CARLISLE DIOCESAN BOARD OF FINANCE LIMITED

Minutes of a meeting of the Carlisle Diocesan Board of Finance Ltd held at Newton Rigg on Saturday, 14th October 2017.

B 17/10 ATTENDANCE

71 members were present and 23 apologies for absence were received.

B 17/11 MINUTES – DBF 17/04

The minutes of the meeting held on Tuesday, 20th June 2017 were approved and signed.

B 17/12 MINUTES OF THE FINANCE COMMITTEE & QUESTIONS TO THE CHAIR – FC 17/64 & FC 17/90

The minutes of the Finance Committee meetings held on Wednesday, 10th May and Wednesday, 12th July 2017 were received.

The Chairman drew attention to minute FC 17/81, Succession Planning. A paper from the Archdeacon of West Cumberland concerning a review of the Diocesan Board of Finance's governance had been distributed at the meeting. No decision was required at this meeting but instead the paper was designed to draw members' attention to a number of proposed changes. The Archdeacon's paper summarised these as:

- increasing the number of possible co-options to the Finance Committee (ie the Trustees and Directors), to increase the width of expertise and to give more flexibility to get the right people in the right place
- a three year term of office, renewable once
- allowing the use of new technology to enable meetings where appropriate

These changes were intended to provide the right balance of skills and people who run the financial side of the Diocese. This paper would formally be put to the Diocesan Board of Finance's meeting in March 2018. It had been approved in principle by the Bishop's Council and the Finance Committee.

Mr Jayne invited comments and questions on the minutes. There was some confusion with references in the minutes to self-supporting ministers and the use of the word support in the minutes of the Board and of the Finance Committee. Mr Hurton clarified that one reference was to self-supporting in the sense of ministers who did not receive a stipend, while the other reference was about collegiate support from a minister who was a Mission Community Leader. The first involved questions of financial support while the other involved support as a colleague. Mission Community Leaders would be stipendiary and would be in supportive work relationships with financially self-supporting colleagues.

A member asked for clarification on a comment in the May Finance Committee minutes which stated that Parochial Church Council Treasurers now provided their financial statistics online and no longer sent copies of their annual report and accounts to Church House. The member was under the impression that the Church Representation Rules required Parochial Church Councils to send copies of their annual reports and accounts to the Diocesan Board of Finance.

Mr Hurton clarified that this was indeed a requirement but that compliance was limited and that the Board of Finance did not any longer pursue outstanding reports in an effort to reduce workload and thereby save money. It was understandable that some Treasurers felt that if they completed the online returns they had already provided much of the information that was contained in their accounts.

One of Appleby Deanery's representatives welcomed the Parish Offer review but sought reassurance there would be plenty of opportunitites for deaneries and parishes to consider and respond to proposals. It would be important that parishes and deaneries were given a clear indication of what levels of offer would need to be paid towards the costs of ministry in mission communities. In the current changing context there were questions about what that ministry actually amounted to, particularly in relation to the ecumenical nature of ministry. Mr Hurton explained that to date the Parish Offer review working group had met twice and had arrived at a sense of their preferred way forward. This would be going to the Bishop's Council and Finance Committee for comment before coming back to Synod for approval. At the moment the direction of that work was heading towards a system similar to the existing one but based on mission communities, with a period of piloting proposals in a small number of areas to see whether changes worked in practice. The implementation of the parish offer system had been very smooth because a lot of time had been spent seeking and listening to views and suggestions about how to make it work. There were no plans to rush into any changes, and consultation would take place through a number of channels after the Bishop's Council and Finance Committee meetings.

The Chairman drew attention to a number of other specific points in the minutes. Mr Richard Morris had resigned from his co-opted membership of the Finance Committee. His expertise had been in land and estate management and the Committee had been very grateful to have had his input over a number of years.

Work was beginning to develop OpShops as a free-standing enterprise rather than as part of the Board of Finance. This work would examine how they could engage more closely with local churches.

