

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 on Wednesday 15th May 2019.

PRESENT:

The Archdeacon of Carlisle	Mr D J Bradley
The Archdeacon of West Cumberland	Mr A R H Cook
The Archdeacon of Westmorland and Furness	Mr J Edwards
The Revd A Towner	Mr J E A Johnson (Chair)

IN ATTENDANCE:

Mr D Hurton – Diocesan Secretary
 Mr R Jaques – Head of Finance
 Mr N Andrews – Property Secretary
 Mrs A Ng – Head of Human Resources

FC 19/54 OPENING PRAYERS

Opening prayers were led by Mr Jim Johnson.

FC 19/55 APOLOGIES FOR ABSENCE

Apologies for absence were received from the Bishop of Carlisle.

FC 19/56 STAFF WELLBEING SURVEY

i. Wellbeing Survey – FC 19/57. Mr Graham Fawcett, Director of Psychosocial Services at Thrive Worldwide, joined the meeting by Skype to present the findings of the Staff Wellbeing Survey for Church House employees. The survey was divided into four domains work/task, personal, environment and interpersonal.

Mr Fawcett explained the key findings of the online survey of clergy and Church House employees that had been conducted for two weeks during January. The staff covered by the survey included the Network Youth Church leaders, OpShops staff and all other Diocesan Board of Finance staff, not all of whom were based in Church House. The response rate of 90% was very high.

One of the key findings was that the majority of staff found Church House a happy and fulfilling place to work. The senior leadership team and Diocesan Secretary were perceived as caring and supportive and the Diocesan Secretary's open-door policy was much appreciated. However, 45% of employees felt significantly tired, well above the 6% that might be expected in the general population. A factor in this might be that there was a clear long hours working culture amongst a cohort of employees which seemed entrenched even if not expected by the Trustees or management. Regarding workload, 40% of employees felt overwhelmed by it and 30% felt unable to control it. It was the job of senior management to mitigate that.

Mr Fawcett then took the Committee through the key recommendations for employees in the areas of workload and change processes. Recommendations were also made in the areas of internal office management, benefits, maintaining focus, and gathering together. The survey showed that the majority of the staff had a strong moral code and that there was a positive atmosphere among them. The report made several suggestions as to what could be done about the matters that had been raised.

In the discussion it was noted that the report was very encouraging and gratitude was expressed to Mr Hurton and the management team for their approach.

The issue of cover for key staff when ill or on holiday was identified as a potential risk. At the same time it was acknowledged that in a small organisation there would always be a number of significant points of potential failure because there was little scope for duplication of roles. The Trustees noted that this issue was identified on our risk register, and that the main mitigation was to maintaining documented standard operating procedures. Documenting business processes and keeping them up to date took a lot of time to do properly.

Mr Fawcett was thanked for his input and work on the survey.

ii. Action Plan & Salary Review – FC 19/58. Mrs Ng explained that following the wellbeing survey a staff group had been set up to consider its findings. She introduced a report containing recommendations from the group including consideration of the implementation of a pay scale review. It was noted that since the survey there had been reorganisation of the Reach/CCL teams and the administrative functions.

In the discussion it was emphasised that the Church House management team was responsible for the day to day running of the Diocesan support services, and that the Trustees needed to have confidence that this was happening effectively and that the Wellbeing Survey was being acted upon. There was a query about whether the ideas proposed in the report were realistic and would make a significant difference.

An area that prompted discussion was that of the application of Diocesan policies. It would always be difficult to achieve complete consistency with policies but the survey showed some frustration among staff that there was a lack of consistency and that at times policies seemed to be changed arbitrarily. Although the Diocese was rightly wanting to be a flexible organisation it sometimes felt as if there were more exceptions than cases when policies were actually applied. There were examples where individuals who did not like decisions that had been made approaching a senior member of the clergy to have the decision overturned.

