

Paper G1 + G2

Budget 2014 and Beyond

Finance Committee



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Finance Committee: Budget 2014 and Beyond

Basic Information

Contact name and email address	John Ellis; Treasurer john.ellis@urc.org.uk
Action required	Decisions on 2014 Budget
Draft resolution(s)	<p>1. Mission Council notes with gratitude the continuing Pensions support from the synods and requests synods to continue this support in 2014 at a reduced level which will yield a total contribution of £300k.</p> <p>2. Mission Council adopts the budget for 2014 set out in Appendix 2.</p>
Alternative options to consider, if any	

Summary of Content

Subject and aim(s)	The paper presents a budget for 2014 for decision; and financial projections for 2015-16 for information
Main points	<p>M&M giving is expected to fall again in 2014</p> <p>The 2014 budget is balanced, provided synods continue Pensions Support funding</p> <p>Minister numbers fall significantly during 2013 but are then more stable</p> <p>Projections for 2015 suggest another balanced budget</p> <p>Projections for 2016 suggest either an increase in M&M giving or a reduction on programme expenditure will be necessary</p>
Previous relevant documents	None
Consultation has taken place with...	Budgetholders in Church House Education & Learning Committee URC Trust

Summary of Impact

Financial	A balanced budget maintains our reserves above the minimum target level
External (e.g. ecumenical)	Nothing specific

Budget 2014 and Beyond

- 1) Attached as Appendix 2 Column 3 is the draft budget for 2014 which the Finance Committee presents to Mission Council. This budget will be reviewed by the URC Trustees between the date of writing this paper and the meeting of Mission Council.

Income

- 2) Ministry and Mission (M&M) Fund offers from the synods are the predominant source of income for the budget. The latest information from the synods, on behalf of local churches, suggests that the M&M offering in 2014 will be a reduction of around £200,000 (£200k) relative to 2013. This continues the trend of M&M giving falling by around 1% a year. With inflation at around 3% this means a reduction of about 4% a year in what the money will buy.

Expenditure on Ministry

- 3) The largest part of the expenditure side of the budget is the funding for stipends of Ministers of Word and Sacraments and Church-Related Community Workers. The current stipend is £24,180.
- 4) Mission Council has delegated the task of setting the stipend to the Finance Committee in conjunction with the URC Trustees. The Finance Committee recommends a rise of 1.6% for 2014. This represents a return to the traditional formula for setting stipend increases of taking the average of the annual rate of inflation and the annual average increase in earnings. Currently the growth in earnings across the economy is well below the rate of price inflation.
- 5) Due to a bulge in retirements, there is likely to be a marked reduction in the number of full-time stipendiary ministers during 2013 from 433 to 413. Taking account of the proposed stipend increase and the smaller number of ministers serving in 2014, the budget includes £15,821k to cover stipends and related payments. This means over three-quarters of the total budget is directly supporting front-line ministry, in line with the desire of the General Assembly that this should be the priority.

Other Expenditure

- 6) Mission Council worked hard and sometimes painfully to achieve significant reductions in the overall costs of the programme and infrastructure support budgets in 2013. It is important that these budgets do not creep up again unless the Church asks for that to happen. For 2014 there is an increase from £4,886k to £4,991k. This is a smaller increase than if these budgets had grown in line with inflation but the Finance Committee would have preferred there to be no growth at all.
- 7) There are two principal factors behind the increase of £105k in the programme and support budgets.
 - (i) The Education and Learning Committee's budget is higher by £58k. In May Mission Council encouraged the Committee not to make piecemeal changes in its budget but to delay changes until a more major review, as promised in 2012, could take place at the 2014 Assembly. In view of this and assurances the Committee has given

to the Finance Committee that they are working on significant cost reductions for 2015 and beyond, the Finance Committee recommends that Mission Council accepts this very temporary rise in the Education and Learning budget.

- (ii) The new Safeguarding Officer, whose costs are shared 50% by the Baptist Union, represents a further £17k of the additional budget. The Finance Committee accepts that this post is now essential.

Pensions Support

- 8) Following the large rises in pension fund contributions needed after the 2008 economic crash, Mission Council asked the synods to provide extra funding to avoid too great a dislocation of other parts of the budget. Mission Council agreed in 2011 that this should be phased out by 2016.
- 9) In the 2014 budget some support is still needed but only £300k from the synods has been assumed, compared with the £1m provided in 2011 and the £600k expected in 2013. A breakdown of this proposed total between the synods based on membership figures is given in Appendix 1.

Resolutions

- 1. Mission Council notes with gratitude the continuing Pensions Support from the synods and requests synods to continue this support in 2014 at a reduced level which will yield a total contribution of £300k.**
- 2. Mission Council adopts the budget for 2014 set out in Appendix 2.**

Looking Further Ahead

- 10) For the first time, the Finance Committee offers Mission Council a look three years ahead. Inevitably there are more uncertainties the further ahead we consider, so the figures for 2015 and 2016 are much less reliable than for 2014. While some known factors have been taken into account, essentially these figures are a projection of what the budget would look like if present trends continue.
- 11) The projections are set out in Appendix 2 Columns 4 and 5. The same figures are summarised in Table 1 below.