The Rydal Hall Board and Finance Committee had taken a decision to convert Rydal Hall Ltd into a Charitable Company. It was currently a company limited by share and wholly owned by the Board of Finance. In the last couple of years South Lakeland District Council had withdrawn their discretionary rate relief to Rydal Hall and its activities and this had added something in the region of £30,000 to the rates bill. If it could convert into being a charitable company it would benefit from mandatory rate relief. Under the proposals the Diocesan Board of Finance would continue to own the Hall itself along with owning all the shares in Rydal Hall Ltd and continuing to appoint its Directors.

In respect of Church House in Penrith, one of the two office areas that were not occupied by Diocesan staff had now been let. The Cathedral had shown interest in acquiring Church House in Carlisle along with the Resource Centre and car park. The Old Vicarage on West Walls might be sold to a charitable enterprise in Carlisle which was seeking permanent accommodation.

B 17/13 DIOCESAN BUDGET 2018-2020 - DBF 17/06

Canon Jayne introduced the diocesan budget by referring to the relevant minutes of the Finance Committee. It had been the Board's intention over the period from 2015 to 2020 to run a balanced budget over the six years as a whole. Within the period some years would be in deficit and others in surplus. However, we had not seen increases in Parish Offer in the first three years of the budget period and were above our projected clergy numbers. The effect of this was to create a deficit that would potentially grow each year as lower levels of Parish Offer became the baseline for future years. The compounding effect of this meant that unless we took action there would be a cumulative deficit over the period from 2015 to 2022 of £1,917,100. This would wipe out our General Unrestricted Reserves. The Finance Committee had recognised that this was an unsustainable position and had taken steps to ask Bishop's Council to consider the priorities for expenditure in the future. A budget working party had been set up to look at what could be done. None of the working party's recommendations for making savings were particularly palatable but Bishop's Council had recognised that the money would run out if we did not act and had therefore grasped the nettles required. The Bishop's Council's recommendations were behind the figures and narrative in the report which had been circulated to members.

As far as the specific proposals were concerned, Canon Jayne acknowledged that it might seem counterintuitive to be reducing the number of stipendiary curates when we were hoping that more people would be called to ministry. However, if we recruited the number of stipendiary curates set out in the budget then we would still achieve the stipendiary clergy numbers that we felt were required for mission communities and were affordable in the medium term. There was of course no budgetary ceiling on the number of self-supporting curates.

The proposal for stipend levels was that we should align them with those of other dioceses in the Province of York. In recent years our stipend increases had exceeded those of most other northern dioceses. The budget provided for a 1.6% increase in stipends. It also provided for a 1% increase in lay salaries which was a departure from the practice in the last several years of paying the same percentage clergy stipend and lay salary increases. The increases proposed, being lower than forecast inflation, were regrettable but we had to accept that we needed to save money. We also had to start serious work on stewardship in the Diocese as part of the response to God for All and the budget provided resources to staff that work, with a commensurate increase in Parish Offer income in subsequent years.

On the income side of the budget, Canon Jayne reported that the Property Department were proving very efficient in letting vacant vicarages and other properties. In this and other areas we were raising money along the lines set out in the paper. Finally, Canon Jayne expressed his gratitude to Mr Jaques for his work on the budget and invited questions and comments while suggesting that if people had questions about the detail they might be taken outside the meeting.

In response to a question it was reported that we were currently in receipt of a grant from the Church Commissioners' Strategic Development Fund which was to pay for the additional cost of implementing God for All over the period from 2017 to 2019. It was hoped by that time we got to the end of 2019 we would have obtained further grant funding. By then we also expected to have generated additional income from the investment of capital receipts and the development of or two hydro electric schemes. We had just submitted an outline proposal for further grant funding.

