

Paper G1

Finance committee
Budget information

United Church 2014
Church 2014
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Finance committee: Budget information

Basic Information

Contact name and email address	John Ellis; treasurer john.ellis@urc.org.uk
Action required	Decisions on 2015 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 2015 at the same level as in 2014, yielding a total contribution of £300k.</p> <p>2. Mission Council adopts the budget for 2015 set out in the Appendix.</p>
Alternative options to consider, if any	

Summary of Content

Subject and aim(s)	The paper presents a budget for 2015 for decision, and financial projections for 2016-17 for information.
Main points	M&M giving is currently expected to fall again in 2015. The 2015 budget shows a deficit of 0.7%, mainly as a result of education and learning factors. Projections for 2016 and 2017 suggest that either stability in M&M giving or savings in expenditure will be needed.
Previous relevant documents	
Consultation has taken place with...	Budget holders in Church House The education and learning committee The URC Trust

Summary of Impact

Financial	
External (e.g. ecumenical)	

Budget 2015 and beyond and appendix

1. Attached in the Appendix Column 3 is the draft budget for 2015 which the finance committee presents to Mission Council. This budget has been reviewed by the URC trustees and has their support.

Income

2. Ministry and mission (M&M) fund offers from the synods are the primary source of income for the budget. The latest information from the synods, on behalf of local churches, suggests that the M&M offering in 2015 will be a reduction of around £190,000 (£190k) compared with 2014. This continues the trend of M&M giving falling by 1% a year. It is too soon to gauge the level of response to the welcome resolution passed at General Assembly encouraging an increase in giving, and no account has been taken of possible positive outcomes.

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 £24,564.

4. Mission Council has delegated the task of setting the stipend to the finance committee in conjunction with the URC trustees. The finance committee recommended a rise of 1.75% for 2015 which the trustees agreed. This continues the traditional formula for setting stipend increases of taking the average of the annual rate of inflation and the annual average increase in earnings. At the time of calculation these two averages were closely aligned. Since then the rate of inflation has fallen so this increase should slightly increase the real value of stipends.

5. After the bulge in retirements experienced in 2013 and early 2014, the number of full-time stipendiary ministers is expected to be more stable in 2015, and to include a higher than usual number of ordinations. Taking account of these factors and the stipend increase, the budget includes £15,712k to cover stipends and related payments. This means over 75% of the total budget is directly supporting front-line ministry, reflecting the wish of General Assembly that this should be the priority.

Expenditure on ministerial training

6. This section should be read alongside the paper from the education and learning committee (E&L) on the same topic. The numbers in the budget may change depending on the decisions Mission Council makes in response to that E&L paper.

7. When Mission Council worked hard to achieve significant reductions in programme and infrastructure budgets for 2013 the education and learning committee, with the largest programme budget, was faced with the most substantial task because of its commitments to ministerial training programmes lasting four years. It therefore put in place a short-term cut to its support for those Resource Centres for Learning (RCLs) which have their own reserves, with the aim of implementing savings to training costs over a longer period. Those short-term cuts to RCL support were extended when Mission Council failed to agree a way to reduce

E&L expenditure at its May 2013 meeting. The finance committee agrees with E&L that these grants to RCLs should be reinstated for 2015 as starving RCLs of income is not a sensible way to 'solve' an Assembly committee budget problem.

8. As the E&L paper makes clear, after proposals for longer-term savings to training costs brought to Mission Council in May 2013 did not find favour, E&L worked on an alternative approach for General Assembly 2014. This equally failed to find favour, and discussion of the relevant Resolution 16 demonstrated the clear wish that the training of stipendiary ministers should be given similar priority to their remuneration. This implies full costs being met from M&M contributions and the central budget. In the light of this, E&L withdrew Resolution 16 and the issue was effectively remitted by Assembly to Mission Council.

9. Therefore we have both an Assembly resolution to reduce the E&L budget and Mission Council and Assembly resistance to all proposals so far brought to implement this. Pending further Mission Council guidance, this draft 2015 budget therefore (i) restores cuts to RCL support, and (ii) includes the cost of supporting ministerial students on the same basis as previously. This adds £75k to the budget compared with 2014 and £128k compared with the 2013 target. This is the principal reason why the budget is in deficit and out of line with the requirements set by the 2012 Assembly when it reviewed the whole budget. As our reserves are above the minimum level set by our reserves policy, this deficit can be sustained in 2015 but Mission Council still needs to resolve what should happen to the E&L budget in the longer term.

10. The E&L Committee propose that in view of the strong support at Assembly for making ministerial training a prime call on M&M funding, the obligation laid on them to reduce their budget to £1.6m should now be eased. In effect full funding for ministerial training would in future be ringfenced under their proposals and always be provided.

11. The finance committee understands why, in the light of Mission Council and Assembly responses since 2012, E&L believe this to be the best interpretation of what the Church's governance bodies seem to be saying. If Mission Council adopts the E&L proposal the finance committee will implement it for budgeting purposes for 2016 and beyond. The finance committee would nonetheless want Mission Council to notice that the larger the proportion of the total budget that is ringfenced, the more limited are the areas from which any necessary future reductions in total expenditure have to be found.

Other expenditure

12. Expenditure on other programmes and infrastructure (sections A3, A4, B, C and D in the Appendix summary table) shows no increase in real terms, being held below the expected cost of living increase in staff costs. Implementation of the reorganisation of the general secretariat added about £20k, offset by savings elsewhere.

13. The possibility of a one-day recall of General Assembly in 2015 has not been included: the £100k Assembly expenditure provision in 2015 is towards the costs of the regular biennial meeting in 2016.

Pensions support

14. 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, and it is proposed that the final support in 2015 be at the same level as 2014.

