

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, 21st March 2018.

PRESENT:

The Bishop of Carlisle	Canon M Jayne (Chairman)
The Archdeacon of Carlisle	Mr J A E Johnson
The Archdeacon of West Cumberland	
The Archdeacon of Westmorland and Furness	

IN ATTENDANCE:

Mr D Hurton – Diocesan Secretary
 Mr R Jaques – Head of Finance
 Mr N Andrews – Property Secretary
 Mr J Edwards
 Mrs A Mee

FC 18/26 OPENING PRAYERS

Opening prayers were led by the Venerable Richard Pratt.

FC 18/27 APOLOGIES FOR ABSENCE

Apologies were received from the Revd A Towner, Mr D Dickinson, Mrs G Troughton.

FC 18/28 MEMBERSHIP

Canon Jayne welcomed Mr Edwards and Mrs Mee who had been invited to attend the meeting as potential co-opted Trustees.

FC 18/29 MINUTES – FC 18/26

The minutes of the meeting held on 24th January 2018 were approved and signed.

FC 18/30 Matters Arising from the Minutes

i. Action Sheet – FC 18/28. The action sheet from the January meeting was noted.

ii. Memorandum and Articles & Succession Planning. Mr Hurton explained that 75% of the members of the company needed to vote in favour of any changes to the Articles of Association in order for them to be approved. At the DBF/Synod meeting on 17th March 75% of members had not been present so it had been decided on the day simply to discuss the change and take a straw poll rather than put the matter to a formal vote.

The intention was now to make changes via a written resolution. This would mean writing to all members with a voting paper. We would provide a stamped addressed envelope with each voting paper. A covering letter would be included explaining that the proposal had been discussed at the DBF/Synod meeting and that a straw poll had been taken there showing overwhelming support.

iii. Conflict of Interest Policy – FC 18/29. Mr Hurton introduced a proposed policy which had drawn heavily on a model from charity lawyers Mazars. It was only brief but explained the context, described how conflicts of interest would be managed and set out how they would be recorded. The only significant difference between the proposed policy and the model document was in respect of keeping a formal register of interests which was felt to be over the top.

The Committee approved the conflict of interest policy.

FC 18/31 MANAGEMENT ACCOUNTS

i. Summary for the period ended 31st December 2017 – FC 18/30. Mr Jaques explained that he had circulated an updated version of the management accounts that had been presented at the January meeting. In January valuations had been awaited as had been the final parish offer receipts and a number of late invoices. At that point he had suggested that there might be a surplus of around £65,000, but the outturn was actually significantly better than that. In the end the figures showed an overall surplus of £146,000. As far as the statutory accounts were concerned, adjustments would add a further £25,000 making a statutory surplus of £171,000. The main improvements since January related to a significant increase in the valuation of Rydal Hydro relating to substantial levels of undistributed profit.

The £171,000 result represented a significant turnaround from the original budget that had been set in 2016 and from the 2016 outturn. It had been achieved despite the extra investment that had been made in Rydal Hall. In addition to the Rydal Hydro effect and the impact of strenuous efforts to keep costs down across the board, there were three factors that had made a difference. These were substantial savings on the housing budget, which had been achieved without compromising the quality of the housing stock; extra rental income from a much more active approach to letting vacant parsonages; and a payment of £110,000 of restructuring funding from the Church Commissioners which had not been expected until 2018. The surplus was particularly welcome after two years in which we had incurred significant deficits.

In response to a question about the saving on the strategy implementation budget it was reported that the expenditure in this area was now principally made up of the cost of consultancy support for the God for All Strategy Steering Group and that these costs were being recouped from the Church Commissioners. The budget had previously covered the costs of employing the Diocesan Project Development Officer who had left in March and had not been replaced. There were also savings on the communications budget due to the Communications Manager's absence on sick leave. It was also noted that when the budget had been approved by the DBF/Synod in 2016 it had included costs of the Diocesan Training Team which were now included in the annual block grant to CCL. This was an issue of presentation rather than substance and the 2018 budget would be formatted differently to reflect the change.

Under income from the Church Commissioners the figure shown was £407,000 against a budget of £294,000. The difference reflected the restructuring funding mentioned earlier, some of which was a genuine windfall as this funding was greater than expected, and some of which simply represented money being received earlier than expected. The timing issue meant that in 2019 we would see a shortfall in this budget line.

