

Finance Committee

General Report 2018 to 2020

Basic Information

| | |
|---------------------------------------|---|
| Contact name and email address | Ian Hardie, Treasurer: ianzhardie@googlemail.com John Piper, Deputy Treasurer: john.piper30@ntlworld.com |
| Action required | For information |
| Draft resolution(s) | None |

Summary of Content

| | |
|---|--|
| Subject and aim(s) | To report on the central budgets and other major finance-related areas of work over the past two years. To advise General Assembly that the restrictions introduced to combat the Covid-19 pandemic have delayed the audit and signing off of the 2019 accounts, and to indicate how we intend to publicise the results in due course. |
| Main points | Central budgeted funds were in financial surplus in both 2018 and 2019; We are monitoring the impact of the coronavirus restrictions on our finances at all levels of the church but these have already delayed the audit of our 2019 financial statements; We are monitoring the progress of negotiations with our contractors over costs related to rectifying problems with the refurbishment of Church House; The financial support given by the Legacy and Church Building funds during 2018 and 2019 is reported; and Thanks and good wishes are offered to the chair of the pensions executive (now pensions committee) as he steps down from his role. |
| Previous relevant documents | Finance committee papers for General Assembly 2018 |
| Consultation has taken place with... | |

Summary of Impact

| | |
|-----------------------------------|--|
| Financial | Nothing new in the report itself. |
| External (e.g. ecumenical) | Revising our ethical investment guidelines led to a change of investment policy by one of our investment managers. |

Financial results

1. The appendix to this paper sets out the income and expenditure account of the URC central fund for 2018 and the draft for 2019, as well as the 2020 budget agreed at the November 2019 Mission Council. Taken together, a net surplus of £2.1 million is shown as having been generated during the past two years. However, this result does not take into account the £1.5 million taken from reserves in October 2019 to reduce the deficit in the URC Ministers' Pension Fund (MPF).
2. In both years, the declared surplus was largely the result of ministerial and ministerial student numbers being substantially lower than anticipated, while our income proved more buoyant than we had expected.
3. In part, our increased income reflected a very good response to the encouragement given at the November 2018 Mission Council for synods which were not already doing so to give 10% of the net proceeds of sales of redundant church buildings (other than manses) to help meet the increased contributions the church needed to make to the MPF. We are grateful to the 11 synods currently committed to making such contributions.
4. The giving by churches to the Ministry and Mission ('M&M') fund has also continued its recent pattern of declining by only 1% a year, despite the greater drop in the number and size of congregations. Thanks are due to all those at a local church level who contribute so faithfully to financing ministry, training and mission across the URC.
5. The 2020 budget projected a modest deficit, the result of one-off or temporary expenditure items expected in that year. However, it is likely that the impact of anti-coronavirus measures will reduce the level of M&M contributions and dividend income. At the time of writing (April), it is too early to say whether the shortfall will be significant. We are monitoring the situation regularly, and have asked committee convenors and Church House budget-holders to look for ways of deferring or reducing expenditure for the present.
6. The lockdown has also impacted on the timetable for auditing and approving the URC Trust's report and financial statements for 2019. Normally, the audit would be completed during March and April, with the Trust approving and signing off the document at its meeting in May before presentation to General Assembly. This year, such work as it was possible to undertake remotely was carried out during March, but a date for examining hard-copy documents is pencilled in for early June. At present, we have no idea whether that date will prove feasible. When the audit is completed, we will arrange to have the finance committee and URC Trust directors consider the material electronically, with a view to getting finalised and signed copies of the accounts on the URC website as soon as possible. Anyone requiring a hard copy should let Bea Minta know via email at beatrice.minta@urc.org.uk, and we will arrange for one to be dispatched when available.

Church House refurbishment

In the autumn of 2017, following re-occupation of Church House, it emerged that there was a serious problem with damp in the lower ground floor. The work agreed to be required to remedy the situation was undertaken at no cost to the URC, but we did incur additional costs as a result of having to vacate the affected rooms for

some months while the work was planned and undertaken. A claim has been made against the construction firm to recover those costs, and discussions about this are proceeding slowly with the firm and its insurers. The Finance Committee receives regular reports on the progress of these discussions. [Shortly before these reports went to print, a satisfactory settlement figure was offered and accepted.]

Legacy Fund

7. Requests to the United Reformed Church which are not specifically earmarked for other purposes are placed in the legacy fund, administered by the finance committee but with the involvement of the Deputy General Secretary (Mission). Currently, the fund is able to award grants totaling around £200,000 a year to support innovative mission projects, although only about half of that was utilised during 2019.

Church Building Fund

8. This fund gave grants of £153,000 and £82,000 in 2018 and 2019 respectively via the inter-synod resource-sharing process to support churches undertaking certain types of building development. Loans are also available in some circumstances. The grants and loans are now both administered through the Resource Sharing Task Group, but the finance committee oversees the finances being so deployed.

URC Investment Committee

9. This committee does sterling work with, and overseeing the activities of, the various investment managers used by the URC Trust, and also by the URC Ministers' Pension Trust (MPT). Aware of a desire within the church to use our investments to tackle the climate crisis, the investment committee and the finance committee began working with those investment managers in 2018 to divest from companies with more than 10% of their revenues coming from fossil fuel extraction. This eventually led to a resolution passed at May 2019 Mission Council asking those responsible for investment of URC funds to complete the disinvestment from fossil fuel companies by July 2020. In fact, the MPT had no fossil fuel investments from early 2018, and discussion with the URC Trust's equity investment manager (CCLA) contributed to the decision to make the COIF Ethical Investment Fund fossil-free by December 2019 at the latest. Although all equity portfolios have been adversely affected in the market turbulence following the coronavirus pandemic, fossil fuel companies have been among those particularly badly hit by the market downturn. As a result, at the time of writing, the church and pension fund investments are suffering considerably less severely than the market as a whole.

