Committee agreed that they should be offered 10% of the sale proceeds.

iii. Further Update Items to Note since the Property Sub-Committee Meeting

(a) Vacant Houses – Lettings. The following current or forthcoming vacant houses were to be let:

- Holme Eden, Irthington and 7 Park Close, Penrith to be rented out when vacant.
- Lanercost – the Crown reverter clause on the property might complicate any letting and this was to be discussed with the Registrar.
- Dacre – appointment expected to progress.
- Ireby – to be let when vacated.
- Cleator, Seascale and Threlkeld – posts were being currently advertised and therefore the houses were not to be rented.
- Crosthwaite (Keswick) – an appointment was expected to progress and therefore the house was not to be rented.
- Bootle and Workington St Michael – the Archdeacon was to advise further on the appointment situation.
- Kirkby Ireleth and Broughton in Furness – short term letting to be sought on both houses pending possible advertisement of a post.
- Urswick and Coniston – to be reviewed with others at a meeting with the Archdeacon and Rural Deans.
- Grasmere – a further meeting with Archdeacon and churchwardens had been arranged.

(b) House Sales

- Grayrigg Vicarage – the offer accepted on the property might be at risk as the purchasers' sale had possibly fallen through. The agents were chasing further information.
- 118 Dalston Road, Carlisle – the Archdeacon was to complete further discussions regarding the potential location of a curate for a West Carlisle mission community and associated housing before sale of the house could be considered further.
- Barrow Housing – Mr Andrews was meeting the Archdeacon and Rural Dean to consider preferred housing locations in the town. This should free up properties for sale.

(c) Kirkby Lonsdale Team Vicarage. Funding from the Methodist circuit would not be available towards the additional occupier works. Agreement to the works to be undertaken had been reached, with some works being carried out by the benefice or funded by the new occupier's resettlement grant and others funded by the Diocese.

(d) Church House and West Walls Old Vicarage, Carlisle. Discussions were continuing with potential purchasers including the Cathedral.

(e) Beetham. Canon Jayne reminded members that at the last meeting the Headteacher of Beetham school had requested that the Board, through the Barchester Trust, purchase the freehold of a field to provide a playing field. There was now a suggestion that the vendor wanted to provide the field on a 999 year leasehold basis with restrictive covenants. The Committee agreed that Mr Andrews should continue to negotiate but confirmed the decision to acquire the field on a freehold basis. The Property sub-Committee should continue to take an interest in this matter.

(f) Grasmere Rectory. It was reported that the majority of the Parochial Church Council was apparently now in favour of selling the Rectory and the Tithe Barn, with the Board

purchasing a suitable replacement house. The new Priest in Charge would be living in her own property outside the parish. The consensus appeared to be that if the Parochial Church Council were on board, the Patrons would probably also agree. The Committee, in its capacity as the Parsonages Board, agreed to Mr Andrews issuing notices for sale of the Rectory and as the DBF to the issuing of notices for the sale of the Tithe Barn.

(g) Closed Churches.

Cleator Moor St John had closed for regular public worship on 30th April. Arrangements had been made for the DBF to take management responsibility for the building.

Warwick on Eden St Leonard had also closed for regular public worship on 30th April. Arrangements had been made for the DBF to take management responsibility for the building.

Glebe

i. Updated Items to Note since the Property Sub-Committee Meeting

((a) Unit 1, 19-24 Friargate. Penrith Town Council were being pressed to complete the lease.

(b) The Old Register Office, Penrith. The sale had been completed on 21st April.

(c) Unit 2, Etal Way, Newcastle. The new lease at £7,000 pa had been completed.

Closed Schools

i. Update Items to Note since the Property Sub-Committee Meeting

(a) St John's Former Girls School, Edward Street, Carlisle. The purchaser was being slow in securing a valuation and finance. The agents were pressing for progress.

(b) Allithwaite Institute. The purchaser now wished to proceed without the planning conditionality, which meant that early exchange and completion should be possible.

PART D PARISH PROPERTY FUND

FC 17/65 REQUESTS FROM PARISHES FOR FINANCIAL ASSISTANCE

No requests had been received for this meeting.

PART E TRUST MATTERS

PART F FINANCIAL STATEMENTS

FC 17/66 BARCHESTER STATEMENT TO 31ST MARCH 2017 – FC 17/60

Mr Jaques presented the commentary sheet which accompanied the statement and was self-explanatory.

FC 17/67 PARISH PROPERTY FUND TO 31ST MARCH 2017 – FC 17/61

The Committee noted the statement.

FC 17/68 GROWTH FUND STATEMENT TO 31ST MARCH 2017 – FC 17/62

The Committee noted the statement and that the value of the investments continued to grow.

FC 17/69 LOAN STATEMENT TO 31ST MARCH 2017 – FC 17/63

It was reported that an additional loan had been granted since the last meeting. The Cumberland Building Society wished to meet with us to discuss the credit facility which funded the loans. This was expected to be a routine discussion, rather than presaging a change in policy on the part of the Society.

FC 17/70 TRUSTEE APPOINTMENTS AND SUCCESSION PLANNING

The Archdeacon of West Cumberland reported on progress with this item and the Committee also considered a paper from the Chairman. It noted that the Finance Committee tended to draw its membership from the Synod/DBF. Although non-Synod members could be nominated this was the exception and even when nominated they were typically not elected as they were not known to the electorate that was the members of Synod/DBF. He felt that we should consider putting in place a more pro-active nomination process, while continuing to involve Diocesan Synod/DBF in the election process. There was already a role description for the Chair and an advert for Committee members. The Archdeacon also drew attention to the need to survey and review the skills needed by the Committee.

The discussion also touched on the need for members to be committed to the work of the Committee in light of minute FC 17/24 concerning expectations of attendance at meetings.

The Chairman confirmed that he was concerned about Mrs Troughton's attendance record at Finance Committee meetings. He said that he intended to speak to her on behalf of the Board and say that in his opinion her attendance record was not satisfactory. He felt that the Committee currently had, and in the future, would continue to have, a heavy and significant work load, and that this required all the members to be fully engaged.

The Archdeacon would continue to progress thinking about the governance issue in conjunction with the Chair and would report back to the next meeting.

The need for members to give notice if they were likely to have to leave the meeting early was stressed, as was the expectation that unless there were exceptional reasons, members would be present for the whole of the meeting.

FC 17/71 Date of next meeting

Wednesday, 12th July 2017