The report had said that a third of staff were unable to separate their work and personal lives. It would help to support staff down time if, when they were at church on Sundays, they were treated as congregation, rather than as someone from “headquarters”.

Mrs Ng reported that the survey had picked up the issue of pay scales and this had also been raised by a number of different people during the reorganisation. She believed we would have to carry out some sort of pay review because it had been raised and because on the face of it there were some discrepancies. However, it needed to be understood that a pay review could result in an individual’s pay increasing, decreasing or being frozen. Any review would need to involve Trustees in order to ensure that there both was, and was seen to be, impartiality.

In the discussion it was noted that a review of all staff salaries would take up a lot of management and trustee time and energy and that it was likely to result in some unhappiness if relative pay levels changed. However, it would also be difficult to limit the exercise to a subset of staff. There needed to be a robust job evaluation methodology. It was reported that we could use the same methodology as Mrs Ng had used at Blackburn Diocese. Mr Bradley said that he had some experience of this sort of work in the past. At least one of the Trustees had to be involved in the process.

It was agreed that Mrs Ng, Mr Hurton and Mr Bradley should develop a proposal to come back to the Trustees.

FC 19/57 APOLOGIES FOR ABSENCE

Apologies for absence were received from the Diocesan Bishop.

FC 19/58 MINUTES – FC 19/55

The minutes of the meeting held on 20th March 2019 were approved and signed.

FC 19/59 MATTERS ARISING FROM THE MINUTES

i. DBF Staffing Update.

Mr Hurton reported that the staff reorganisation had now been completed and circulated an organisation chart showing new roles.

ii. Action Sheet – FC 19/59

The action sheet was noted.

iii. Co-options

Archdeacon Pratt reported that he had not yet received any suggestions for possible co-options. A draft advertisement for co-optees was considered and would be distributed in the enews. It was agreed that Mr Cook would work with Mr Johnson and the Archdeacon to respond to anyone who came forward. The Archdeacon confirmed that he was happy to contact Ms Ann Mee who had been considered as a potential co-optee in the past.

PART A FINANCIAL POSITION AND MAJOR FINANCE MATTERS

FC 19/60 FINANCIAL REPORT AND ACCOUNTS TO 31ST DECEMBER 2018 – FC 19/60

Mr Jaques introduced the financial report and accounts, the Management Letter from the Auditors and the Letter of Representation. The financial report and accounts were the latest draft and he had received comments which would be integrated into the final copy. There was one issue to finalise with the auditors which related to the treatment of taxation at Rydal Hall in the DBF's consolidated charity accounts.

The Letter of Representation was the device through which the Auditors asked the Trustees to confirm that they had provided all material information required for the audit to be undertaken accurately. Mr Towner and Mr Johnson agreed to sign the Letter of Representation on behalf of the Trustees.

Mr Jaques drew attention to the Trustees Report which contained both technical elements and a narrative that had been prepared by Mr Hurton and Mr Johnson. It was agreed that the report could be signed by the Chairman.

The Committee approved the financial report and accounts for submission to the meeting of the Board and Diocesan Synod on 18th June 2019.

Mr Jaques reported on proposals to produce another trifold leaflet to go to Synod and be made available on the website. This showed the financial and operational results for the year in an easy to read, accessible format. Members would have seen the more substantial financial review document which had now been circulated. The trifold leaflet would put the year's financial performance in the context of the six year budget period for God for All.

FC 19/61 MANAGEMENT ACCOUNTS TO 30TH APRIL 2019 – FC 19/61

Mr Jaques introduced the management accounts and said that the most significant area where there was a material variance from budget related to stipend costs. We had budgeted for a vacancy rate of about 7% but vacancies were currently running at a higher level. Parish offer was coming in under budget but investment and rental income were probably going to be better than budget. It was early days to be forecasting for the end of the year but at the moment there was potentially going to be a surplus as compared to the budgeted break-even.