The URC Pension Committee

10. Although there was no physical meeting of Mission Council in March 2020, some decisions were taken electronically. Among these were to agree a resolution to rename the URC Pension Executive as the Pension Committee, and to give it the formal status of a sub-committee of Finance Committee. Because there is a separate report about pension issues (directly after this one in the Book of Reports), we do not say much here other than to record the stepping down of Chris Evans

from his role as chair of the pensions executive, and stepping back from other roles with the investment committee and the MPT, on health grounds with effect from this July. Chris has been a wise and knowledgeable guide on pensions matters within the URC for many years, and he has been particularly active of late in steering us towards grappling with the current pension challenges. His services will be sorely missed – even though he has undertaken to continue to offer help and insights on a ‘consultancy’ basis (health allowing). We thank Chris and wish him well for the future.

THE UNITED REFORMED CHURCH
Ministry & Mission Fund¹
Draft Income and Expenditure account to December 2019

| | 2018 | 2019 | 2020 |
|---|---------------------|---------------------|---------------------|
| | Actual | Actual | Budget |
| | £ | £ | £ |
| Income | | | |
| Ministry and Mission contributions | (19,016,107) | (18,816,761) | (18,476,500) |
| Pensions - additional funding | 0 | (537,976) | (300,000) |
| Investment and other income | | | |
| Dividends | (920,122) | (931,795) | (925,000) |
| Donations | (6,595) | (8,908) | 0 |
| Specific legacies | (431) | (5,000) | 0 |
| Grants/Income - Memorial Hall Trust/Fund | (286,945) | (302,842) | (288,000) |
| Net other interest & bank charges | (7,291) | (10,983) | (8,000) |
| Other income, including property rentals | (126,368) | (140,008) | (162,400) |
| | (1,347,752) | (1,399,535) | (1,383,400) |
| Total income | (20,363,859) | (20,754,272) | (20,159,900) |
| Expenditure | | | |
| Discipleship Dept. | | | |
| Ministry | | | |
| Local and special ministries and CRCWs | 13,495,559 | 13,260,661 | 13,698,000 |
| Synod Moderators - stipends and expenses | 669,632 | 670,888 | 739,000 |
| Ministries department | 335,911 | 349,206 | 334,600 |
| Pastoral & welfare | 846 | 1,232 | 2,000 |
| | 14,501,948 | 14,281,987 | 14,773,600 |
| Education & Learning | | | |
| Initial training for ministry | 599,467 | 565,162 | 547,570 |
| Continuing training for ministry | 75,474 | 120,067 | 95,500 |
| Resource Centres support | 614,948 | 631,287 | 638,640 |
| | 1,289,889 | 1,316,515 | 1,281,710 |
| TLS/Stepwise | 107,189 | 130,826 | 121,600 |
| Lay preachers support | 4,650 | 5,708 | 7,000 |
| On-line learning | 52,859 | 57,814 | 60,000 |
| Lay Development Fund | 1,443 | 0 | 25,000 |
| Education & Learning department | 181,740 | 167,124 | 168,000 |
| | 1,637,770 | 1,677,986 | 1,663,310 |
| Children's and Youth Work | | | |
| Staff costs | 193,487 | 210,139 | 216,500 |
| Management, resources and programmes | 69,768 | 62,402 | 111,200 |
| | 263,255 | 272,541 | 327,700 |
| Safeguarding | | | |
| Safeguarding policy and practice | 148,525 | 93,832 | 199,500 |
| Discipleship Secretariat | | | |
| Deputy General Secretary - Discipleship costs | 67,052 | 66,051 | 83,600 |
| Mission Dept. | | | |
| Mission dept staff and core costs | 448,781 | 505,459 | 529,200 |
| Mission programmes and memberships (net) | 164,292 | 186,651 | 250,200 |
| | 613,073 | 692,110 | 779,400 |
| National Ecumenical Officers | 20,335 | 33,435 | 36,500 |
| | 633,408 | 725,545 | 815,900 |
| Administration & Resources Dept. | | | |
| Central Secretariat | 241,695 | 284,655 | 270,500 |
| Facilities | 438,811 | 376,100 | 385,000 |
| Human Resources | 80,503 | 82,001 | 89,000 |
| IT Services | 201,949 | 214,795 | 237,700 |
| Finance | 425,741 | 415,087 | 385,400 |
| Communications | 374,641 | 446,257 | 464,800 |
| | 1,763,340 | 1,818,895 | 1,832,400 |
| Governance | | | |
| General Assembly | 120,537 | 100,000 | 100,000 |
| Mission Council | 70,020 | 67,058 | 63,000 |
| Professional fees | 72,342 | 103,073 | 100,000 |
| Other | 73,248 | 79,394 | 76,000 |
| | 336,146 | 349,526 | 339,000 |
| Apprenticeship levy | 46,095 | 45,754 | 55,000 |
| Irrecoverable VAT | 110,768 | 141,374 | 140,000 |
| Total expenditure | 19,508,307 | 19,473,490 | 20,230,010 |
| NET SURPLUS/(DEFICIT) | 855,553 | 1,280,782 | (70,110) |

¹Includes the Ministerial training Fund and the Maintenance of Ministries Fund

NOTE: THESE FIGURES EXCLUDE THE £1.5m PAID TOWARDS THE DEFICIT ON THE MINISTERS' PENSION FUND