15. The triennial valuation of the ministers' pension fund is due at the end of 2014. The level of contributions to the fund will therefore be reassessed for 2016.

Resolutions

- 1. Mission Council notes with gratitude the continuing pensions support from the synods and requests synods to continue this support in 2015 at the same level as in 2014 which will yield a total contribution of £300k.**
- 2. Mission Council adopts the budget for 2015 set out in the Appendix.**

Looking Further Ahead

16. The Finance Committee again offers Mission Council a look three years ahead, with a caveat that greater uncertainty means that the figures for 2016 and 2017 are less reliable than for 2015. 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. The projections are shown in the Appendix columns 4 and 5.

17. The first key assumption is to assume, cautiously, that the trend in M&M giving continues, with falls of 1% pa, in the light of the likely further fall in membership. Any reduction or reversal in the trend in response to the General Assembly resolution would therefore directly benefit these projections. A full 1% increase in M&M giving, as the Assembly resolution encouraged, would wholly eliminate the projected deficits in 2016 and 2017.

18. The projection for the number of stipendiary ministers is based on best current estimates, with only modest decline in 2016 but more retirements expected in 2017. The total cost of ministry over the three years in view would have fallen by only 4%, about half what would be required to meet the Assembly guideline of changing the overall costs of ministry in line with the changes in overall URC membership.

19. The third key assumption is that Mission Council adopts the proposal in the E&L paper and that the costs of ministerial training are not constrained.

20. With these assumptions and noting all the uncertainties of looking several years ahead, the overall picture shows a deficit projected for 2016 and 2017 at a level that would not be sustainable. Unless other factors change, therefore, Mission Council and committee conveners need to be aware that some further reduction in central expenditure is likely to be necessary.

Summary budget estimates 2015-2017

	2013	2014	2015	2016	2017
	Actual	Budget	Draft Budget	Projection	Projection
	£	£	£		
Income					
Ministry and Mission contributions	(19,839,200)	(19,550,000)	(19,360,000)	(19,165,000)	(18,975,000)
Pensions - additional funding	(659,229)	(300,000)	(300,000)	0	0
Investment and other income					
Dividends	(657,903)	(678,000)	(725,000)	(740,000)	(760,000)
Donations	(3,237)	0	(1,000)	(1,000)	(1,000)
Specific legacies	(694)	0	0	0	0
Grants/Income - Memorial Hall Trust/Fund	(220,280)	(230,000)	(235,000)	(240,000)	(250,000)
Interest - New College Trust /Fund	(5,629)	0	0	0	0
Net other interest	(30,151)	(50,000)	(50,000)	(60,000)	(60,000)
Other income, including property rentals	5,727	(10,000)	(20,000)	(20,000)	(20,000)
	(912,166)	(968,000)	(1,031,000)	(1,061,000)	(1,091,000)
Total income	(21,410,595)	(20,818,000)	(20,691,000)	(20,226,000)	(20,066,000)
Expenditure					
A Discipleship					
A1 Ministry					
Local and special ministries and CRCWs	15,770,494	15,181,000	15,060,500	14,895,000	14,561,000
Synod Moderators - stipends and expenses	693,766	640,000	651,400	658,000	664,700
Ministries department	266,523	260,900	264,800	267,000	269,800
Pastoral & welfare	5,699	2,000	2,000	2,000	2,000
	16,736,482	16,083,900	15,978,700	15,822,000	15,497,500
A2 Education & Learning					
Initial training for ministry	683,088	657,500	635,000	588,000	598,000
Continuing training for ministry	132,137	104,000	105,000	115,000	115,000
Resource Centres support	454,909	466,000	555,000	570,000	590,000
	1,270,135	1,227,500	1,295,000	1,273,000	1,303,000
Windermere RCL - net support	139,531	112,240	114,500	116,800	119,100
Training for Learning & Serving - net support	117,135	99,500	102,000	103,000	104,000
Lay preachers support	8,007	10,000	10,000	10,000	10,000
Education & Learning department	159,306	172,900	176,300	178,500	180,700
	1,694,113	1,622,140	1,697,800	1,681,300	1,716,800
A3 Children's and Youth Work					
Staff costs	207,130	201,600	202,600	205,500	208,300
Management, resources and programmes	67,702	100,650	99,890	102,000	102,000
	274,832	302,250	302,490	307,500	310,300
A4 Safeguarding					
Safeguarding policy and practice	38,773	52,200	47,600	50,000	50,000
B Mission					
Mission dept staff and core costs	370,996	416,500	417,900	423,300	428,700
Mission programmes and memberships	221,255	271,500	266,500	265,000	265,000
	592,251	688,000	684,400	688,300	693,700
National Ecumenical Officers	33,107	35,000	35,000	35,000	35,000
	625,358	723,000	719,400	723,300	728,700
C Administration & Resources					
Central Secretariat	366,524	421,800	461,300	467,000	472,000
URC House costs	254,210	286,500	285,000	285,000	285,000
IT Services	148,355	154,100	152,600	154,000	155,000
Finance	487,163	516,400	505,500	520,500	513,000
Communications & Editorial	373,982	344,800	366,900	364,000	368,000
	1,630,234	1,723,600	1,771,300	1,790,500	1,793,000
D Governance					
General Assembly	100,000	100,000	100,000	100,000	100,000
Mission Council	64,516	46,000	44,000	46,000	48,000
Professional fees	100,070	99,000	103,000	105,000	105,000
Other	60,044	60,000	65,000	65,000	65,000
	324,630	305,000	312,000	316,000	318,000
Total expenditure	21,324,422	20,812,090	20,829,290	20,690,600	20,414,300
NET (SURPLUS)/DEFICIT	(86,173)	(5,910)	138,290	464,600	348,300

Note: variances are adverse/(favourable)

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