

Paper G1

Finance Committee

Budget for 2018

United Church 2017
Church 2017
Reformed Church 2017
Church 2017

Paper G1

Finance Committee

Budget 2018

Basic Information

Contact name and email address	Ian Hardie ianzhardie@googlemail.com
Action required	Decision
Draft resolution(s)	Mission Council adopts the budget for 2018 as set out in the Appendix.

Summary of Content

Subject and aim(s)	The paper presents a budget for 2018 for decision and financial projections for 2019 and 2020 for information.
Main points	<p>M&M giving for 2018 is forecast to be around 1% lower than the 2017 budget figure.</p> <p>Overall expenditure is expected to be higher than in 2017, largely as a result of depreciating the Church House refurbishment cost: but this is fully offset by the anticipated additional income from letting part of the premises.</p> <p>The URC Trust has agreed to advance £2million from reserves to the URC Lay Staff Pension Scheme to reduce an unexpectedly large deficit at its most recent valuation date.</p> <p>The main unknown re 2019 and beyond is the financial position of the URC Ministers' Pension Fund at its next triennial valuation.</p>
Previous relevant documents	None
Consultation has taken place with...	Budget holders in Church House, the Trustee of the Lay Staff Pension scheme and the URC Trust.

Summary of Impact

Financial	
External (e.g. ecumenical)	None

Budget 2018

1. Attached in column 3 of the Appendix is the draft budget for 2018 which the Finance Committee presents to Mission Council. This budget has been reviewed by the URC Trustees and has their support.

Income

2. Our income comes predominately from local churches through their Ministry and Mission Fund ('M&M') contributions. Estimates supplied by the Synods over the summer suggest the recent trend of around a 1% reduction in giving per annum compared with the previous year's budget figure is likely to continue in 2018. The ongoing decline in URC membership means that this still represents an increase in average giving to M&M per member.
3. The budget projects an increase of £100,000 in rental income and cost contributions as a result of letting freed up space at Church House.
4. It is also anticipated that a modest additional contribution towards the cost of ministers' pensions will come from some Synods during the year.

Stipends and Ministers

5. More than two-thirds of our expenditure relates to paying stipends and directly related costs of Ministers of Word and Sacrament and Church-Related Community Workers in local settings.
6. Mission Council has delegated the task of setting the stipend to the Finance Committee in conjunction with the URC Trustees. The recommended rise for 2018, which is built into this budget, is 2.4%. This increase has been calculated using a formula applied consistently for a number of years based on the consumer price index and average weekly earnings movements at consistent annual rests. Such a rise would increase the stipend by £614 to £26,186 (approximately).
7. The 2017 budget included provision for 4 ministers of other denominations to be given Certificates of Eligibility to enable them to transfer permanently to the URC role of ministers. At the time of writing, various procedural delays have meant that no such certificates have yet been issued. However, the 2018 budget assumes that a further two such ministers will be granted such certificates in that year. Even with these additional ministers and the stipend increase suggested above, the reduction in the forecast overall number of available ministers means that total spend on costs of ministry shows a small reduction.

Other Expenditure

8. The remainder of the Discipleship Department budget is almost the same as in 2017 despite it including around an additional £70,000 of (one-off) costs associated with the ending of the TLS programme and the start of the successor 'Stepwise' programme. The funds previously allocated to the Windermere Centre have been transferred to various other cost headings relating to iChurch, online learning and a new lay development fund.

9. The Mission Department budget is also broadly maintained at current levels.
10. The Admin and Resources Department budget is increased by £137,000. Of this increase, £95,000 relates to depreciation of the reconstruction costs of Church House (more than offset by the increased income from letting part of the building mentioned above) and £40,000 on depreciation of new IT equipment and software.
11. Over the summer, the Trustee of the URC Lay Staff Pension Scheme approached the URC to suggest that, in light of the increased deficit at the time of the most recent triennial valuation, all URC employer contributions to the scheme needed to increase substantially from January 2018 to close the gap more quickly. Discussions with the Trustee are ongoing, but it is believed the Trustee will accept the offer of an additional £2m lump sum being put into the pot now, with no increase in regular contributions during 2018. This will give the URC and other employers within the Lay Scheme – including some Synods – time to be appraised fully of the situation and consulted about how to address it without any immediate increase in contribution rate, which could lead to wholesale slashing of budgets. It will also give an opportunity to consider the Lay Staff Scheme position alongside the Ministers' Pension Fund position. The £2m will be taken from the URC Trust reserves in a way which will reduce the URC's investment income by only about £15,000.