With regard to glebe and other income we had earned interest but no dividends from the hydro schemes because they had focused on paying off their outstanding loans. We

expected to begin to receive significant dividend income from 2018 onwards. As far as the loan that the DBF had taken out from the Central Board of Finance to fund the Rydal Hydro scheme was concerned, we had paid four annual instalments out of a 10 year total and the balance was now £600,000. The interest rate was minimal at 0.95%, 0.55% above CBF Deposit Rate (currently 0.4%).

We were exploring whether there were further opportunities to invest in hydro schemes. Other schemes in the county had been funded by loans from the Co-op Bank at 7% interest. Given our ability to access cheap capital we might be able to provide funding at lower cost.

For the benefit of the observers it was explained that there had been a hydro plant at Rydal Hall for nearly 100 years. That plant had produced electricity for the hall but in more recent years it had been unreliable and costly to maintain. We had worked with a partner, Ellergreen Energy, to develop a much larger replacement scheme which not only provided a good investment return but also enabled us to say that we were a carbon-neutral Diocese.

ii. Statutory Accounts to 31st December 2017 – FC 18/31. Mr Jaques introduced a paper which covered all the funds that were part of our charity accounts. These were draft figures and would be audited at the beginning of April. With regard to the net movement of funds the overall result for the year was a gain of just over £4.1m with an unrestricted operational surplus of £171,000. Nearly £4m of the gain reflected increases in the value of our investments in the two hydro companies, our CBF Investment Fund and Property Fund, and in a small number of pieces of land which had appreciated significantly because planning permission had been obtained on them. On the face of it, we had enjoyed a very strong year's results but much of the gain was only on paper and would not result in increases in our income. It would be wrong to congratulate ourselves on the aspects that were out of our hands.

FC 18/32 GOD FOR ALL IMPLEMENTATION – FC 18/32

Mr Hurton said that the Directors who were present were already aware of the developments in the implementation of God for All because they had already been presented to other meetings including to the Bishop's Council residential. The developments had financial implications in the sense that they had associated costs, but these costs would be offset completely by additional grant income so there was no net additional financial burden.

The developments included setting up a Programme Management Office which would provide the back-office support required to manage and monitor progress effectively. This had been strongly encouraged by the Church Commissioners who were funding the appointment of Mr Colin Ashurst as Programme Manager on a part-time basis from Easter 2018. The new Programme Management Office would support the Strategy Steering Group (SSG) which would in future have a slightly different membership and meet less often, taking on some of the ecumenical work previously undertaken by the Growing Together Co-ordinating Group. Revd Sarah Moore, the Head of the United Reformed Church in Cumbria would chair the SSG while a new Implementation Group would be responsible for the more immediate oversight of the implementation of God for All. This would be chaired by the new Bishop of Penrith and in the vacancy by Mr Hurton. A Programme Officer would be recruited to support Mr Ashurst and this role would also be funded by the Church Commissioners.

There were ongoing discussions with the Church Mission Society about the potential to work in partnership with them to establish a pioneer ministry hub in the Diocese. This had been part of our Strategic Development Funding bid which had been turned down before Christmas, largely on grounds of concerns over our capacity to plan, implement and manage the proposals. Since then we had discussed with CMS the scope for them to be involved in a wider range of learning and development activities. They were very keen to establish a base in the north of England. We were working with the Church Commissioners to revise our proposal and expected to resubmit it in outline in October 2018 with a detailed submission in April 2019. Related to these developments was ongoing work to review the support for God for All provided from the Reach Team, Cumbria Christian Learning and others. Discussions suggested that this support could be much better integrated into one Diocesan department. Any restructure on this basis could have staffing implications and would be handled very sensitively.

To date, in addition to the existing Strategic Development Funding that we were receiving for 2017-2019, we had just been awarded around £100,000 for the programme management work described earlier. Mr Hurton reminded members that there were regular reports on the implementation of God for All to the Bishop's Council but that it was important for the Finance Committee to keep an eye on the financial aspects.

In the discussion it was noted that the Church Commissioners allocated a significant amount of Low Income Community (LInC) money to Dioceses every year over and above that provided through the Renewal and Reform programmes. LInC funding had been cut to many Dioceses including our own and it was the money released by this cut that was being used to fund Renewal and Reform.