Another question related to the budget for the maintenance of clergy housing. Reassurance was given that the quality of our housing stock could be satisfactorily maintained within the proposed budgets. One of the reasons why the housing budget could reduce without having a detrimental impact was that the number of parsonages would fall in line with the reductions expected in stipendiary clergy numbers. A question was asked about why the Continuing

Ministerial Education budget no longer appeared in the budget. In fact it was now part of the grant paid to Cumbria Christian Learning, whose staff had taken over responsibility for administering that budget.

Another area that attracted members' attention was the proposal that the Board would employ mission community administrators. Mr Hurton explained that in these situations the Board's staff in Church House would facilitate the recruitment of administrators on behalf of mission communities so that the mission communities themselves were saved from the work involved in the recruitment process and in areas such as payroll, tax, pension and human resources. The actual payroll costs of employing the administrators would be paid by the mission community. A concern was expressed that the employment of paid administrators in mission communities could actually increase the overall financial burden on mission communities' constituent churches and that this might prove unsustainable, especially in Urban Priority Areas.

Mr Hurton suggested that if we looked forward five or ten years and thought of the budget as being divided between the local church and Diocesan Board of Finance elements, we might well see that the Board's share had reduced because of the reduction in the cost base of stipendiary clergy. In the same timeframe the local church element could have expanded in areas such as mission community administration. It was not far-fetched to suggest that the overall financial burden might actually be less. He felt that it would be good to get to a situation where people in parishes felt they the money they raised represented what was really needed to fund mission. Constant fundraising pressure was a drain on people's energy. He would welcome a situation in which the Diocesan Board of Finance's budget was significantly smaller if this was allied to the church being more effective in mission with more money being spent locally rather than being paid in Parish Offer. That said, to get from where we were to where we wanted to be would involve a massive shift in thinking and in our models of church and ministry. We would need to manage the transition carefully so that shifts in the patterns of the DBF's expenditure and income did not result in a big financial gap in the meantime.

In relation to this point a member from Calder Deanery commented that when the Offer system had been introduced, parishes had been told that the money raised would be used to cover the cost of local ministry. Since then the area covered by the South Calder mission community had lost two full-time stipendiary priests and had gained one house for duty priest. This meant that the cost of local ministry had fallen substantially so the question being asked locally was why they should continue to increase their Offers.

Mr Hurton responded by reiterating that the figures provided for local ministry costs as part of the Parish Offer process were intended to show the actual unit costs. They were provided to help parishes see what the costs were but were not intended as hard and fast amounts that should be contributed in each area. The Parish Offer system was based on the concepts of realism and generosity. Realism meant knowing what the actual costs of ministry were and recognising that those costs had to be met across the Diocese as a whole. It meant that each church should consider whether it was realistic to expect others to support their ministry if they themselves were not covering the full costs. Generosity meant that churches should be prepared willingly to give above and beyond the cost of ministry in their own area in order to enable ministry to be provided in areas which could not otherwise cover their own costs. He felt that the point being raised was a fair one and that we needed to start having more conversations about that sort of issue.

Increasing engagement and conversation with mission communities over finance were at the heart of the proposals emerging as part of the review of Parish Offer. When the Parish Offer had been introduced we had considered whether it was feasible for the Diocesan Board of Finance to be in conversation with 275 parishes. We had realised that such a conversation was impossible and had instead tried to prompt conversations within Deaneries. Those Deanery conversations had been patchy. With the shift to 30 to 40 Mission Communities it was more realistic to expect to be able to have more direct engagement between the Board and the local church structures. These conversations could help the Board and parishes to consider together whether the Board's expectations were realistic and whether the Mission Communities' offers were generous and realistic.

Finally, Mr Hurton pointed out that there were many parishes, including in Calder Deanery, who were continuing to offer the same level of Parish Offer after clergy numbers reduced as they had previously. That seemed to him to be displaying real Christian generosity.

Canon Jayne then formally proposed the following motion which was carried nem con.

"That the expenditure and contributions proposed in the budget for 2018 be approved."

It was noted that the budget provided for a 1.6% increase in the Diocesan Standard Stipend for clergy of incumbent status of £26,030 from 1st April 2018