

Minutes of a meeting of the **FINANCE COMMITTEE** of the **CARLISLE DIOCESAN BOARD OF FINANCE LTD** held at **CHURCH HOUSE, PENRITH** on **WEDNESDAY 27TH NOVEMBER 2019**

**Present:** Mr J A E Johnson (Chair)  
 The Archdeacon of West Cumberland  
 Mr A R H Cook  
 The Archdeacon of Westmorland and Furness  
 Mr J Edwards  
 The Archdeacon of Carlisle (Parts A, B and first 4 items in C)  
 Mrs J Busk  
 Mrs S Wigley  
 The Revd A Towner  
 Mr D Dalgoutte

**In Attendance:** Mr D Hurton – Diocesan Secretary  
 Mr R Jaques – Head of Finance  
 Mrs C Bell – Office Manager  
 Mrs S Hodge – Stewardship Enabler (Items 1-5)  
 Mr N Andrews - Property Secretary (Part C)

- 1. Opening Prayers:** Prayers were led by The-Venerable Lee Townend.

The Chair welcomed the new co-opted Directors to their first meeting at Directors. He reminded the Board that this would be Revd Andrew Towner's last meeting and thanked him for his contribution to the Board, including chairing meetings in 2019.

- 2. Apologies for absence:** Apologies had been received from Bishop of Carlisle and Derek Bradley.
- 3. Minutes:** The Committee approved the minutes of the meeting held on 18th September 2019 and they were signed by the Chair.
- 4. Matters Arising from the Minutes:** The Committee noted the Action Sheet and Mr Hurton confirmed that all the actions noted had been progressed or were on the meeting agenda.

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

- 5. Parish Offer:** The Committee received the report on Parish Offer receipts to 31<sup>st</sup> October 2019, offers made for 2020 & the proposed response. Mr Jaques explained that the report followed a new format which was work in progress. As it was refined it would show Parish Offer at a Mission Community level and include a greater range of relevant information, including elements of the costs of local ministry. There was a discussion about the potential scope to draw together a wider range of information relevant to assess the financial and missional health of parishes. Although the Finance Committee had an interest in missional strength in so far as it related to future Parish Offer payments, it was for the Bishop's Staff meeting to decide how associated information should be collected and used.

In recent weeks a small number of parishes had been in touch to explain that they would struggle to pay their 2019 Offers in full. Mr Jaques would draw up a list of parishes that

appeared at significant risk of underpaying in 2019 and would liaise with the Archdeacons over appropriate action in response.

Mrs Hodge presented a report reviewing the work that had been undertaken to communicate around the 2020 Parish Offer. This included thank you letters for parishes; letters setting out parishes' costs of local ministry and their contributions, and requesting parishes to be generous in their 2020 Offers; the Diocesan Financial Review document; Bishops' roadshows; and PCC treasurers' meetings. The work to refresh the Parish Offer also had a substantial communications component.

The end result of the communications effort appeared to have been to encourage more parishes than previously to make Offers at or above the rate of local ministry inflation. This was a very positive outcome, but its overall impact had been negated by a small number of parishes offering substantially less for 2020. In the course of 2020 it would be important to maintain the positive momentum achieved, while also working to turn around the situations where Offers were reducing. There was a plan to tackle the reduced Offers through correspondence and meetings between relevant parishes and the Archdeacons and Bishops.

The Committee received the Stewardship Activities Report. It highlighted the PCC Treasurer "meet-ups", the adoption of contactless giving in a number of Cumbrian churches and the first "Journeys of Generosity" that had taken place.

- 6. Management Accounts:** Mr Jaques introduced the management accounts to 31<sup>st</sup> October 2019. We remained on track to make a surplus on the General Fund in spite of a £275,000 year on year increase in spending on stipends. The surplus was largely related to unbudgeted clergy vacancies and strong investment income. After a discussion about the level of free reserves in relation to the DBF's Reserves Policy it was agreed to maintain the current policy.

It was noted that over time the budget included an increasing level of local ministry cost other than stipends, reflecting the more diverse range of ministry that was now being deployed on the ground. The way in which the costs of local ministry-related overheads such as training were apportioned might need to be revisited as we saw an increasing shift from stipendiary to self-supporting ministry.

