

**DIOCESAN SYNOD**

Title: **BISHOP'S COUNCIL, DIOCESAN MISSION & PASTORAL COMMITTEE AND FINANCE COMMITTEE REPORT**

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This paper summarises the business of the Bishop's Council since the November meeting of the Synod. It also contains, in the appendix, an extended report on diocesan investments.

**JANUARY 2017**

The Bishop's Council held its annual day meeting. This is an opportunity for members to consider an area of strategic importance for the diocese. This year the Council considered long term financial issues. Members engaged in a Biblical reflection and discussion around how money is a spiritual issue and how Christians should relate to wealth. During the Council's discussions a substantial list of areas for further discussion and action arose which will inform the agenda for future meetings.

There was some formal business transacted:

**Bishop's Council**

- Noted the retirement of the Ven Mina Smallman and the membership of the Bishop of Chelmsford's Advisory Group for the appointment of the next Archdeacon of Southend.

**DMPC**

- Approved the lifting of suspension of the benefice of Thorpe le Soken.
- Noted the Bishop's direction to restrict presentation to the benefice of Becontree South.

**Finance Committee**

- Approved resolutions in connection with a loan facility for the housing of the 2017 intake of curates.

**FEBRUARY 2017****Bishop's Council**

- Considered follow up from the January day meeting.
- Considered a response as part of the consultation on a draft template for Diocesan Strategic Reviews of Church Buildings to be submitted to the Church Buildings Council.

- Endorsed the draft strategic priorities for ministry with young people for consideration by Synod.
- Endorsed a proposal on engagement between the Diocese and Citizens UK – which will involve being part of the creation of Citizens Essex and training provision.
- Approved the DBF Data Protection Policy and received a report on matters relating to data protection.
- Noted a report on issues relating to the transition to Mission and Ministry Units and the alignment of diocesan processes to support Mission and Ministry Units.

### **DMPC**

- Approved delegated authority to the Chair of the DBF to agree the sale of the closed church of Romford, St John.
- Approved delegated authority to the Chair of the DBF to resolve issues relating to the lease of the closed church of All Saints in Grays.

### **Finance Committee**

- Approved the strategic risk register.
- Agreed a recommendation to submit as part of the national stipends consultation.
- Agreed amended accounting policies.
- Received an update on the building acquisition for one of our BMO Churches.
- Received an update on the implementation of the new Investment Management arrangements which were agreed at the October 2016 Finance Committee – an extended report on this is attached.

Members are asked to NOTE the report.

## APPENDIX: EXTENDED NOTE ON INVESTMENTS FOR SYNOD

The CDBF's investment portfolio is worth approximately £34 million and now delivers c£1 million of income annually. The majority of the investment portfolio is held for the benefit of the Stipends Fund (i.e. investment income for the mutual support fund) but the portfolio also includes investments held in other funds, notably the Board of Education and London over the Border.

During 2016 the Investment Committee, on behalf of the Trustees, conducted a full review of the CDBF's investment management arrangements. This was a pre-planned review agreed at the time of the last review in 2011.

Working within the framework of the Trustees' approved Asset Investment and Management Policy, the Investment Committee identified its criteria and drew up a long list of potential investment managers to be invited to tender. Tender returns were scrutinised in detail by a sub-group leading to the Investment Committee agreeing a short list of four investment managers (including the incumbent). Short listed firms were visited for due diligence and clarification meetings. The four firms then presented to the Investment Committee (plus Chair and Vice Chair of the CDBF) in early October 2016. The Committee's recommendations were taken to the Trustees in late October and agreed.

The invitation to tender documents covered a number of pertinent areas, but the Investment Committee sought to pay particularly close attention to:

- Performance and investment strategy to deliver our primary benchmark of RPI+3% total return
- Ethical performance and ability not only to follow the Church of England guidance but to be able to engage positively on the ethical agenda
- Risk management and mitigation in the context of a potentially volatile period over the next few years

It should be noted that the ethical test was applied with some rigour leading to disqualification of a number of potential firms prior to shortlist. It was also one of the critical factors in reaching the final decisions.

The CDBF resolved to appoint Cazenove Capital Management (part of Schrodgers) and CCLA Investment Management on an equal basis – i.e. taking approximately half of the total investment portfolio each.

CCLA is well-known to the Church. CCLA offers a funds based solution and its Investment Fund now operates as a large multi-asset fund with strict ethical management. CCLA has worked very closely with the Church of England Ethical Investment Advisory Group to define policy and engage with companies on ethical matters. We can be assured that investment in CCLA's CBF Investment Fund is compliant with the CofE approach. CCLA's fund pays a dividend which has a good track record. A smoothing technique is applied to dividends to even out volatility, which is useful for reliable income flows.

Cazenove offers an alternative investment strategy based on building a bespoke portfolio, i.e. the investment holdings (shares, bonds, etc) are based on our specific requirements rather than offering a generic fund solution. Cazenove is a global firm and offers expertise globally rather than a UK bias which is found in many smaller firms. Cazenove's scale also means it is

able to apply ethical screening globally and more effectively than other providers and the firm has a strong track record in ethical engagement and social responsibility. The CDBF will be one of Cazenove's top 85 charity clients by portfolio value.

The transition arrangements took place between December 2016 and February 2017. The figures in the 2016 accounts therefore largely reflect the previous arrangements.

We are working with our new investment managers on portfolio structuring and reporting. We also hope to have further engagement on ethical investment matters.

It should be noted that the foregoing relates only to the CDBF's direct investments. It does not cover any investments held by the CDBF as custodian trustee on behalf of PCCs who are the managing trustees of such funds.