

**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, 16th May 2018.

**PRESENT:**

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

**IN ATTENDANCE:**

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

**FC 18/52 OPENING PRAYERS**

Opening prayers were led by Mr David Dickinson.

**FC 18/53 APOLOGIES FOR ABSENCE**

Apologies had been received from the Revd Andrew Towner.

**FC 18/54 MEMORANDUM AND ARTICLES OF ASSOCIATION**

The Committee noted that the members of the Diocesan Board of Finance had agreed to the written resolution to amend the Memorandum and Articles of Association.

**FC 18/55 CO-OPTIONS**

Under the terms of 32 (a), (b) and (c) of the Articles of Association the Trustees co-opted Mr John Edwards. The Chairman reported that Ms Ann Mee had been appointed as interim Chief Operating Officer of the Crown Bank in London and was unable to take up the offer of co-option. It would be possible in January to review the situation with regard to Ms Mee's co-option.

**FC 18/56 MINUTES – FC 18/51**

The minutes of the meeting held on 21st March 2018 were approved and signed with two corrections.

**FC 18/57 MATTERS ARISING FROM THE MINUTES**

i. **Action Sheet – FC 18/53.** The action sheet was noted.

## **PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS**

### **FC 18/58 FINANCE REPORT AND ACCOUNTS TO 31ST DECEMBER 2017 – FC 18/54**

i. **Report and Accounts.** Mr Jaques introduced the DBF's Annual Report and Accounts and reminded members that if approved it would go to the June DBF/Synod meeting. A summary version of the accounts would also be produced for the DBF/Synod.

ii. **Management Letter.** Mr Jaques drew attention to the Management Letter from auditors Dodd & Co. The auditors had recognised the uncertainty around the school building maintenance debts. The auditors had also noted that the Charity Commission website had not been updated in respect of two of the trustees who had resigned and that there was no opening trial balance report for the financial year. Mr Jaques explained that the former issue had been resolved but the latter was complicated as some historic reports were difficult to extract from the diocese's Sage finance system.

iii. **Letter of Representation.** Mr Jaques drew attention to the Letter of Representation to the auditors which had to be signed by two Trustees. It recognised the duties of the Trustees. The letter addressed the issue of the outstanding school debts. There was an ongoing debate about how those debts should be technically described but the debate made no difference to the extent to which they were material. Canon Jayne and Mr Johnson agreed to sign the Letter of Representation.

iv. **Annual Financial Statements.** Mr Jaques reported that he had received several comments on the draft report and accounts and asked members for any further comments. Several minor changes, errors and omissions were noted. The Committee approved the Trustee's Report and Annual Financial Statements for submission to the DBF Annual General Meeting on 19th June 2018. As Canon Jayne would not be present at the DBF/Synod meeting it was agreed that Mr Johnson would present the Report and Accounts and also the Diocesan Budget.

### **FC 18/59 MANAGEMENT ACCOUNTS TO 30TH APRIL 2018 – FC 18/55**

Mr Jaques introduced the management accounts and reported that although it was early in the year the current high level of vacancies meant that stipend expenditure was significantly below budget and that even if posts were filled quickly the level of expenditure for the year as a whole would be well below budget. At end April the management accounts showed a situation that was £374,000 ahead of budget, with stipends underspend representing the biggest part of this. Of the other major budget headings, the housing budget was very tight, partly because the numbers of recent appointments was pushing up spending on in-going works.

Mr Hurton pointed out that there was already a policy in place covering the issue of refunding Parish Offer payments in a scenario where DBF made a surplus as a result of a higher than budgeted number of vacancies. The application of the policy needed to be considered carefully in the light of the formation of mission communities and the multi-annual nature of the budget. The Trustees agreed that the policy should come back to the Finance Committee for consideration prior to any discussion at Diocesan Synod about its application. Such a Synod discussion would not take place until the 2018 outturn was known early in 2019.

Mr Hurton introduced this item which addressed the Diocesan budget for the next two years. He reminded members of the background and assumptions informing this year's budget considerations. The figures being presented represented a draft budget for the period to end 2020 along with indicative figures for the following three years. The three main assumptions were that Parish Offer receipts would fall slightly in the next two years, that we would continue to move towards the planned 2020 clergy numbers and that vacancies would be filled quickly after they were created. In that last respect the previous minimum twelve-month vacancy policy no longer applied.