## **PART B FINANCE – MINOR MATTERS**

- 7. Parochial Fees 2020:** Mr Jaques reported that a number of minor changes had been made to the Measure pertaining to the fees payable to PCCs and the Diocese for weddings and funerals. One of the changes was in relation to the fee structure for funeral services held at crematoria, cemeteries and undertakers' premises. From 1 January 2020, PCCs would no longer be entitled to retain a proportion of the fee whereas previously they would have retained £30. With parishes already having set their 2020 Parish Offer, and given the general state of Parish finances, he envisaged that this would be received as an unhelpful change.

The Committee agreed to defer the change for 12 months to allow PCCs to take it into account in the budgeting for 2021.

- 8. DBF Insurance Options:** Mr Jaques reported that the Diocese had been approached by an insurance broker, DE Ford, who was active and experienced in the charity insurance sector and was increasingly working with Dioceses to improve the quality and cost effectiveness of their insurance cover. The Diocese currently dealt direct with Ecclesiastical Insurance Group (EIG). Having met with DE Ford's Managing Director and spoken with another Diocesan Director of

Having met with DE Ford's Managing Director and spoken with another Diocesan Director of Finance who had worked with the broker, Mr Jaques felt that the services of DE Ford would add value and expertise to the Diocese's insurance cover. There would be an upfront fee for the review which we could expect to see returned to us in the form of lower premiums in the first couple of years.

The Committee commented that although there might be a case for considering working with the broker, a number of points needed to be taken into account or clarified. We should be confident that we would not jeopardise our overall relationship with EIG since they understood the church's business and offered a supportive and close partnership, as well as funding the AllChurches Trust, from whom the Diocese received a substantial grant each year. We should also be clear whether the broker stood to gain financially over and above any fee from the DBF from any changes to our insurance arrangements. Mr Hurton offered to liaise with other Diocesan Secretaries to see whether a collective approach could be made to EIG to achieve savings on Diocesan insurance costs. The Committee agreed to defer any action pending the outcome of that liaison.

Separate to this approach, the idea of 'self-insurance' had been raised as a possible option for some elements of the DBF property portfolio. The Committee decided that this would not be an appropriate step at this time.

- 9. Rydal Hall:** The Committee received the Draft Minutes of the meeting held on Tuesday 29th October 2019. The Chair of Rydal board (the Archdeacon of West Cumberland) reported on Rydal's latest management accounts and business performance. Income and sales were up substantially on 2018 but costs were also rising as a result of continued increases in the National Living Wage and one off building repairs. There remained a number of issues to do with pricing that needed to be resolved. The Rydal Board were attentive to the situation but were concerned that although progress was being made, it was taking some time to turn the business around after the difficulties experienced in 2017.

The Committee would continue to monitor progress and were expecting the business to return to break even budgets, in line with the Diocesan expectations. If it looked as if this was not going to be achieved then there would need to be a discussion within the Diocese about where support for Rydal sat in relation to other financial priorities.

- 10. Financial implications from associated meetings:** Mr Hurton reported on associated meetings where the business had financial implications. These included reports from Bishop's Staff meetings, the Bishop's Council, Diocesan Synod and the Diocesan Peer Review meeting. None of the discussions at those meetings had financial implications that were not within existing budgets, although some, including the Diocese's bid for Strategic Development Funding support, could be significant in providing additional resource in the future.

The Committee also noted the minutes of the meeting of the Bishop's Council held on 11th September 2019 and the draft minutes from the meeting held on 11th November 2019.

- 11. Good Shepherd Multi Academy Trust (MAT) & Academies:** The Committee received the draft minutes of the MAT Board Meeting held on Thursday 19th September 2019. In 2019 the new MAT CEO had been working well with schools who could potentially join the MAT. Her experience as a Head Teacher and Executive Head was proving to be a great asset in terms of

building up relationships with church schools. The Committee noted that there was a possibility of a new church school being built in North Carlisle and that the DBE was pursuing that opportunity.

