

Paper G1

General report 2023 to 2024

Finance Committee

Basic information

Contact name and email address	Alan Yates, Treasurer alan.yates@urc.org.uk John Samson, Chief Finance Officer john.samson@urc.org.uk Vaughan Griffiths, Deputy Treasurer deputy.treas@urc.org.uk
Action required	Note.
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 2023 net expenditure results were significantly higher than anticipated in the budget.2. The Ministers' Pension Support Restricted Fund had a healthy balance at the end of 2023.3. Other matters considered by the Finance Committee this year are noted.4. The work of the Pension Committee is reported on.5. An update on the work done towards achieving a balanced budget within five to seven years is given.
Previous relevant documents	Finance Committee papers for General Assembly 2023. Finance Committee paper for Assembly Executive 2023.
Consultation has taken place with...	The URC Secretary for Church and Society; The Legacies of Slavery Task Group; The URC Trust; Synods/Synod Trusts; 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 2023 income and expenditure statement for the URC M&M fund, and the budget agreed at the November 2023 Assembly Executive for 2024.

2. 2023 income was nearly £350k above budget at £18.341 million. This was, in part, the result of a significant effort by some Synods to 'top up' the giving of churches into the M&M fund. As the year drew to a close, it was looking like we would have a shortfall in this area, but the generous giving in November and December meant we finished the year £56k above budget. We were grateful for this generosity. The income from our investments was significantly above what was expected thanks, in the main, to rising interest rates.
3. While income was better than expected, the story is different for expenditure, as this ended the year more than £900k over budget. A few significant factors contributed to this. About £700k of this overspend relates to the pension costs. As a result of the old direct benefit schemes closing at the end of February 2023 rather than at end of 2022, there were two months of additional pension contribution costs, amounting to £400k. A further £310k costs towards the administration of the now closed fund only came to light after the 2023 budget had been agreed.
4. Professional and consultancy fees were overspent by about £130k. This was due in the main to legal bills, which are incredibly difficult to predict, being significant in the year. This revolved particularly around the disciplinary process and legal advice around the change in pension schemes.
5. The IT costs to support the work done in Church House were overspent to the tune of £100k. A significant portion of this was a result of not being able to close off an old system due to incompatibility of some programmes with the new platform. This was unexpected and resulted in a significant amount of work done to make the change as quickly as possible while still allowing the normal work of Church House to be done.
6. The year ended with a deficit of £1,221k, a figure that was £558k above budget. The church's reserves were able to absorb this deficit but the church cannot support such deficits on an ongoing basis. The November 2023 Assembly Executive meeting addressed this issue and plans to tackle the deficit budget are discussed in more detail below.

Legacy fund

7. Bequests to the central United Reformed Church which are not earmarked for specific purposes are added to the legacy fund. Following a decision at the 2023 General Assembly, half of this fund was transferred to the Church Life Review Fund. Currently, the fund is in a position to award grants of approximately £120k a year, of which £100k was committed or paid to innovative mission projects in the year.

Church Buildings Fund

8. Similarly, grants made from the church building fund via the inter-Synod-resource-sharing process amounted to £65k in 2023, although the fund had about £150k available to support churches undertaking certain types of building development.

URC Investment Committee

9. 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).

URC pensions update

Ministers' Pension Fund

MPF Deficit Funding

10. Contributions to the Ministers Pension Support Restricted Fund (the fund holding and utilising Synod contributions towards the MPF deficit) had sufficient in hand to pay the required £4.7m deficit contributions for 2023.
11. The fund also holds a balance in hand to roll over into 2024.

MPF triennial valuation

12. The MPF is due to have its formal three-year valuation of the fund position as at 1 January 2024. The valuation was presented on a first draft basis by our actuaries in March, and the final (signed off) valuation should be completed in Q4 of 2024.
13. Current indications are that the deficit is significantly reduced from what was calculated three years ago and hence it might not be necessary to call in all the Synod contributions scheduled through to 2030. More information will be communicated when we have it.

MPF strategy towards de-risking

14. The MPT Board has been actively considering de-risking the pension investments, and in April £46m of equities was re-allocated into gilts. as a way of locking in recent valuation wins and deficit reduction.

TPT Staff Pension Scheme

15. The TPT defined benefit pension scheme was closed to accrual on 28 February 2023 and remains close to being fully funded.