The paper showed a break even budget for 2019 and a £120,000 deficit in 2020 which, when taken with the actual outturn for 2015-2017 and the likely outturn in 2018, suggested a breakeven financial situation over the six years of the budget period. The Bishop's Council's recommendation was for the Committee to approve the draft budget for 2019-20 to go forward to Synod and the DBF.

Looking beyond 2020 the main sensitivity related to Parish Offer receipts. The budget was based on the assumption that Parish Offer would increase in line with unit costs, with clergy numbers being stable at the 2020 target figures. Four factors could have a positive impact on the level of Parish Offer: the recent appointment of a Stewardship Enabler, who would be working to increase levels of giving; lower clergy numbers which would reduce the cost base and should therefore improve affordability; the Parish Offer review, which was being implemented with new arrangements designed to lead to more sustainable offers; and the expectation that fresh expressions of church would make a contribution to the costs of ministry. However, it was also possible that a continued decline in churches' membership, attendance and giving would prevent them achieve the increase in the cost of ministry assumed. This was a major risk, but we should budget for the successful implementation of the strategy while reviewing and managing risks, rather than budget for a different scenario.

In the discussion other risks and opportunities were identified. In particular, there was a risk that as stipendiary clergy numbers and therefore local ministry costs fell in the future parishes could potentially reduce their offers. Effective communication and real understanding in local churches and deaneries about the financial context and challenges would be important. The strategy was dependent upon developing self supporting ministers and lay ministers who had a low cost base and this might discourage generous offers. There was also a risk that some parishes would prioritise the maintenance of their buildings at the expense of Parish Offer. Mr Hurton suggested that if we were moving to a lower cost model of ministry it might give parishes an opportunity to feel less financially pressured and that this might free up energy and resources for mission. If this happened then it would be a positive outcome.

It was reported that Bishop James had been leading on the production of a new booklet to explain and promote God for All. It would be presented around the Diocese in the autumn.

The Committee approved the budget for presentation to the DBF/Diocesan Synod on 19th June 2018.

It was noted that at some point the Committee would have to consider the financial requirements of Diocesan strategy beyond 2020. The Bishop's Council had already given thought to the timetable for this work, starting at the January 2019 Bishop's Council residential. The new Bishop of Penrith would be at that meeting.

## **FC 18/60 RYDAL HALL – FC 18/57, FC 18/58, FC 18/59, FC 18/60**

Canon Jayne introduced Rydal Hall's statutory accounts for 2017, the draft minutes of the Rydal Hall Board meeting held on 17th April, Rydal's Management Accounts to 31st March and a paper about the nature and extent of the DBF's support for Rydal Hall.

Canon Jayne reported that Statutory Accounts had been signed off by the Board of Rydal Hall. Spending had been kept under control during the year but insufficient attention had been given to maintaining income and marketing had been insufficiently prioritised and this was the principal reason why Rydal had made a loss for the second successive year. The new interim manager who had now been in post for a couple of months had previously been manager of the Methodist Guild hotel in Grange over Sands. She was being supported by Mr Jim Walker particularly in relation to developing the marketing programme.

Two new Trustees had been appointed: Mr Peter Yates, who had recently retired to Rydal village and who had background in commercial management; and the Revd Wendy Sanders, formerly Team Rector of Cockermouth and Rural Dean of Derwent Deanery.

Given the loss that had been made in 2017 and the shaky financial position, Rydal Hall's auditors had asked the DBF, as shareholder, to confirm that it would back Rydal Hall Ltd financially.

In the discussion of this request it was noted that we should be clear what 'confirmation of future backing' actually meant in practice as the DBF had already subscribed to additional shares in 2017. Although work had been done in the past to clarify and confirm the basis on which the Diocese continued to own and operate Rydal, this had clearly been on the basis that it should be financially self-sustaining. Although it made sense to back the Hall while the interim manager worked to remedy the current problems, support beyond the current year was not planned and the Hall's business plan needed to be developed on that basis.