Overall 2018 Position

12. As a result of all of this, the 2018 budget projects a virtually 'break-even' position.

Resolution

13. **Mission Council adopts the budget for 2018 as set out in the Appendix.**

Projections for 2019 and 2020

14. The final two columns in the Appendix show projections for 2019 and 2020. These are not based on detailed discussions with every budget holder but incorporate estimated adjustments for likely changes within major budget categories. Accordingly, these figures should be regarded as very rough approximations only.
15. As indicated at the time of last year's budget presentation, a major uncertainty hangs over the 2019 figures relating to the potential cost of employer's contributions to the Ministers' Pension Fund. Until the next formal valuation of the notional deficit, the size of any deficit and therefore the quantum of any additional contributions to the Fund must remain highly speculative. Last year we made an assumption for the purposes of illustration that the total annual contributions by the Church to the Ministers' Pension Fund would rise from the current £2.5m to £3m. At present there is no evidence on which to base any change to that assumption.
16. However, given the need to consider the position on the URC Lay Staff Pension scheme in coming months, it seems advisable to think about the Ministers' Pension Fund at the same time. The March Mission Council or 2018 General Assembly is likely to be asked to consider steps which might be taken to address the financial position of the Church going forward with a view to bringing the 2019 and subsequent budgets nearer to balance. That would give the Finance Committee (and URC Trust) a clear steer about where the available income should be spent.

Appendix

THE UNITED REFORMED CHURCH

SUMMARY BUDGET & PROJECTIONS 2018 - 2020

	2016	2017	2018	2019	2020
	Actual	Budget	Budget	Projection	Projection
	£	£	£	£	£
Income					
Ministry and Mission contributions	(19,260,087)	(19,153,000)	(18,962,000)	(18,772,000)	(18,585,000)
Pensions - additional funding	(20,634)	0	(50,000)	(100,000)	(100,000)
Investment and other income					
Dividends	(848,128)	(827,000)	(854,000)	(854,000)	(854,000)
Donations	(12,403)	0	0	0	0
Specific legacies	0	0	0	0	0
Grants/Income - Memorial Hall Trust/Fund	(257,416)	(250,000)	(260,000)	(260,000)	(260,000)
Net other interest	(10,962)	(15,000)	(10,700)	(10,000)	(10,000)
Other income, including property rentals	(42,941)	(5,000)	(137,000)	(140,800)	(140,800)
	(1,171,850)	(1,097,000)	(1,261,700)	(1,264,800)	(1,264,800)
Total income	(20,452,571)	(20,250,000)	(20,273,700)	(20,136,800)	(19,949,800)
Expenditure					
Discipleship Dept.					
Ministry					
Local and special ministries and CRCWs	14,274,885	14,057,800	13,992,727	14,460,000	14,343,000
Synod Moderators - stipends and expenses	703,057	678,960	690,000	699,000	709,000
Ministries department	306,100	300,275	314,300	318,000	321,000
Pastoral & welfare	559	2,000	2,000	2,000	2,000
	15,284,600	15,039,035	14,999,027	15,479,000	15,375,000
Education & Learning					
Initial training for ministry	646,013	730,000	673,000	673,000	673,000
Continuing training for ministry	103,423	107,500	107,500	107,500	107,500
Resource Centres support	604,942	606,500	611,000	623,000	636,000
	1,354,377	1,444,000	1,391,500	1,403,500	1,416,500
Windermere RCL - net support	179,317	100,000	0	0	0
TLS/Stepwise	96,848	86,900	159,350	86,000	83,000
Lay preachers support	6,435	10,000	7,000	7,000	7,000
On-line learning	0	0	57,600	57,600	57,600
Lay Development Fund	0	0	20,000	20,000	20,000
Education & Learning department	145,137	148,700	175,700	178,000	180,000
	1,782,115	1,789,600	1,811,150	1,752,100	1,764,100
Children's and Youth Work					
Staff costs	200,717	207,517	203,500	206,000	209,000
Management, resources and programmes	59,560	78,700	81,700	83,700	84,700
	260,277	286,217	285,200	289,700	293,700
Safeguarding					
Safeguarding policy and practice	101,256	123,083	95,700	97,000	98,000
Discipleship Secretariat					
Deputy General Secretary - Discipleship co	0	51,000	51,000	52,000	53,000
Mission Dept.					
Mission dept staff and core costs	467,720	501,400	501,700	508,000	515,000
Mission programmes and memberships (n	188,758	219,732	221,000	221,000	221,000
	656,478	721,132	722,700	729,000	736,000
National Ecumenical Officers	35,908	35,400	35,800	37,000	37,000
	692,386	756,532	758,500	766,000	773,000
Administration & Resources Dept.					
Central Secretariat	315,872	241,100	238,200	242,000	246,000
Church House costs	301,316	276,900	380,200	382,000	384,000
Human Resources	68,684	113,000	115,700	117,000	119,000
IT Services	182,973	178,000	217,000	218,000	220,000
Finance	434,684	402,000	408,500	414,000	419,000
Communications	376,010	425,100	414,260	419,000	425,000
	1,679,539	1,636,100	1,773,860	1,792,000	1,813,000
Governance					
General Assembly	96,085	115,000	115,000	100,000	100,000
Mission Council	48,894	42,000	46,000	46,000	46,000
Professional fees	122,583	98,000	90,000	90,000	90,000
Other	86,432	58,000	59,000	59,000	59,000
	353,993	313,000	310,000	295,000	295,000
Apprenticeship levy	0	37,500	50,000	50,000	50,000
Irrecoverable VAT	146,339	140,000	140,000	140,000	140,000
Total expenditure	20,300,506	20,172,067	20,274,437	20,712,800	20,654,800
NET (SURPLUS)/DEFICIT	(152,065)	(77,933)	737	576,000	705,000