In the discussion there was a slight concern about this year's housing budget because of the amount of ingoing work planned. Mr Andrews would keep the Finance Committee and Property Sub Committee informed about progress. Mr Jaques had done a sterling job in getting all the management and statutory accounts ready for the Trustees as well as dealing with the audit. He intended to bring the audit forward by two weeks in 2020.

FC 19/62 DIOCESAN BUDGET 2020 – FC 19/62

Mr Hurton began by reminding members that only Mr Bradley and Mr Edwards of the Trustees had not been present at the Bishop's Council meeting when the budget had been discussed. The discussion there had been fairly straightforward. What the Committee were being asked to do was approve the budget for submission to the DBF/Synod in June. Mr Hurton explained that the current budget covered a six year period and we were looking at year six of that period. As a consequence, there was not a lot of scope for change. The current forecast, based on four years of actual experience and two of projections was for a £250,000 surplus over the six years, which equated to less than half a percentage point.

The proposed budget was based on a fairly static parish offer and continued progress in reaching the planned 2020 clergy numbers, filling outstanding vacancies in 2019, modest increases in fee income for ordination training, and continuing to maximise investment and rental income. The paper also included some projections beyond 2020. Those projections showed that if we rolled expenditure plans forward while assuming an inflation increase in Parish Offer, we would be looking at a deficit in every year beyond the end of 2020. This meant that the work to develop a budget in support of the "refreshed" God for All strategy was likely to be very challenging.

Mr Johnson said that once the initial implementation of God for All was completed and the planned 2020 stipendiary clergy numbers had been reached, we risked a major shortfall. We would therefore need to continue to maximise our investment income in the hope of finding

ways of covering the gap. He was confident that the budget figures for 2020 were sound and robust.

It was pointed out that the biggest area of cost was clergy stipends and that the budget projections showed some fluctuations beyond 2020. Mr Hurton and Mr Jacques explained that the numbers were based on filling some of the outstanding vacancies in the course of 2019 and maintaining long term vacancy rates from then on. Vacancy rates had a habit of fluctuating from year to year and the current high rate could not safely be expected to continue in the future. The clergy numbers in the budget projections were based on granular analysis of people currently in post and their expected retirement dates.

The budget process for the period beyond 2020 would be a big piece of work, similar to that undertaken in 2014. It would involve revisiting assumptions and spending plans. Given the scale of this work and the need for it to follow on from the Refresh of God for All, the draft budget for 2021 and beyond was expected to go to Synod in October 2020.

FC 19/63 RYDAL HALL

i. Statutory Accounts for 2018 – FC 19/63. Mr Jaques drew attention to the Rydal Hall Financial Statements which were circulated for information only as the Rydal Board were responsible for approving them. The Statements had been approved by the Rydal Board and would be filed in due course.

ii. Management Accounts to 30th April 2019 & Director's Report – FC 19/64. The Rydal Hall Management Accounts for March had been circulated and Mr Jaques circulated a consolidated profit and loss account to 30th April which was in line with the budget and an improvement on the March figures.

The year to date variance figures showed that we were behind budget both in terms of income and expenditure. The forecast outturn for 2019 on current trends showed a deficit of £28,000 compared to a £60,000 forecast for 2018 at this point last year. This showed how much progress had been made but also indicated that more work had to be done to grow turnover and control costs. Marketing the Hall remained a very high priority and the Board and management were working hard to continue to make progress towards full financial sustainability. On-line bookings would shortly be possible and all periods when there were significant numbers of vacancies were being addressed with targeted marketing.