TABLE 1

Budget Projections 2014-16

£m	2013 Budget	2014 Budget	2015 Projection	2016 Projection
Income				
M&M Fund	19.8	19.6	19.4	19.2
Pensions Support	0.6	0.3	0.3	-
Other	0.9	0.9	1.0	1.0
Total	21.3	20.8	20.7	20.2
Expenditure				
Ministerial stipends, pensions, etc	16.6	15.8	15.8	15.6
Programmes & infrastructure	4.9	5.0	4.9	4.9
Total	21.5	20.8	20.7	20.5
Deficit	0.2	-	-	0.3

- 12) The first key assumption behind these numbers is the trend in M&M giving. For lack of contrary evidence, and remembering the likely further fall in membership, it is assumed it continues to fall by 1% pa. The 2016 budget could look very different from this projection if the total giving were to start rising.
- 13) The second key projection is the number of stipendiary ministers. Best current estimates are that after the marked drop during 2013, there is only modest further change in 2014-16. This means the total cost of ministry remains relatively static over those three years. Over the five years 2011-16 it would have fallen by around 10%, rather less than would be required to meet the Assembly guideline of changing the overall costs of ministry in line with the changes in overall URC membership (c 15%).
- 14) The overall picture is a projection for a balanced budget again in 2015, assuming there is some synod Pensions Support for one final year. In 2016, however, if the prediction for M&M giving proves correct, a deficit starts to emerge again. This would imply some further reduction in the resources used by the programme committees, or in the infrastructure support work, will become necessary.
- 15) Had the reduction in minister numbers in 2013 been likely to recur in subsequent years, there might have been an argument for reopening the option of recruiting ministers onto the URC Roll of Ministers from sister Churches via the granting of Certificates of Eligibility. But noting the relative stability in minister numbers in 2014-16 and the fact that a deficit threatens to emerge in 2016, adding permanent new costs by granting new certificates cannot be recommended at the moment.

Appendix 1

Possible Pensions Support from Synods

Synod	2014 Request
	£k
Northern	15
North Western	30
Mersey	19
Yorkshire	18
East Midlands	19
West Midlands	26
Eastern	25
South Western	19
Wessex	32
Thames North	28
Southern	39
Wales	12
Scotland	18

	300

Summary Budget Estimates 2014-2016

	2012	2013	2014	2015	2016	Comments on Projections
	Actual	Budget	Draft Budget	Projection	Projection	
	£	£	£	£	£	
Income						
Ministry and Mission contributions	(20,230,406)	(19,752,000)	(19,550,000)	(19,360,000)	(19,165,000)	Assumes trend continues
Pensions - additional funding	(1,050,603)	(600,000)	(300,000)	(300,000)	0	Phased out
Investment and other income						
Dividends	(660,220)	(652,000)	(678,000)	(700,000)	(720,000)	3% dividend growth
Donations	(7,341)	0	0	0	0	
Specific legacies	(589)	0	0	0	0	
Grants/Income - Memorial Hall Trust/Fund	(223,911)	(213,000)	(230,000)	(235,000)	(240,000)	
Interest - New College Trust /Fund	(23,785)	0	0	0	0	
Net other interest	(51,399)	(40,000)	(50,000)	(50,000)	(60,000)	
Other income, including property rentals	(20,625)	(20,000)	(10,000)	(10,000)	(10,000)	
	(987,871)	(925,000)	(968,000)	(995,000)	(1,030,000)	
Total income	(22,268,881)	(21,277,000)	(20,818,000)	(20,655,000)	(20,195,000)	
Expenditure						
A Ministries of the Church						
A1 Ministry						
Local and special ministries and CRCWs	16,490,943	15,918,000	15,181,000	15,128,000	14,912,000	1.5% stipend inflation
Synod Moderators - stipends and expenses	590,702	633,000	640,000	646,000	653,000	
Ministries department	311,678	259,068	260,900	263,500	266,500	
Pastoral & welfare	1,897	2,000	2,000	2,000	2,000	
	17,395,220	16,812,068	16,083,900	16,039,500	15,833,500	
A2 Education & Learning						
Initial training for ministry	634,516	628,000	657,500	632,000	602,000	Savings from Sept 2015
Continuing training for ministry	156,648	110,000	104,000	106,000	106,000	
Resource Centres support	538,131	459,500	466,000	470,000	475,000	Aiming to restore 2012 level
	1,329,295	1,197,500	1,227,500	1,208,000	1,183,000	
W Windermere RCL - net support	128,071	114,250	112,240	115,000	118,000	
Training for Learning & Serving - net support	94,736	85,700	99,500	95,800	96,000	
Lay preachers support	5,577	10,000	10,000	10,000	10,000	
Education & Learning department	156,529	157,000	172,900	169,000	171,000	
	1,714,208	1,564,450	1,622,140	1,597,800	1,578,000	
A3 Children's and Youth Work						
Children's and Youth work, including Pilots	321,875	303,640	302,250	300,000	303,000	
A4 Safeguarding	26,296	35,000	52,200	52,500	53,000	
B Mission						
Mission programmes and team	689,129	670,000	688,000	675,000	670,000	
National Ecumenical Officers	28,199	35,000	35,000	35,000	36,000	
	717,328	705,000	723,000	710,000	706,000	
C Administration & Resources						
Central Secretariat	356,635	444,800	421,800	416,400	420,700	
URC House costs	249,740	285,000	286,500	285,000	285,000	
IT Services	152,186	155,800	154,100	155,000	155,000	
Finance	524,917	499,400	516,400	507,000	515,500	
Communications & Editorial	402,450	361,800	344,800	345,000	347,000	
	1,685,928	1,752,800	1,723,600	1,708,400	1,723,200	
D Governance						
General Assembly	144,674	100,000	100,000	100,000	100,000	
Mission Council	65,447	44,000	46,000	46,000	46,000	
Professional fees	166,359	105,000	99,000	103,000	100,000	
Other	65,185	52,000	60,000	60,000	60,000	
	441,664	301,000	305,000	309,000	306,000	
Total expenditure	22,302,519	21,436,958	20,812,090	20,717,200	20,502,700	
NET (SURPLUS)/DEFICIT	33,638	159,958	(5,910)	62,200	307,700	