In response to a question about the CMS plans Mr Hurton explained that if they went ahead staff would be based in Church House, Penrith and that programmes would be delivered in partnership with our existing CCL team. The CMS hub had some potential for generating additional revenue as it was quite conceivable that people from across the north would travel to access high quality provision delivered under the CMS brand.

PART B FINANCE – MINOR MATTERS

FC 18/33 RYDAL HALL

i. Director's report and draft minutes of the meeting held on 30th January 2018 –

FC 18/33. Canon Jayne reminded members that Rydal Hall had now become a charitable company. Since the last Finance Committee meeting the General Manager had left and we were looking to appoint an interim manager very soon. The departure of the General Manager had been communicated in person to the remaining staff and they had been given reassurance about the Diocese's commitment to making a success of the Hall.

Although costs were under control and the change in Rydal Hall Ltd's status to a charitable company meant that it now qualified for business rate relief, over the last five months the Hall had not been marketed effectively and occupancy and forward bookings were down as a result. Opportunities to generate revenue from the campsite had not been exploited. The new interim manager would therefore need to focus on marketing and business development, supported by Trustees who had expertise in the industry.

The Committee received the minutes.

ii. Management Accounts to 31st December 2017 – FC 18/34. It was noted that the management accounts reflected what had been said about saving on costs not offsetting lower income figures. There was a request that comparative figures for the previous year should be included in the management accounts.

FC 18/34 CUMBRIA CHRISTIAN LEARNING

i. Director's Report and draft minutes of the meeting held on 25th January 2018 and Management Accounts to 31st December 2017 – FC 18/35 & FC 18/36. The minutes were noted and the management accounts had been previously circulated.

It was reported that CCL was not currently operating as planned, with sickness absence reducing the capacity to deliver programmes as planned. Mr Colin Ashurst was still in post as interim Director and was developing a business plan at the request of the Board.

FC 18/35 PARISH OFFER

i. Receipts to 31st December 2017 and 28th February 2018 – FC 18/37

Mr Jaques said that with regard to 2018 we were still in a similar position to that reported at the previous meeting, with six offers still outstanding. These related to specific situations where there were pastoral issues. The final receipts for 2017 including money received in January 2018 for 2017 were slightly down on what had been hoped for prior to Christmas, with the overall collection rate 0.5%age point lower than the previous year. The rate was however one of highest ever recorded. It was too early to know how 2018 would turn out. As usual there were a few cases where mistakes had been made by PCCs' banks and some parishes would be starting their standing orders in March.

The Parish Offer Review and the work of the Stewardship Enabler would be key if we were to encourage more generous giving and achieve financial sustainability. The Diocesan Synod had approved the pilots proposed by the Review and Mr Jaques and Mr Hurton would be meeting representatives in due course to put arrangements in place. The Stewardship Enabler role was close to being finalised and the recruitment process was expected to be completed by the time of the next Finance Committee meeting.

ii. Parish offer arrears – FC 18/38. Mr Jaques reminded members that there was a legacy of offers that had been made in the past but had not been paid and that we were attempting to address these, either with a view to receiving the arrears or writing them off if there was no prospect of them being paid. Discussions were underway with the respective archdeacons and parishes.

FC 18/36 MULTI-ACADEMY TRUST – FC 18/39

Mr Jaques introduced the MAT's Management Accounts to 31st January 2018. The accounts needed some interpretation. The accounts showed that they were operating in line with their target funding, with their budget for the year including a contribution from the DBF of £35,000. So far the Board had contributed £54,000 out of an agreed start-up funding total of £120,000. If the £35,000 was paid this year the total would reach £89,000. The overall impact on the DBF's general fund of any payment would be neutral because it would be offset by an increased contribution from the Barchester Trust.

The Archdeacon of West Cumberland declared an interest in this item. He provided an update on progress including commending the members of the MAT Board on the rigour of their approach. Progress continued to be made towards recruiting schools but was not helped by political distraction at national level and changes in the Ministerial team at the Department for Education.

It was noted that the way the management accounts were set out showed income and expenditure but did not make clear which elements of income were recurring and which represented one-off grants. This made it difficult to judge the medium term sustainability of the overall model and of the MAT itself. It was reported that Mr Jaques was having discussions with Mr Mill and Miss Gerke about the future presentation of the figures.