Archdeacon Pratt reported that he was still acting as Chair until there was a positive balance sheet and that he had signed off the audited accounts. He was pleased with the progress that had been made so far as demonstrated by the improvement in the last 12 months, but wanted to ensure that it was maintained. He hoped that the Hall would break even over 2019 as a whole but was realistic that this might not be achieved. He reported that there were two items of capital expenditure outstanding. He and Mr Hurton declared an interest in this item given their roles as Directors and Trustees of Rydal Hall Ltd. The outstanding items had been reported as potential costs to the Finance Committee at their March meeting, but the detail had been subject to investigative work that could only be undertaken once scaffolding was in place. The results of those investigations was that work was required to the lead roof edges and to the render on the south elevation of the Hall. The total costs were likely to be in the vicinity of £20,000. There was some debate as to whether this work should be seen as a landlord or tenant responsibility but professional advice had suggested that as Rydal was on a full repairing lease these repairs ought to fall to the tenant, ie Rydal Hall Ltd. If the tenant was to take responsibility then there would be a

request for the DBF to help with cashflow in the form of a loan to be repaid from Rydal's maintenance budget in the next couple of years.

In discussion about this issue it was clarified that the rent paid by Rydal Hall Ltd to the DBF was £60,000 a year and was set at a level informed by independent professional advice. The rent had risen from an initial £50,000 a year to reflect the DBF's investment in the campsite and bunk house facilities but had not yet reached the £80,000 that had previously been tentatively agreed. Every five years the rent was reassessed to reflect any changes that the Landlord had made that had affected the commercial potential or operation of the Hall.

It was suggested that once the existing site strategy was fully implemented, the DBF, as landlord, could review whether there was a more appropriate rental basis, for example with Rydal Hall Ltd having responsibility for all capital works but paying only a notional rent.

The Archdeacon of Carlisle formally proposed that Rydal Hall Ltd be given an interest free loan of £20,000 to cash flow work on the roof and render subject to a repayment schedule being agreed. This was approved.

FC 19/64 ADDITIONAL COST OF MINISTRY – CARTMEL PENINSULA TEAM

Archdeacon Ross introduced the question from the Bishop about the financing of additional costs of Ministry in the Cartmel Peninsula Team. The Archdeacon provided some of the background to this issue and explained that a scheme for pastoral reorganisation was going to the Parochial Church Councils for consultation. There were particular reasons that supported deploying an additional person in the area for a period of up to three years. On a "full cost" basis this would cost an additional £180,000.

In the discussion concerns were raised about setting precedents and affordability. The Trustees expressed concern that although in 2019 an additional post was likely to be affordable, the financial position was likely to be much tougher in future years, particularly in 2021. There was currently no budget cover for an additional post in that year so any new appointment would have to come at the expense of filling another post.

On the wider question of funding interim ministry, the Archdeacon suggested that it might be possible to develop a policy and proposals that had wider application. Although there was some money available from the Church Commissioners' Strategic Development Funding grant to support interim ministry, it had already been earmarked. The Trustees agreed that there was a strong case for interim ministry as a matter of policy but that this was an operational matter and not within the remit of the Finance Committee.

After some discussion the Trustees decided that additional funding could not be guaranteed for the proposed additional post and could not therefore be made available.

PART B FINANCE – MINOR MATTERS

FC 19/65 PARISH OFFER TO 30TH APRIL 2019 – FC 19/65

Mr Jaques reported that the situation in respect of Parish Offer receipts had improved compared with two months previously, but that it was still a significant cause for concern. Receipts between 2010 and 2018 had fallen in cash terms even though we were receiving a higher percentage payment of the total offered. There were various strands of communication underway to encourage wider understanding of this issue across the

Diocese. The information was being given to churchwardens at the admission services. The Archdeacons were in touch with those parishes where 219 payments had been slow to start. A letter from Bishop James had been sent to Parochial Church Council Secretaries about the 2020 offers. The correspondence included setting out clearly the local costs for ministry in each benefice or equivalent and the collective offers made for 2019. The letter also included a copy of the Financial Review document. Separate communications were underway with those mission communities involved in the parish offer review pilot.

It was hoped that all this work would lead to more serious and informed local conversations and, in conjunction with the work Mrs Hodge was doing, either lead to increased offers or stop the decline in offers. The Archdeacons were aware that some parishes were not happy with the letters and had been giving some thought to how best to handle the responses.