The Committee requested that in July it receive a presentation of the business plan currently being developed by Rydal's manager and board. In the meantime, there was a need to provide a form of words which demonstrated the DBF's financial backing without providing a blank cheque or mandating how the backing would actually be provided. If required, it could be in the form of a loan or further share subscription.

Mr Hurton reminded members of the structural issues surrounding the Teashop toilets which had been the subject of an email exchange following the last meeting. A quotation for the work had now been received. The work was the responsibility of the landlord. Regardless of the long term future of Rydal Hall this work needed to be carried out and was expected to cost up to £15,000.

It was reported that following a discussion at the Bishop's Leadership Team about the Archdeacons portfolios, it had been suggested that Archdeacon Pratt take over from Archdeacon Ross on the Rydal Hall Board.

The Committee agreed the following:

- i. a Rydal business plan presentation be made at the July meeting

ii. to continue to support Rydal Hall on the basis of the following wording which would be made available to the Auditors:

“The Carlisle Diocesan Board of Finance remains committed to the work and ministry of Rydal Hall Ltd. The DBF will continue to keep the ongoing operation and viability of Rydal Hall Ltd under close review in the course of 2018 and 2019, and will continue to give both practical and financial support, if required, to enable it to continue with its work in the Diocese.”

iii. to provide up to £15,000 funding for repairs to Rydal Teashop toilets from the Pastoral Account as a landlord’s cost

iv. the appointment of the Venerable Richard Pratt to the Rydal Hall Board to replace the Venerable Vernon Ross.

## **FC 18/61 DIOCESAN BOARD OF EDUCATION**

**i. Gilsland School joining the MAT: request to appoint a DBF nominee.** Mr Mill, Diocesan Director of Education, reminded members of the discussion in November 2017 about someone other than himself representing the DBF at the Annual General Meetings of academies. He was requesting the appointment of a DBF nominee for Gilsland School, which was at present a standalone academy. It was reported that there had been no foundation governor at the school since the retirement of the Revd Rod Allon-Smith. Mr Mill was involved with the school but faced potential conflicts of interest as Gilsland School were considering whether to join the MAT. Mr Mill briefed the Committee on the current state of play at the school. He anticipated that a DBF appointee would need to attend a single meeting in their role, on the assumption that the school would join the MAT before 1st September.

In the discussion it was noted that the vacancy at Lanercost was being advertised and there was an expectation that a new priest there would become a foundation governor at Gilsland School. In response to a query about the settlement of Gilsland being in both Cumbria and Northumberland local authority areas, Mr Mill said that Northumberland were looking at reorganising their schools. He had had discussions with some non-church schools in the area about joining the Good Shepherd MAT.

It was suggested that the Archdeacon of Carlisle should approach Miss Sheila Goodliffe about becoming the DBF representative for Gilsland school. It was agreed that approval of a nomination for a DBF representative should be delegated to the Chair.

**ii. School Buildings – FC 18/61.** The Committee considered a paper prepared by Mr Mill with regard to school building maintenance and improvements. The paper raised some issues including the concern that ability to raise the 10% governor contribution rather than need was determining which schools received Department for Education capital funding. The DBE was encouraging schools to think proactively about what work was needed and identify where the 10% contribution could come from without drawing on general school budgets. The DBE wanted the DBF to consider putting aside up to £200,000 from the Barchester Trust as a fund to be used to provide the 10% contribution in cases where work was regarded as essential but a school simply did not have the match finance available and was unable to raise it. The expectation was that the £200,000 would be drawn down slowly over a number of years and would be replenished from capital receipts from the sale of

closed schools such as Heversham. The opportunity cost of using the £200,000 in this way would be a reduction in investment income of nearly £10,000 a year.

Mr Mill also asked the Committee to identify a sum of money that could be drawn on if a school faced a critical buildings-related event that would close the school if it was not addressed. On the whole, funding for such events had been provided with through the Local Authority Co-ordinated Voluntary Aided Programme funding (LCVAP) but there might be situations where its use was not possible. No situations currently existed where this money was expected to be required soon, but it would be better to have a sum available if required, rather than having to develop a policy on the hoof in a crisis situation.