It was agreed that a request be made to the MAT to provide a regular report on its viability to the Finance Committee including showing whether areas of income were recurrent or one-off. The report should also indicate where schools were in terms of a pipeline leading to them joining the MAT.

FC 18/37 OPSHOPS

i. Development Project Report. The Archdeacon of Carlisle reported that Mrs Carolyn Barton had now been in post as Development Project Manager for two months. She had carried out a lot of research and an awayday had been held to consider the direction of travel towards OpShops becoming a sustainable independent operation.

ii. Finance Statement to 31st December 2017 – FC 18/40. The Committee noted the revised figures for 2017.

FC 18/38 DATES FOR 2019

Wednesday, 23rd January

Wednesday, 20th March

Wednesday, 0.95%15th May

Wednesday, 17th July

Wednesday, 18th September

Wednesday, 27th November

PART C PROPERTY MATTERS

FC 18/39 PROPERTY ISSUES REQUIRING FINANCE COMMITTEE ATTENTION – FC 18/41

i. Property Sub-Committee Minutes and Meetings. The Committee received the minutes of the Property Sub-Committee held on 9th March 2018 and noted that the minutes of the Joint Parsonages Conference held on 9th February would be presented to the May meeting of the Committee.

ii. Matters Requiring Further Finance Committee Consideration and Approval

(a) 118 Dalston Road, Carlisle. Mr Andrews reported that he had consulted the Parochial Church Council about the sale of the property. The house had actually been purchased from the parish by the Diocese some time ago but the Parochial Church Council were grateful that they had been consulted on the proposed sale and had agreed to it.

The Committee agreed that the house should be marketed for sale at the end of the current tenancy.

(b) House Sales – Future Years. Mr Andrews reported that a review of curates' housing had been carried out by the Archdeacons, the Diocesan Director of Ordinands, Mr Hurton and himself. The outcome of the review was a clear list of the properties that would be used to house curates in the future. When that list was put with the expected requirements for housing for ministers in Mission Communities there would be a number of surplus properties. The Diocesan budget for the period 2015 to 2020 had assumed that a number of surplus properties would be sold each year and the capital receipts invested to generate an income stream. These assumptions had not been achieved in the first two years of the budget period and our income had therefore been below budget in this area. We needed to get back on track to achieve the sales assumed.

Mr Andrews had identified potential surplus houses and in a small number of cases decisions had already been taken to dispose of them, including some where pastoral schemes had formally cleared the way for sale. Beyond these instances however there needed to be discussions locally to confirm housing requirements before firm decisions were taken about disposals. The Archdeacons were best placed to initiate these conversations on a house by house basis. The Archdeaconry Mission and Pastoral Committees would be a good initial venue for establishing the housing requirements for Mission Communities.

The Committee agreed that the Archdeacons were to progress this through conversations with the Mission Communities and through the Archdeaconry Mission and Pastoral Committees.

(c) Grasmere Rectory. Mr Andrew's reported that the Parochial Church Council had agreed to withdraw their objections to the sale of the Rectory and Tithe Barn following receipt of a letter from the Bishop giving assurances on behalf of the Board. He had contacted the Patron, Queen's College, Oxford, to advise them of this decision and asking if they now wished to withdraw their objections. He had heard from the Chaplain to the College that they were considering this matter. It was suggested that the Patron be invited to visit the property and we should take advantage of such a visit to discuss with them our strategy for the Diocese and the county.

The Committee agreed to this suggestion and to await a response from the Patron before taking any action to progress a sale.

iii. Further Update Items to note Since the Property Sub-Committee Meeting

(a) Carlisle St Aidan. Mr Andrews reported that the property might be occupied by a pioneer minister on a house for duty basis. A decision was expected in March.

(b) Seascale. The Archdeacon of West Cumberland had agreed to a further letting.

(c) Kirkby Lonsdale Rectory. The signed notice for sale had been received from the team rector and issued to the Patrons and the Parochial Church Council.

(d) Kirkby Lonsdale Vicarage. A response had been received from the Methodist Circuit and arrangements had been agreed that should clear the way for a tenancy to regularise occupation by the Methodist minister.

(e) Church House & West Walls Old Vicarage, Carlisle. Mr Andrews reported that Carlisle Key had not yet received planning permission but that the process was underway within the City Council to consider this.