Mr Jaques introduced the MAT financial report and reminded the Committee that in 2014 the DBF had committed start-up funding of £120,000 to the Good Shepherd Multi Academy Trust. In 2019 a draw-down of £16,000 from that funding was now anticipated, which would leave just over £35,000 available. The amount was neutral to the DBF accounts as an equal amount would be drawn down from the Barchester Trust to match the grant given. The Committee noted the financial report.

The Committee approved the nomination of Dr Mark Chater for appointment as the DBF's representative member of the Arnside Academy Trust.

- 12. OpShops:** The Archdeacon of Carlisle reported on progress with OpShops' transfer to becoming a separate charitable company, including associated work such as the TUPE transfer of staff. Charity Commission approval had not yet been obtained but this was believed to be a result of a back log of work rather than any problems with the application. As a prospective Trustee of the new charity, Mr Edwards reported from that perspective, commenting on the outcomes of the review of OpShops property. Fire risk concerns at the Warehouse were being addressed and progressed with the landlord's refurbishment of the Botchergate shop remained slow.

In a wider discussion about the DBF's insurance arrangements Mr Cook was nominated as the Board's Director for Health and Safety issues.

## **PART C PROPERTY MATTERS**

- 13. Property Issues requiring Finance Committee attention:** The Committee noted the minutes of the Property Sub-Committee meeting held on 18 October, including the associated meeting with Penrith Farmers' and Kidd's who managed much of the DBF's land and agricultural portfolio.

The Committee also noted the following (formal approval of items is shown in *italics*):

**HOUSING:** Barrow St Aidan Vicarage – with ongoing problems with rent arrears, notice had been served on the tenants.

Langrigg Vicarage – sale for £220,000 had completed on 13th November.

Kirkbride Rectory – marketing for sale at £210,000 was underway. With a strong level of interest and significant number of early viewings it was hoped that offers will soon be received.

215 Windermere Road, Kendal – having reduced the guide price from £360,000 to £345,000 an offer had been received at £320,000 and after a negotiated increase the offer had been accepted and solicitors instructed.

Mr Andrews reported progress with the marketing and sale of the former Eskdale and Borrowdale vicarages, both of which were moving forward but both of which would require a number of issues, including drainage, to be resolved.

## **OTHER DIOCESAN BOARD OF FINANCE PROPERTIES**

OpShops Warehouse, 2 Church Street – A fire safety risk assessment had identified significant shortcomings with the property, which was in any case a largely dilapidated old building. OpShops had asked for the DBF's agents to search for a replacement building. Pending completion of establishing OpShops as an independent subsidiary the DBF would need to enter into any new lease. The committee *approved*, should a suitable new property be found to OpShops requirements, entering into a lease on terms to be agreed by the property sub-committee. Given recent discussions at the property sub-committee on potential new commercial property investments, the Committee considered whether, if a suitable property could be found, a freehold property might be purchased for use (in whole or part) as an OpShops warehouse. The Committee *agreed* that in principle this would be possible, but it would have to be on a fully commercial basis.

Also in respect of OpShops, notice had been given to terminate the leases for 1 Boundary Road (Currock) and 6-7 Croft Terrace (Botcherby) as of 13th December.

Grasmere Gingerbread Shop – the lease for the PCC trust property had been completed.

No.1 The Square, Dalston – the easement for services over the PCC trust property had been completed.

## **CLOSED CHURCHES**

Croglin St John The Baptist – PFK had been jointly instructed by the Church Commissioners and Diocese to market the church for sale at £75,000. Draft particulars were awaited.

West Seaton Holy Trinity – the purchasers had obtained planning permission. The faculty for relocating the war memorial had been granted and its relocation was being arranged. The Commissioners had advised of no objections to the draft disposal scheme so the sale should proceed forthwith.

Causewayhead St Paul, Silloth – final amendments had been made to the legal documents and arrangements over contents had been agreed. Exchange on the sale was imminent, with completion being delayed until 12 headstones could be relocated in the New Year.

## **GLEBE**

Unit 1, 19-24 Friargate – agreement had been reached in principle for a new lease from 7th August 2020 for 10 years.

