

# Paper G1

Finance committee  
Budget for 2017

United Church 2016  
Church 2016  
Reformed Church 2016  
Church 2016

# Paper G1

## Finance Committee Budget 2017

### Basic Information

<b>Contact name and email address</b>	John Ellis; Treasurer <a href="mailto:john.ellis@urc.org.uk">john.ellis@urc.org.uk</a>
<b>Action required</b>	Decision
<b>Draft resolution(s)</b>	<b>Mission Council adopts the budget for 2017 as set out in the Appendix.</b>

### Summary of Content

<b>Subject and aim(s)</b>	The paper presents a budget for 2017 for decision, and financial projections for 2018 and 2019 for information.
<b>Main points</b>	<ul style="list-style-type: none"> <li>• M&amp;M giving in 2017 is likely to be 1% lower than in 2016.</li> <li>• Overall expenditure is expected to be lower than in 2016, mainly due to fewer stipendiary ministers.</li> <li>• The 2017 budget is in balance.</li> <li>• The principal unknown for the medium term is the effect of Brexit on the Ministers' Pension Fund.</li> </ul>
<b>Previous relevant documents</b>	None
<b>Consultation has taken place with...</b>	Budget holders in Church House and the URC Trust.

### Summary of Impact

<b>Financial</b>	
<b>External (e.g. ecumenical)</b>	None

# Budget 2017

1. Attached in the Appendix column 3 is the draft budget for 2017 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 predominantly from local churches through their Ministry and Mission Fund (M&M) giving. After recent signs that this might be stabilising, our best estimates of giving in 2017 suggest the total received will resume its downward trend. The budget assumes total M&M giving falls by 1% relative to 2016. With membership declining by around 4% per year, this will still require an increase in average giving per member.

## Stipends and Ministers

3. Over two-thirds of our expenditure is paying for the stipends and directly related costs of Ministers of Word and Sacraments and Church-Related Community Workers in local settings.

4. The current stipend is £25,248. Mission Council has delegated the task of setting the stipend to the Finance Committee in conjunction with the URC Trustees. The recommended rise for 2017, which is built into this budget, is 1.3%. This increase is mainly influenced by the rate of price inflation and the rate of earnings growth across the economy. Such a rise would take the stipend to £25,572 and cost the overall budget around £200k (ie £200,000).

5. With the number of retirements still substantially exceeding ordinations, the number of available ministers in 2017 is likely to be below the target set by the Assembly. As foreshadowed in the Ministries Committee report to the 2016 Assembly, the plan is to lift the moratorium on ministers of other denominations being given Certificates of Eligibility to enable them to transfer permanently to the URC Roll of Ministers. The budget assumes that there will be four of these in pastorates during 2017 to boost the ministerial workforce. Even with these additional ministers and the stipend increase, however, the fall in the overall number of ministers means that total spending on stipends will fall by 4%.

## Other Expenditure

6. As indicated in Table 1, other expenditure has broadly been held to 2016 levels. The increase in the area of Discipleship relates to a larger average number of ministerial students in 2017 than in 2016.

Table 1: Expenditure by Area of Work

	2016 Budget £m	2017 Budget £m
Stipends & directly related costs	15.6	15.0
Discipleship	2.1	2.2
Mission	0.8	0.8
Admin & Resources	2.1	2.1
<b>Total</b>	<b>20.6</b>	<b>20.1</b>

7. Within overall stability, there are some individual costs that are budgeted to increase. The principal ones are described below.

8. Mission Council has agreed to Phase 2 of the Past Case Review. The staff costs for this work will depend on the number of cases that emerge needing scrutiny and are therefore currently unknown. A total Safeguarding budget of £123k is incorporated in the 2017 budget, compared with £79k in 2016.