Glebe

i. Borrowdale Glebe and Vicarage. Mr Andrews reported that a decision needed to be made as to how this was to be marketed, specifically whether the sale of the house should be tied in with the sale of the glebe land. If the glebe land was sold separately for development it would only be suitable for affordable housing. Mitre Housing were aware of this possibility.

The Committee agreed that invite offers for the house and offers for the house plus the land. This would crystallise what the land was worth and inform decisions about how to package any sale. The Committee was sympathetic to the need to provide affordable housing in the area and would keep this in mind when considering any offers received.

PART D PARISH PROPERTY FUND

FC 18/40 REQUESTS FROM PARISHES FOR FINANCIAL ASSISTANCE

No requests had been received.

PART E TRUST MATTERS

FC 18/41 RUSLAND PAROCHIAL CHURCH COUNCIL – READING ROOM – FC 18/42

The Committee agreed to the erection of a new access gate from the Reading Rooms' land to the woodland belonging to LDNPA.

FC 18/42 BINSEY PAROCHIAL CHURCH COUNCIL – SETMURTHY FORMER SUNDAY SCHOOL – FC 18/43

The Committee agreed in principle to the creation of a lease of the former school in favour of the Setmurthy Parish Hall Charitable Incorporated Organisation in order to allow the building to be used as a Village Hall. It also gave approval to a draft Charity Commission scheme relating to this property. It was noted that this was a Barchester property not a parochial trust.

FC 18/43 BINSEY PAROCHIAL CHURCH COUNCIL – ISEL – BLINDCRAKE VILLAGE HALL

The Committee gave its consent to a lease being granted for 50 years to the Blindcrake Village Hall Charitable Incorporated Organisation.

PART F FINANCIAL STATEMENTS AND REPORTS

FC 18/44 TREASURY AND INVESTMENTS – FC 18/44

Mr Jaques reported that the Investment Sub-Group had met in January. At the meeting they had spent time with representatives of CCLA including our new Account Manager so that Mr Johnson and Mrs Troughton could become familiar with the history of CCLA and their

approach to investment management. CCLA had been set up as part of the Church of England and they understood our requirements well. CCLA managed our investments held in the Central Board of Finance's Investment Fund which currently yielded income of 3.2% and the Property Fund which had a 5% income yield. We also made use of their Deposit Fund in order to generate a small income from any surplus cash that we held. The Investment Sub-Group had discussed various ideas and issues with CCLA but felt that our approach did not need to change substantially or urgently. At some point we would review our investment managers but given CCLA's investment performance and their understanding of our requirements change was unlikely and this was not an urgent issue.

Mr Jaques also reported on the statements showing the value of our investments, which were now finalised versions to the end of December. The only changes from the versions seen previously were where there had been a revaluation of properties or other investments.

FC 18/45 PASTORAL ACCOUNT STATEMENT TO 31ST DECEMBER 2017 – FC 18/45

The Committee noted the finalised statement.

FC 18/46 GLEBE STATEMENT TO 31ST DECEMBER 2017 – FC 18/46

The Committee noted the finalised statement, the main difference between this version and the previous draft being around the revaluation of investments.

FC 18/47 BARCHESTER STATEMENT TO 31ST DECEMBER 2017 – FC 18/47

The Committee noted the finalised statement which included some valuation changes and began to try to crystallise the figures relating to outstanding school maintenance account balances which had historically been provided on a rolling basis. £107,000 had been included as a provision to set against these accounts. Around half of this provision related to two schools who had merged over fifteen years ago on the back of an understanding that the outstanding amount would be written off.

FC 18/48 PARISH PROPERTY FUND TO 31ST DECEMBER 2017 – FC 18/48

The Committee noted the finalised statement.

FC 18/49 GROWTH FUND STATEMENT TO 31ST DECEMBER 2017 – FC 18/49

The Committee noted the finalised statement.

FC 18/50 LOAN STATEMENT TO 31ST DECEMBER 2017 – FC 18/50

The Committee noted that a loan agreed last year had been drawn down and that the parish concerned would be paying off the final £5,000 balance of a previous loan. Another short term cash flow loan which had been awaiting a reclaim of VAT had been paid off in full. With regard to a loan where no repayment had yet been made, a meeting had been arranged between PCC representatives, the Head of Finance and the relevant Archdeacon. The outcome of the meeting would be reported to the next Finance Committee meeting.

FC 18/51 DATE OF NEXT MEETING

Wednesday, 16th May 2018