Addingham Glebe, Little Salkeld Glebe – sale for £235,000 had completed on 25th October. Arrangements had been made for payment of the agreed 5% net proceeds to the PCC

Castle Carrock Glebe – following marketing for sale an offer had been received. PFK were seeking confirmation as to whether the purchasers would adopt the arrangements for sale of affordable units to Mitre and of any conditions before a reply to the offer was given. The Committee stressed the importance of giving Mitre Housing every legitimate opportunity to provide affordable housing on part of the site.

## **CLOSED SCHOOL PROPERTY**

Lowick School – an email had been received giving confidence about the division of the sale between the school and school house. The Committee *approved* the split sale. 7

Heversham St Peter Closed School – the Department for Education had advised that the usual s554 order to transfer sale proceeds to the Barchester Trust could not be used for a school that had become an academy and that a scheme from the Charity Commission would be required. The DBE’s solicitors were liaising with the Charity Commission over the required procedures. This issue would affect any future closures of academy schools.

Murton Land – the tenant had increased their offer to purchase and had agreed a contribution to costs. The offer of £35,000 has been accepted and solicitors instructed.

#### **PART D PARISH PROPERTY FUND**

**14. Requests from parishes for financial assistance:** The Committee noted grants made to the following:

- St Michael’s Kirkby Thore – a grant of £3,000 towards a toilet & kitchen project
- St Marys Beaumont – a grant of £480 towards the costs of architects’ fees paid to adapt the church for better community use
- St Peters Kingmoor – a grant of £3,000 for a reordering project
- Millom – a grant for £3,000 for a toilet & improved access project

The Committee noted that the eligibility criteria for the Parish Property Fund, which stated that grants were available for Anglican Churches, Parochial Buildings or Diocesan buildings, therefore technically excluded the Cathedral. The Committee agreed to widen eligibility to include Cathedral buildings, with equivalent conditions to be applied as related to Parochial applications.

#### **PART E FINANCIAL STATEMENTS AND REPORTS:**

**15. Treasury and Investments & 16. Minor Funds :** Mr Jaques reported on the fund statements. Investments in the various funds had performed well over the year with the CBF Investment Fund price recovering and then growing beyond the modest falls in value in 2018. The investments in the hydro electric schemes at Rydal and Scandale were performing well after a dry spring and were expected to exceed their targets by the end of the year.

The Committee noted the statements for the following funds:

- Pastoral Account Statement to 31st October 2019
- Glebe Statement to 31st October 2019
- OpShops to 31st October 2019
- Barchester Statement to 31st October 2019
- Parish Property Fund to 31st October 2019
- Growth Fund Statement to 31st October 2019
- Loan Statement - the position of the Cumberland loan facility to 31st October 2019

Mr Jaques explained the basis for the £4m revaluation reserve figure quoted for the Barchester Trust, namely that it represented the appreciation in investment value over a number of years.

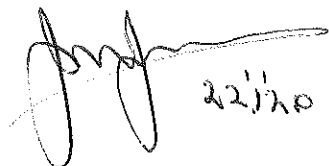
Mr Jaques reported on the state of play with outstanding school maintenance balances. The Committee agreed the approach proposed to dealing with the balances in the period before Mr Mill retired as Diocesan Director of Education. This would probably result in some outstanding historic balances being written off.

**APPOINTMENT OF CHAIR AND VICE CHAIR**

16. Mr Hurton took the Chair for the first part of this item. He reported that a number of members of the Committee had written to him to nominate Mr Johnson as Chair. No other nominations had been received. Mr Edwards formally nominated Mr Johnson at the meeting and his appointment was confirmed unanimously. Taking the Chair, Mr Johnson reported that Mrs Wigley had been nominated as Vice Chair and formally nominated her at the meeting. Mrs Wigley's appointment was confirmed unanimously.

The Committee confirmed the re-appointment of Canon Martin Jayne as a member of the Property Sub-Committee. Mr Towner suggested that the Board should give some thought to how the personal and professional development of Trustees could be supported.

**Date of next meeting: Wednesday, 22nd January 2020**

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