Pensions Committee

16. Following the move to DC (defined contribution) pension arrangements the Pensions Committee has been reconstituted with Revd Dr Janet Tollington as Chair.
17. The Pensions Committee reports to the Finance Committee in the first instance.
18. The Pensions Committee acts as the representative of the Church in dealing with pension providers who are:
 - a) The Ministers' Pension Trust (MPT) – now closed to accrual
 - b) TPT who run the Staff Salary Scheme – now closed to accrual
 - c) AON Master Trust – the provider of the new defined contribution scheme
 - d) The Pensions Committee also has responsibility for the oversight of the arrangements for death in service and ill health retirement benefits
 - e) The Pensions Committee meets quarterly. AON will be asked to attend every meeting and the MPT and TPT will be asked to attend alternate meetings.
19. Meetings with AON will review:
 - a) Service levels provided to members
 - b) Use of the AON Portal by members
 - c) Investment performance
 - d) Communication with members
 - e) Any particular issues arising in the operation of the AON Master Trust.

20. Meetings with MPT and TPT will deal with business as with AON (above) but only as far as it relates to schemes closed to accrual.
21. The Pensions Committee will report to each Finance Committee meeting and a report of its work will be provided to General Assembly.
22. The Pensions Committee has met three times so far this year, setting up the above process and reviewing the work of the MPF, TPT staff scheme and the AON master trust. Highlights include:
 - a) MPF – route to de-risking implemented (see above)
 - b) TPT – discussions on de-risking this scheme (but complicated by the “benefits review” underway – see above)
 - c) MPF, TPT and AON – pressing to complete pension booklets for existing and future members
 - d) Review of how new Ill Health benefits system is working
 - e) Future considerations on pension expertise to serve the church.

Pensions Committee – Terms of Reference (ToRs)

23. Terms of Reference are being revised but it seems the changes are unlikely to be very significant.

Update on balancing the budget

24. Following the resolution made at the Assembly Executive in November 2023, the Synods were asked to maintain their M&M fund contributions at their 2023 actuals and Assembly Committees and Church House operations were informed that the budget target for 2025 was to be 5% less than 2024, and that target reductions would continue, albeit at a lower level, for the foreseeable future.
25. At the Synod Treasurers’ consultation in March 2024, the Synod Treasurers were asked to review their M&M pledges for 2024 (which were made before the AE decision taken in November 2023) and come back to the CFO by July with (hopefully) an increased offer. Please note that at least one Synod had already provided a pledge for 2024 that is significantly higher than their 2023 actual, for which we are grateful.
26. At the time of writing (end of April) preparations are being made to start the Church House budgeting process early, so that a draft budget will be available around mid-August. It is likely that budget savings identified will not be sufficient to meet our budget deficit reduction plan and further budget negotiations are likely to be needed.
27. The General Secretariat have already mooted that the assumption made by Finance, that the budget savings will be bigger in earlier years and get progressively smaller, may not come to fruition. And in fact, significant savings may well come in years two and three, because structural changes (which will create the biggest savings) will take longer to implement. If that is the case, unrealised savings in 2025 will be carried forward to 2026.

UNITED REFORMED CHURCH
URC M&M FUND
For the year ended 31 December 2023

Appendix

TOTAL	Actual 2023	Budget 2023	Budget 2024
	£	£	£
Income			
Income from Churches & Synods	16,315,691	16,259,240	15,845,000
Donations, Legacies & Grants	174,685	152,000	175,500
Income from training & academic activities	1,380	1,000	1,200
Other income	39,402	12,000	23,780
Income from Investments	1,433,209	1,189,000	1,287,000
Income from Trading Activities	205,225	216,900	216,600
Property income	171,767	162,550	188,950
Profit on sale of properties	10,230	0	0
Total Income	18,351,588	17,992,690	17,738,030
Expenditure			
Stipends & associated costs	12,692,421	12,441,019	12,588,552
Other Minister costs	139,787	143,600	236,420
Salaries & associated costs	2,741,726	2,638,957	2,716,330
RCL Support	738,842	694,580	693,037
Student Fees & Support	585,245	506,000	434,600
Programme expenditure	270,990	192,850	270,023
Committee & other meeting costs	240,328	266,850	316,467
Grants	416,842	390,760	383,623
Travel, accomodation & subsistence	189,244	144,700	141,864
Office & other staff costs	270,773	270,150	243,213
Professional & Consultancy fees	344,444	213,850	241,920
Telecoms	37,551	33,000	35,391
Facilities & buildings costs	127,727	140,500	178,760
IT Costs	305,053	205,100	290,191
Cost of sales	130,852	150,000	161,800
Sundries	17,936	13,500	22,000
Depreciation	86,506	91,598	86,820
Irrecoverable VAT	237,222	120,000	175,000
Total expenditure	19,573,487	18,657,014	19,216,011
Net expenditure	1,221,899	664,324	1,477,981