Mr Mill suggested that for both these funds there needed to be an application process with clear criteria. He and Mr Jaques could draw up a draft process and criteria for consideration at the July Finance Committee meeting. The process for approval would include the DBF Chair and the Head of Finance.

The Committee agreed in principle to making £200,000 available for a schools building work governor contribution fund and £200,000 for a schools critical buildings fund. Approval of processes for allocating and drawing down each of these funds and associated criteria would be sought at the July meeting.

## **PART B FINANCE – MINOR MATTERS**

### **FC 18/62 MULTI-ACADEMY TRUST**

**i. Minutes of the meeting held on 22nd March 2018 – FC 18/62.** Mr Mill reported that the minutes had been approved at the meeting of the MAT on 8th May 2018. He reported that a working group had looked at the role of a Chief Executive Officer but that the MAT did not have the funding to appoint to such a role at the moment.

In response to a question about the current state of play with attracting new schools to the MAT Mr Mill explained that in addition to Gilsland, which had been mentioned previously, other schools were involved in discussions. The MAT had been able to offer additional temporary support for school improvement and development and this had moved the operating model on in terms of support for reporting, structures and assessment procedures. Whitfield school was doing much better since it had converted to be part of the MAT.

In relation to the previous meeting's request for clearer reporting processes to be put in place, Archdeacon Pratt and Mr Jaques had yet to meet with Ms Gerke but this work would happen shortly.

**ii. Management Accounts to 30th April 2018 – FC 18/63.** The accounts were noted.

### **FC 18/63 PARISH OFFER**

**i. Parish offer receipts to 30th April 2018 – FC 18/64.** Mr Jaques reported that the position in terms of proportion of offer received was very similar to this time last year, but with offers still awaited from a small number of parishes. When compared to some other Dioceses we were struggling to increase our receipts.

It was agreed that it would be helpful to circulate the regular national report on receipts across Dioceses with papers for future meetings.

**ii. Parish offer arrears – FC 18/65.** Mr Jaques said that he had started to remove the amounts that had been written off from his report. The decision to write these amounts off had not been taken lightly. The Archdeacons were still involved in conversations with parishes who had arrears. He emphasised that this was a work in progress and that the Archdeacon needed to follow up a number of specific situations.

#### **FC 18/63 CCL**

**i. Draft minutes of the meeting held on 14th March 2018 – FC 18/66.** The minutes were noted. In response to a query about bringing CCL in-house, it was explained that this was likely to be a consequence of a restructure which amalgamated the Reach Team and CCL.

**ii. Management Accounts to 30th April 2018 – FC 18/67.** Mr Jaques reported that the budget that had finally been accepted by the CCL Board had showed a £60,000 deficit for the year. CCL had put in place a group to look at the long term sustainability of CCL. Savings had been identified and these, together with the correction of an error relating to pension costs in the budget would improve things by £30,000. More work needed to be done on the phasing of the budget. The biggest single determinant of whether we hit our budget figures was the number of ordination training students who were studying with CCL. If we met the numbers predicted at the outset the budget would balance. In terms of presenting the budget in the future, if CCL and Reach were amalgamated within the Board of Finance, the budget would probably be presented as it had in the past.

#### **FC 18/63 OPSHOPS – FC 18/68**

The Committee noted the financial statement to 30th April 2018 which showed a deficit for the year to date. The figures included the costs of the development project manager's role which was undertaking the work related to establishing OpShops as a separate entity to the DBF. Mrs Carolyn Barton was in that role and would be attending the next meeting to provide a full report on progress and to present proposals.

### **PART C PROPERTY MATTERS**

#### **FC 18/64 PARSONAGES COMMITTEE MINUTES**

**i. Archdeaconry of Westmorland and Furness – 15th March 2018 – FC 18/70.** The minutes were received.

**ii. Archdeaconry of West Cumberland – 20th March 2018 – FC 18/71.** The minutes were received.

**iii. Archdeaconry of Carlisle – 22nd March 2018 – FC 18/72.** The minutes were received.

**iv. Joint Parsonages Conference – 8th February 2018 – FC 18/69.** Mr Andrews explained that the Archdeaconry Parsonages Committee meetings provided a route for reporting and accountability rather than for decision making so it would make better use of his time if he attended them on a six-monthly basis rather than quarterly. This was agreed. The minutes were received.