FC 19/66 BISHOP'S COUNCIL MINUTES – FC 19/66

The Bishop's Council minutes for 7th March 2019 were noted.

FC 19/67 MAT

i. Draft Minutes of the meeting held on 21st March 2019 – FC 19/67

The Committee noted the minutes. In response to a question it was reported that there had been no progress in meeting with the Head of Dallam School.

FC 19/68 STEWARDSHIP ACTIVITIES REPORT – FC 19/68

The report by Mrs Hodge was noted.

Mr Johnson said that he was very conscious that we were in a marketplace for donations and compared his experience in the Diocese with his involvement with the Cumbria Community Foundation.

At the meeting before the election of the new Trustees Archdeacon Townend had been tasked with scoping work on encouraging generosity. It was agreed that this had been subsumed within the Stewardship Strategy that the Archdeacon and Mrs Hodge had presented to the Finance Committee.

FC 19/68 MEMBERSHIP OF STANDALONE ACADEMIES AS DBF NOMINEE

The Committee considered a paper from the Diocesan Director of Education about nominees to represent the Board of Finance on standalone academy trusts.

Members were asked to consider taking on these roles or nominating others. At the moment Mr Mill was fulfilling this role for several schools and that it would be preferable to have more specific and personal links. Mr Mill's involvement in this role was sometimes perceived as creating a conflict of interest as the Board of Education had a role to provide advice and support to church school academies separate from the DBF's role as a corporate member.

The Committee agreed the proposed nominations and members were asked to suggest nominees for the current vacancies.

FC 19/69 INSURANCE REVIEW – LIMITS AND SELF-INSURING – FC 19/69

Mr Jaques reported on the annual meeting with the Ecclesiastical Insurance Group at which our insurance requirements were reviewed. Each year we were asked to consider the level of our Public Liability insurance. The current cover was for £10 million. It was possible that we would face multiple claims, for instance in respect of a safeguarding case or catastrophic incident at a Diocesan event. On the safeguarding front it was clarified that future claims were covered by the insurance in place at the time when an incident occurred. Mr Jaques also mentioned the Errors and Omissions policy which covered claims against general services, education services and the DAC. That cover was £1 million but the conversation with EIG had suggested that this was a higher level than necessary.

The Trustees agreed to reduce the errors and omissions cover to £0.5 million and keep the public liability cover at £10 million.

PART C PROPERTY MATTERS

FC 19/70 PROPERTY ISSUES REQUIRING FINANCE COMMITTEE ATTENTION – FC 19/70

i. Property Sub-Committee Minutes and Meetings

The Committee received the draft minutes of the property sub-committee meeting and the minutes of the property management review meeting held with agents Penrith Farmers and Kidds (PFK) on 26th April.

Mr Johnson reported that the meeting with the PFK representative, Mr David Stout, had been very constructive. At Mr Stout's request a meeting would be held every six months to cover the work they were doing and to help move things along. Mr Johnson had suggested that the property sub-committee should meet our other agents and Walton Goodland were therefore meeting the sub-committee in August.

ii. Significant update Items to note since the Property Sub-Committee meeting

(a) Workington St John/Carlisle St Elisabeth/Carlisle Holy Trinity. It was reported that the tenants plan to move out of Carlisle Holy Trinity had fallen through so this house was not immediately available. The situation was being kept under review.

(b) Haverthwaite Vicarage. The Committee noted that there were some issues in respect of the PCC using the vicarage study as a parish office.

(c) Barrow St John Vicarage. The Committee noted that a curate was housed in this property and that a number of issues had arisen. Discussions would be held to find a suitable solution.

(d) Church House/URC Building. It was reported that the completion of the sale of Church House and the United Reformed Church building was due on 17th May 2019.

Closed Churches

i. Matters Requiring further Finance Committee consideration and approval

(a) Low Wray St Margaret. It was reported that there had been no further response from the National Trust about whether they were interested in the building or whether they would provide drainage rights.