9. When Mission Council discussed governance structures at its November 2015 meeting there was a widespread view that there should be a serious effort to streamline the central committee structures of the Church. Several Assembly Committees have since decided to reduce the frequency of their meetings and some consequent savings now appear in the budget. However this modest response is more than offset by the decision of the Assembly this year to increase the funding for its next meeting. As a result the total budget for running General Assembly, Mission Council and their committees in 2017 is £10k more than in 2016 at around £245k.

10. The United Reformed Church will be affected by the Government's new Apprenticeship Levy, for which £38k has been budgeted in 2017. Work is under way to explore whether some of this money can be recovered.

## Overall 2017 Position

11. The 2017 budget shows a likely surplus of £78k. Within a budget of over £20m and given all the inevitable uncertainties, this effectively means the budget is in balance.

## Resolution

**12. Mission Council adopts the budget for 2017 as set out in the Appendix.**

## Projections for 2018-19

13. The final two columns in the Appendix show projections for 2018 and 2019. These are not based on detailed discussions with every budget holder but incorporate estimates of major items and known changes elsewhere. As projections the figures need to be treated as highly approximate.

14. The overall projection presented to Mission Council a year ago for 2017 was in fact quite close to the detailed budget as presented above. Similarly the projection for 2018 a

year ago was similar to the projection presented here, which implies continuing present policies will not bring any particular financial difficulty: a projected deficit of £111k at this stage can be regarded as near enough to a balanced budget not to prompt any drastic remedial action.

15. For the first time, however, numbers for 2019 are offered and these raise more questions. A projection based on current policies suggests a possible deficit of £866k. Furthermore the factors behind this deficit are not one-off elements that would fall away again in 2020. A new pattern of annual deficits of around £1m would not be sustainable.

16. There are two main reasons for the much wider deficit in 2019. The first is that current estimates for the number of stipendiary ministers in post in 2019 represent only a very slight reduction from the probable number in 2018. This would follow a sequence of years when the number of available ministers has normally fallen significantly each year. While this may be most welcome from a deployment perspective, it means the aggregate cost of stipends goes up at the same time as M&M giving is projected to continue to go down.

17. The second factor is less certain and more complex but potentially has a larger impact. An indirect consequence of the UK vote to leave the European Union has been a conjunction of economic and financial factors that make calculations of the notional deficit in the Ministers' Pension Fund produce a much larger number. This requires no immediate action ahead of the next formal triennial valuation of the Fund in 2018. Nobody can be sure what the Brexit impact on monetary policy and the relevant financial markets will be by 2018, but if the situation were similar to today, some additional funding for the Pension Fund would then be required. Any number at this stage can only be speculation but for the sake of the 2019 projection an assumption has been made that the total annual Church contribution to the Pension Fund would rise from the current £2.5m to £3m.

18. The 2018 and 2019 projections are to give Mission Council an indication of where the financial position might be heading. If in a year's time the projections were still to show a deficit of around £1m for 2019, Mission Council should expect to be asked to make some decisions about how to bring the 2019 budget back into balance. Then the preparation in 2018 of the 2019 budget could reflect clear Council instructions about where the available income should be spent.