**i. Property Sub-Committee Minutes and Meetings.** The Committee received the minutes of the Property Sub-Committee. It was agreed that Mr Edwards be appointed to the Property Sub-Committee.

The Committee approved the amendments and additions to the “pink book” which were related to the disability access and house security policies. These had been discussed and recommended by the Joint Parsonages Conference.

**ii. Matters requiring further Finance Committee consideration and approval.**

**(a) Grasmere Rectory.** Mr Andrews reported that we now had agreement to the sale of the Rectory and the Tithe Barn. The Diocese would normally put the sale proceeds of the house into the Pastoral Account but the Patrons wanted the monies to be held in a benefice building fund to fund the replacement house. The Patrons were happy for the proposed grant of £50,000 for the parish as compensation for the loss of use of the Tithe Barn which would be sold along with the rectory.

It was noted that the rationale behind putting the money into a benefice buildings fund was to restrict its use to the purchase of a replacement house. There was likely to be a delay between selling the current rectory and purchasing or building a new one because the current Priest in Charge was living in her own house. We therefore had sufficient time to find the right property. Once a replacement house had been purchased any balance would go into the Pastoral Account or the Diocesan Stipends Fund. Mr Andrews and Mr Jaques were to investigate whether the benefice buildings fund had to be held on deposit or could be invested. If it was held on deposit then it could depreciate significantly relative to house prices in Grasmere.

The Committee agreed to the sale of the Rectory and the Tithe Barn, with £50,000 of the sale proceeds to be granted to the parish and the remainder put in a Benefice Buildings Fund.

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

**(a) Carlisle St Aidan.** The Committee noted that a potential missionary who was likely to live in this property had accepted the post in principle, with appointment details to be finalised in May.

**(b) Skelton.** The Committee noted that the letting of this house was being pursued.

**(c) Loweswater.** The Committee agreed to let the house.

**(d) Barrow St John.** The Committee noted that a curate would move in once the work was completed.

**(e) Levens.** The Committee noted that the date for bailiffs to effect entry was 8th June. Mr Andrews was to notify the Churchwardens and also to take up with the letting agents the question of the references obtained for the tenants.

**(f) Grayrigg.** The Committee noted that we were awaiting a qualified surveyor’s report and that the contract and transfer had been received for signature.



(g) **Brough with Stainmore.** The Committee noted that notice to quit had been served with effect from 3rd August and the house was to be marketed if the tenants did not make a suitable offer to purchase the property.

(h) **118 Dalston Road, Carlisle.** The Committee noted that the house was being marketed for sale.

(i) **Borrowdale Vicarage.** The Committee noted that the house was on the market and that representations had been received from the Parochial Church Council against the sale of the glebe unless it was used for affordable housing.

(j) **Kirkby Lonsdale Rectory.** The Committee noted that the notice to sell had been discussed at the Parochial Church Council in September but that the District Church Council appeared not to have been informed of this by the PCC. An extension of the notice period had therefore been agreed.

(k) **Kirkby Lonsdale Vicarage.** The Committee noted that the tenancy arrangements for the Methodist Minister had been completed.

(l) **Church House and West Walls Old Vicarage, Carlisle.** The Committee noted that the planning approval for Carlisle Key was still awaited but no representations against it had been received. A minor issue had arisen with the title for the Old Vicarage and this was being resolved.

#### **Closed Churches**

i. **West Seaton.** The Committee noted that a public drop-in meeting had been arranged for 21st May. A draft scheme had been published by the Church Commissioners for public consultation. The Committee approved the gift of the bells to Urswick Church once the disposal scheme had been completed.