An artist and stonemason were interested in using it as the home for a church-based arts and craft project. The Diocesan Director of Innovative Mission and Fresh Expressions, Richard Passmore, was working with them to establish a Steering Group with a view to creating a Community Interest Company which would have community, educational and mission elements. The Committee were asked to consider whether the property could be let on a peppercorn rent if they were able to come up with a sustainable project.

The Committee noted that it would be leased on a full repairing lease with the tenant being responsible for insurance. The only risk with this proposal was perceived to be that if repairs were not carried out we might regain the property in a poor condition. The proposal was felt to be a good use of a building which would otherwise be empty.

The Committee agreed that this should go ahead subject to a satisfactory project proposal being received by Mr Andrews.

ii. Significant update items to note since the Property Sub-Committee

(a) Barrow St Matthew. Planning permission for a change of use had been granted and a draft of the proposed lease was awaited from Sintons.

Glebe

i. Matters requiring further Finance Committee consideration and approval

(a) Unit 2, 19-24 Friargate. The Committee considered outline documentation from the God for All team with proposals to retain the unit for diocesan purposes.

It was noted that the Board had tried to let the unit for three years without any success, one prospective tenant having pulled out due to planning issues. The proposal contained outline budget figures including savings from room hire elsewhere in Penrith. Penrith Town Council had also expressed a complementary interest in using the space for meetings and this would generate an income stream. The room could be used for diocesan events such as Churchwarden training where the Board Room was not large enough. Any space provided would be part of the overall Church House facilities rather than reserved for any particular department.

It was agreed that the project should go ahead.

(b) Borrowdale Glebe. It was noted that a decision had been taken to sell the glebe land with the Vicarage rather than separately as the marketing exercise had shown that the separate sale of the land would be detrimental to the sale of the Vicarage. It was reported that Mitre Housing would be disappointed with the decision but would understand it. At the same time as this decision was communicated to Mitre it needed to be communicated to the parish. This would be done by Mr Andrews and Archdeacon Pratt.

PART D PARISH PROPERTY FUND

FC 19/71 REQUESTS FROM PARISHES FOR FINANCIAL ASSISTANCE

i. **All Saints Church, Calthwaite.** The Committee noted a grant of £1,368 towards the cost of a kitchen and improved access to the churchyard.

PART E TRUST MATTERS

PART F FINANCIAL STATEMENTS AND REPORTS

FC 19/72 TREASURY AND INVESTMENTS – FC 19/71

It was noted that CBF share prices had fallen but were now picking up again. The Investment Sub Committee would continue talking with our partners about potential renewable energy sources.

The Committee approved the transfer of funds from the sale of Grasmere Rectory and the Tithe Barn to the Parochial Church Council as previously agreed.

FC 19/73 MINOR FUNDS UPDATE – FC 19/72

The Committee noted the information provided.

FC 19/74 PASTORAL ACCOUNT STATEMENT TO 30TH APRIL 2019 – FC 19/73

The Committee noted the statement.

FC 19/75 GLEBE STATEMENT TO 30TH APRIL 2019 – FC 19/74

The Committee noted the statement.

FC 19/76 OPSHOPS FINANCIAL STATEMENT TO 30TH APRIL 2019 – FC 19/75

The Committee noted the statement.

FC 19/77 BARCHESTER STATEMENT TO 30TH APRIL 2019 – FC 19/76

The Committee noted the statement.

FC 19/78 PARISH PROPERTY FUND TO 30TH APRIL 2019 – FC 19/77

The Committee noted the statement.

FC 19/79 GROWTH FUND STATEMENT TO 30TH APRIL 2019 – FC 19/78

The Committee noted the statement.

FC 19/80 LOAN STATEMENT TO 30TH APRIL 2019 – FC 19/79

The Committee noted the statement.

FC 19/81 DATE OF NEXT MEETING

Wednesday, 17th July 2019