## THE UNITED REFORMED CHURCH

## SUMMARY BUDGET ESTIMATES 2016-2019

Department/ Project	2015 Actual £	2016 Budget £	2017 Budget £	2018 Projection £	2019 Projection £
<b>Income</b>					
34 Ministry and Mission contributions	(19,483,157)	(19,340,000)	(19,153,000)	(18,961,000)	(18,771,000)
35 Pensions - additional funding	(386,447)	0	0	0	0
31 Investment and other income					
Dividends	(846,074)	(827,000)	(827,000)	(842,000)	(860,000)
Donations	(785)	0	0	0	0
Specific legacies	(459)	0	0	0	0
Grants/Income - Memorial Hall Trust/Fund	(253,977)	(250,000)	(250,000)	(255,000)	(260,000)
Net other interest	(19,121)	(40,000)	(15,000)	(15,000)	(15,000)
Other income, including property rentals	(14,438)	(20,000)	(5,000)	(5,000)	(5,000)
	(1,134,854)	(1,137,000)	(1,097,000)	(1,117,000)	(1,140,000)
<b>Total income</b>	<b>(21,004,458)</b>	<b>(20,477,000)</b>	<b>(20,250,000)</b>	<b>(20,078,000)</b>	<b>(19,911,000)</b>
<b>Expenditure</b>					
<b>A Discipleship Dept.</b>					
<b>A1 Ministry</b>					
01 Local and special ministries and CRCWs	14,804,768	14,688,200	14,057,800	14,047,200	14,585,500
02 Synod Moderators - stipends and expenses	718,356	663,500	678,960	686,000	693,000
03 Ministries department	302,189	295,800	300,275	303,375	306,375
03P Pastoral & welfare	816	2,000	2,000	2,000	2,000
	15,826,129	15,649,500	15,039,035	15,038,575	15,586,875
<b>A2 Education &amp; Learning</b>					
04 Initial training for ministry	720,025	641,500	730,000	730,000	730,000
04 Continuing training for ministry	108,577	107,500	107,500	107,500	107,500
04 Resource Centres support	574,953	571,000	606,500	616,000	625,000
	1,403,555	1,320,000	1,444,000	1,453,500	1,462,500
W Windermere RCL - net support	123,192	133,900	121,100	159,502	161,984
04L Training for Learning & Serving - net support	102,660	92,900	86,900	87,500	88,500
04P Lay preachers support	12,077	10,000	10,000	10,000	10,000
04T Education & Learning department	166,514	148,300	148,700	151,000	153,000
	1,807,997	1,705,100	1,810,700	1,861,502	1,875,984
<b>A3 Children's and Youth Work</b>					
06 Staff costs	195,702	206,600	207,517	211,000	214,000
06 Management, resources and programmes	63,944	86,130	78,700	78,700	78,700
	259,646	292,730	286,217	289,700	292,700
<b>A4 Safeguarding</b>					
07 Safeguarding policy and practice	68,563	78,800	123,083	93,000	94,000
<b>Discipleship Secretariat</b>					
Deputy General Secretary - Discipleship costs	0	0	51,000	52,000	53,000
<b>B Mission Dept.</b>					
10A-B Mission dept staff and core costs	436,095	483,800	501,400	508,500	515,500
10C-E Mission programmes and memberships	245,438	235,500	219,732	168,900	175,900
	681,533	719,300	721,132	677,400	691,400
11 National Ecumenical Officers	33,046	35,000	35,400	36,000	36,600
	714,579	754,300	756,532	713,400	728,000
<b>C Administration &amp; Resources Dept.</b>					
20 Central Secretariat	323,329	309,800	241,100	243,500	246,900
24 Church House costs	334,712	336,000	276,900	278,500	280,200
24A Human Resources	66,755	78,800	113,000	115,000	116,500
23 IT Services	156,663	165,100	178,000	179,000	180,500
21 Finance	413,653	403,900	402,000	407,000	412,300
22 Communications & Editorial	383,922	386,800	404,000	411,500	418,200
	1,679,033	1,680,400	1,615,000	1,634,500	1,654,600
<b>D Governance</b>					
29 General Assembly	130,952	100,000	115,000	115,000	100,000
27 Mission Council	46,879	44,000	42,000	42,000	42,000
28 Professional fees	88,015	103,000	98,000	98,000	98,000
25 Other	81,422	59,000	58,000	58,000	58,000
	347,267	306,000	313,000	313,000	298,000
Apprenticeship levy	0	0	37,500	53,000	53,800
Irrecoverable VAT	142,145	120,000	140,000	140,000	140,000
<b>Total expenditure</b>	<b>20,845,361</b>	<b>20,586,830</b>	<b>20,172,067</b>	<b>20,188,677</b>	<b>20,776,959</b>
<b>NET (SURPLUS)/DEFICIT</b>	<b>(159,097)</b>	<b>109,830</b>	<b>(77,933)</b>	<b>110,677</b>	<b>865,959</b>