#### **Glebe**

i. **30 Market Place, Richmond.** The Committee noted that the initiation of bankruptcy proceedings had resulted in payments of £13,000 and £7,000 outstanding rent from the previous tenants. We had until 2nd September to make a final application for bankruptcy. This was to be reviewed by the Property Sub-Committee in June and August.

ii. **Borrowdale Glebe.** Archdeacon Pratt declared an interest given his role as a Director of Mitre Housing. With regard to the glebe land it was reported that Mitre Housing might be able to purchase this land. It had been agreed previously to invite offers for the house and offers for the house plus the land so that it would be possible to arrive at an informed valuation of the land. The Trustees' preference was to provide the Glebe for affordable housing and the process being adopted would help determine if this was going to be feasible.

iii. **Former Kirkby Thore Glebe.** It was reported that this land had previously been sold for agricultural value only with a restrictive covenant against development and that we had retained the mines and mineral rights. The land was now being sold and an offer of £200,000 had apparently been received by the vendor, although it was believed the land was potentially worth more. It was agreed that a payment of £100,000 be requested for the

release of the rights. If this was refused then we should seek an overage clause. Otherwise the rights would not be released.

## **Closed Schools**

**i. Land at Beetham.** The purchase of the land for use by the school had been completed on 10th May 2018.

## **PART D PARISH PROPERTY FUND**

### **FC 18/66 REQUESTS FROM PARISHES FOR FINANCIAL ASSISTANCE**

No requests had been received.

## **PART E TRUST MATTERS**

## **PART F FINANCIAL STATEMENTS AND REPORTS**

### **FC 18/67 TREASURY AND INVESTMENTS – FC 18/74**

Mr Jaques reported that there had been no sales of property and no investment changes had been made. The next meeting of the Investment Sub-Committee was scheduled for 19th June 2018.

Share prices for the first quarter in UK equities had fallen so we had seen a decrease in our investment valuation but this did not have an impact on our income. Due to revaluation of glebe land, particularly the land at Egremont, the proportion of our investment portfolio that was held in land had increased to 18%, which was above that allowed in our policy. This would resolve itself once the land had been sold and did not require action in the meantime.

Mr Jaques also reported discussions with Ellergreen, our hydro development partner. There was possibly an option to invest in another existing hydro scheme, but it was not clear whether this would provide us with an equity stake or be made up of a loan. The Committee agreed that Mr Jaques should explore the options but suggested that a loan arrangement was unlikely to be attractive to us.

### **FC 18/68 PASTORAL ACCOUNT STATEMENT TO 30TH APRIL 2018 – FC 18/75**

The Committee noted the statement.

### **FC 18/69 GLEBE STATEMENT TO 30TH APRIL 2018 – FC 18/76**

Mr Jaques reported that the DBF was to receive one quarter of a legacy from a family trust for the 'augmentation of stipends of clergy in the Diocese of Carlisle'. This was being invested in glebe as this money was used to fund clergy stipends. We had received £80,000 so far but did not know what the final amount of the bequest would be. It was unlikely to be significantly greater.

The Committee noted that we would be moving to a three-yearly valuation rather than a yearly valuation of glebe property. Any extra money raised from Market Place, Richmond would be credited to the glebe account.

**FC 18/70 BARCHESTER STATEMENT TO 30TH APRIL 2018 – FC 18/77**

The Committee noted the statement.

**FC 18/71 PARISH PROPERTY FUND TO 30TH APRIL 2018 – FC 18/78**

The Committee noted the statement.

**FC 18/72 GROWTH FUND STATEMENT TO 30TH APRIL 2018 – FC 18/79**

The Committee noted the statement and the fact that for the 2019 budget the income would be used principally for grants to local projects, with any excess income being applied to fund the work of the Reach Team. On that basis all the annual income would be spent while the capital was protected.

**FC 18/73 LOAN STATEMENT TO 30TH APRIL 2018 – FC 18/80**

It was reported that Archdeacon Townend and Mr Jaques had met with the Parochial Church Council Secretary of a parish who had not yet repaid any of their loan or interest. A VAT claim had apparently been made to the Listed Places of Worship Grant Scheme too late and was unlikely to be paid. This meant that the Parochial Church Council were currently unable to repay the loan. The Archdeacon was going to meet with the incumbent and seek permission for us to approach the grant making body to see if there was any way of getting the claim processed after the deadline. If this was unsuccessful the onus would be on the Parochial Church Council to raise the funds.

**FC 18/74 DATE OF NEXT MEETING**

Wednesday, 18th July 2018