

Paper G1

General Report 2022 to 2023

Finance Committee

Basic information

Contact name and email address	Ian Hardie, Treasurer ianzhardie@googlemail.com
Action required	For information.
Draft resolution(s)	None.

Summary of content

Subject and aim(s)	To report on the central budgets and other finance-related areas of work over the past year.
Main points	<ol style="list-style-type: none">1. The M&M Fund 2022 results were considerably better than the 2022 budget.2. The Ministers' Pension Support Restricted Fund had a healthy balance at the end of 2022.3. Other matters considered by the Finance Committee this year are noted.4. The Investment Committee and Pensions Committee are reported on.5. The extensive work of the Pensions Review Group since General Assembly 2022 is reviewed.
Previous relevant documents	Finance Committee papers for General Assembly 2022.
Consultation has taken place with...	The URC Secretary for Church and Society; The Legacies of Slavery Task Group; The URC Trust; Synods/Synod Trusts; all active and prospective members of the two defined benefit pension schemes; Officers of General Assembly.

Summary of impact

Financial	Nothing new in the report itself.
External (eg ecumenical)	

Financial results

1. The appendix to this report sets out the 2022 income and expenditure statement for the URC M&M fund and the budget agreed at the November 2022 Assembly Executive for 2023.
2. 2022 income turned out to be fully £811k above budget at £18.664 million. The main reasons for this were that M&M contributions by local churches and Synods exceeded the Synods' original estimates by almost £540k and we

received significantly more than we had been advised was likely from the Congregational Memorial Hall Trust. We were grateful for both those outcomes. The 'Other income' category was also well above budget because the budget disregarded the income and costs of the 2022 Ministers' Gathering, which was expected to roughly break even. The income from the event under this heading is counter-balanced by the additional expenditure under the 'Committee and other meeting costs' category.

3. Despite this unbudgeted item of expenditure, total expenditure (before an extraordinary payment) was still slightly under budget at £20.638 million. The two major areas of overspend were 'Student Fees and Support' and 'Professional and Consultancy fees'. The former is always difficult to quantify since, when the budget is set, it is not known how many new students will be requiring support in the following academic year. The £100k overspend on the latter is largely attributable to legal and consultancy costs incurred in relation to considering changes to URC pension arrangements (of which more later).
4. The extraordinary payment was a one-off gesture of good will towards ministers and 'Church House' employees voted for by General Assembly 2022. After taking this payment into account, the final result for the year was a deficit of £2.26 million – £425k below the budgeted deficit which had been agreed because of the significant ministers' pension cost increase, which was unavoidable last year.
5. The 2023 budget income is almost the same as the 2022 budget figure, with expenditure almost £2 million lower than the previous year figure. The big anticipated changes were return of the pensions costs to 2021 levels but offset by a considerable increase in stipends and salaries to reflect then current inflation.
6. As reported last year, a new Ministers' Pension Support Restricted Fund came into being with extremely generous commitments from the Synods to tackling the deficit in the Ministers' Pension Fund ('MPF'). After making the agreed deficit recovery payments to the MPF, the restricted fund balance stood at almost £6.8 million at 31 December 2022. Thank you to all the Synods for their ongoing support in tackling this issue.

Church House damp issue

7. We reported last year that there was evidence of two areas of damp penetration in the lower ground floor. The committee has received updates about this at each of our meetings, but the matter has not yet been resolved.

Legacy fund

8. Bequests to the central United Reformed Church which are not earmarked for specific purposes are added to the legacy fund. Currently, the fund is in a position to award grants of approximately £150k a year, though only £54k was committed or paid to innovative mission projects in the year. We suspect this is an ongoing result of the pandemic.

Church building fund

9. Similarly, grants made from the church building fund via the inter-synod-resource-sharing process amounted to £13k in 2022, although the fund had about £150k available to support churches undertaking certain types of building development.

Other Finance Committee considerations in the past year

10. Separate papers are before this General Assembly reflecting our consideration of the need for a benevolent fund for retired ministers; an energy crisis fund for churches; and how to calculate target numbers for stipendiary ministers.
11. General Assembly 2022 asked us to reconsider car travel expenses and Assembly Executive agreed our proposal (taking account of environmental considerations) to leave the rate paid when only the driver is in the vehicle unchanged, but to offer an additional 5 pence per mile for each passenger in the car.
12. The committee also agreed who would represent us on the URC Environmental Task Group and outlined our initial thinking about our committee's contribution to meeting the URC's net-zero carbon target.
13. We considered a request to give further financial support to the Churches Mutual Credit Union and have kept abreast of work being undertaken by the Legacies of Slavery Task Group and the URC Church Life Review group.

URC Investment Committee

14. We remain grateful to the members of the URC Investment Committee who oversee the work of, and results achieved by, our investment managers in managing the investments held by the URC Trust (and the MPF). The Investment Committee with the Board of the URC Ministers' Pensions Trust ('URCMPT') completed a review of the consultancy arrangements in support for the MPF, which led to appointment of advisors who will help the URCMPT reconsider its investment strategy.

URC Pensions Committee

15. This sub-committee of Finance Committee has not had a convenor for most of the past year and in that time did not meet formally until April 2023. However, most of the Pensions Committee's members have also been members of the Pensions Review Group ('PRG') – a hybrid body set up by the Pensions Committee together with members of the Finance Committee and chaired by the Deputy General Secretary (Admin and Resources) - with a remit to reconsider the URC's pension arrangements in view of the dramatically increasing costs which the two defined benefit schemes entailed. The subsequent paragraphs of this report set out what the PRG has been doing over the past 12 months and the results. The April 2023 meeting of the Pensions Committee received a more detailed report of this activity and has taken ownership of the outcomes going forward. It is hoped that General Assembly will fill the vacancy for a convenor of the Committee.
16. The July 2022 General Assembly heard the PRG's proposals for finalising the closure to future accrual of the two existing defined benefit pension schemes and for establishing a single new defined contribution pensions scheme for office holders and employees. General Assembly gave the go ahead for consultation with the active scheme members of both schemes on the basis of the proposals as outlined in GA 2022 Paper G5, but with the addition of some ill health benefits for employees.
17. It took some time to establish what such an additional benefit might look like and how it might be paid for and then to complete all the documentation required to inform the consultation exercise to the satisfaction of the legal requirements.

- Eventually the consultation ran from 22 September to 22 November 2022. In addition to the written documentation sent out to all active members, the consultation involved material on the website of the provider of services to the new scheme (Aon), a number of online or face-to-face seminars and question and answer sessions, and people were also encouraged to ask questions in writing.
18. Assembly Executive received an oral report that, although lots of questions had been asked during the consultation process, very few people submitted any responses to the consultation itself and most of those were not expressing any concern about the actual proposals. The PRG met with the other employers in the lay staff scheme and, after consideration of one issue, it was decided to recommend to the Officers of Assembly that the new scheme should be implemented as outlined in the consultation documents, but with a slight delay to the start date. As authorised by General Assembly, the Assembly Officers agreed to closure to future accrual of the two existing schemes and the finalisation of the new scheme arrangements. When people were advised of this decision in writing, further opportunities were offered to ask questions about the new arrangements at online sessions.
 19. The original target date for the changes had been closure of the existing schemes to accrual at the end of December 2022 and commencement of the new scheme from 1 January 2023. For a number of reasons – particularly the need for more consultation with Synods about their wishes re their staff and the need to work round a legal complication in relation to life insurance cover for the death in service benefits to be offered alongside the new scheme – the two existing schemes did not close until 28 February 2023 and the new scheme, to be known as the United Reformed Church Pension Plan, started on 1 March 2023. This means the higher costs of the MPF scheme continued into early 2023.
 20. The Finance Committee wants to take this opportunity on behalf of the URC as a whole to recognise the considerable effort put in by, and strain placed upon, many people involved over the past few years in considering and planning the change and wishes to express thanks for this to the following people involved in some way in the work undertaken by the PRG or Church House staff: Jane Baird, Chris Evans, Vaughan Griffiths, Ian Hardie, Gordon Justham, David Martin, Richard Nunn, John Piper, Joao Rodrigues, Rob Seaman, Mary Steele and Lyndon Thomas. Thanks too to all the Synod and/or Synod Trust office holders and employees who have also been heavily involved.

UNITED REFORMED CHURCH
URC M&M FUND
For the year ended 31 December 2022

Appendix

TOTAL	Actual 2022	Budget 2022	Budget 2023
	£	£	£
Income			
Income from Churches & Synods	16,685,499	16,148,127	16,259,240
Donations, Legacies & Grants	221,718	109,950	152,000
Income from training & academic activities	1,708	1,000	1,000
Other income	104,851	12,000	12,000
Income from Investments	1,231,510	1,199,000	1,189,000
Income from Trading Activities	201,539	219,500	216,900
Property income	217,032	163,770	162,550
Total Income	18,663,857	17,853,347	17,992,690
Expenditure			
Stipends & associated costs	13,825,528	13,876,801	12,467,786
Other Minister costs	125,089	116,800	143,600
Salaries & associated costs	2,687,688	2,792,737	2,612,190
RCL Support	676,779	683,665	694,580
Student Fees & Support	724,218	566,910	506,000
Discipleship development	4,479	10,500	0
Mission Costs	21,139	58,500	48,500
Programme expenditure	289,222	257,450	277,350
Committee & other meeting costs	298,520	227,150	144,850
Grants	412,271	521,520	390,760
Travel, accomodation & subsistence	152,731	170,400	137,700
Office & other staff costs	283,279	269,350	268,150
Professional & Consultancy fees	354,963	254,200	213,850
Telecoms	30,320	33,430	33,000
Facilities & buildings costs	82,263	144,700	140,500
IT Costs	198,570	206,340	205,100
Cost of sales	183,491	137,500	150,000
Sundries	16,837	12,250	11,500
Depreciation	70,119	74,200	91,598
Irrecoverable VAT	200,448	120,000	120,000
Total expenditure	20,637,955	20,534,402	18,657,014
Net (surplus)/expenditure (before cost of living pmt)	1,974,098	2,681,056	664,324
Extraordinary cost of living payment	281,870	0	0
Net (surplus)/expenditure (after cost of living pmt)	2,255,969	2,681,056	0