

# Paper G1

## 2025 budget: context and assumptions

### Resources Committee

#### Basic information

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<b>Action required</b>	Decision.
<b>Draft resolution(s)</b>	<ol style="list-style-type: none"><li><b>1. Assembly Executive adopt the M&amp;M budget for 2025</b></li><li><b>2. Assembly Executive note the target figures for 2026 and 2027.</b></li></ol>

#### Summary of content

<b>Subject and aim(s)</b>	The paper presents the budget for 2025 to be considered for adoption by Assembly Executive.
<b>Main points</b>	<ol style="list-style-type: none"><li>M&amp;M giving has been maintained at 2023 actual level with top up coming from the Synods where necessary.</li><li>The 2025 budget shows a reduction of £419,290 from 2024's budgeted deficit of £1,477,983.</li><li>The expected deficit of £1,058,693.</li></ol>
<b>Previous relevant documents</b>	Papers G1 and G2 Assembly Executive November 2023.
<b>Consultation has taken place with...</b>	Budget Holders, Business Committee, Resources Committee, Investment Managers, URC Trust.

#### Summary of impact

<b>Financial</b>	Failure to adopt a budget would create uncertainty around the denomination's financial arrangements for next year.
<b>External (eg ecumenical)</b>	N/A

## 1. Background

- 1.1 At Assembly Executive in November 2023 in the budget discussion, the then Finance Committee sought a steer from Assembly Executive as to how we are to tackle the budget deficit. In doing so, four options were presented:
  1. Reduce the deficit quickly (two-three years)
  2. Reduce the deficit slowly (> ten years); or
  3. Maintain the deficit at today's levels; or
  4. Increase the deficit (spend to grow).
- 1.2 For context, maintaining the deficit at the level envisaged by option 3 would have meant maintaining a deficit year on year of approximately £1,5m.
- 1.3 A fifth option was added during the meeting which was to reduce the deficit in the medium term (five-seven years).
- 1.4 The mood of the meeting quickly indicated that option 3 had no support and that there was only minimal support for option 1. In further exploring options 2,4 and 5 the mood of the meeting can be summarised as:  
Option 2: 9% in favour  
Option 4: 20% in favour  
Option 5: 71% in favour.
- 1.5 Ultimately option 5, to tackle the deficit in the medium term (five-seven years), was passed as the definitive steer for Finance Committee (now the Resources Committee). The prior voting though indicated the appetite for spending to grow and therefore this forms part of the context in which Resources Committee is asked to consider the 2025 budget figures and targets for 2026 and 2027. In essence Assembly Executive has given the steer that the deficit must be tackled ie achieve a balance budget between 2028 and 2030 and to do so in a strategic way which enables growth and flourishing.

## 2. Overview

- 2.1 Work on the 2025 budget has been significant across the departments and in some areas substantial savings have been made. In others this has proved difficult, either because the savings have been made in previous years and the resource has reached its minimum levels in certain areas or because it is a matter of timing. The latter point relates to the fact that the URC is undergoing a significant time of change, addressing issues which are urgent and pressing. There remains an appetite for change and for that change to bring further reductions to meet the target set by Assembly Executive in November.
- 2.2 It is already apparent that the mind of Assembly Executive was wise and read the situation well; we need to be strategic about change. We also need to be organised in a way which enables General Assembly to set real priorities with appropriate financial resource.
- 2.3 There remains a stark reality that achieving a breakeven position between 2028 and 2030 will remain a challenge with difficult decisions still to be made in many areas and clear priority setting from General Assembly.

- 2.4 The 2025 budget reflects the current position after nine months of work across teams and committees. The high-level nature of the figures means that the detailed areas where savings have been made are not as obvious due to there being areas where we need to invest in order to achieve the level of change necessary.
- 2.5 The 2025 budget shows a reduction of £419,290 from 2024's budgeted deficit of £1,477,983 to an expected deficit of £1,058,693. These figures have then been extrapolated for 2026 and 2027 as indications incorporating any known changes. There are however some fundamental decisions which are anticipated across a number of committees towards the end of 2024 and early 2025 which have capacity to bring further change. There is however insufficient certainty at the time of this budget to include the detail of potential savings; this is in line with a standard accounting and governance practice of prudence and conservative estimations.
- 2.6 For reasons of transparency, it should be noted that there are several different entities which are connected to the URC and receive support of different kinds from the General Assembly Office. The support is in part staff time but also some significant operational expenses. In all cases this has been a long-standing arrangement and no provision for URC to recharge costs back to the entity has ever been negotiated. Within the 2025 budget the total subsidy to such entities is in the region of £200,000. It should equally be acknowledged that the URC General Assembly budget does not account for the different types of support which the Church receives from these other entities.
- 2.7 This aspect is not before Assembly Executive for decision at this stage but may be before General Assembly or Assembly Executive in the future to consider how the Church wishes to deal with any future support of this kind and make sure that we are also properly dealing with any support the church receives from others. This financial position could only change after careful and detail consultation and negotiation.

### **3. Key additions**

- 3.1 It has become increasingly clear that there is substantial development and change needed in many key areas which ultimately relate to governance and legal matters. There is a desire and intention to simplify our governance and improve our management of risk and increase accountability within our governance structures across the Church and the URC Trust.
- 3.2 This governance work has been occupying a significant amount of the General Secretary's time and that of the Chief Operating Officer. This is taking time away from theological leadership in the case of the General Secretary and other strategic and operational leadership matters in the case of the Chief Operating Officer.
- 3.3 The budget therefore includes provision for a Head of Legal Services which means bringing our legal services in house and a Head of Governance Services. The introduction of these roles will not only enable a more robust approach to our legal and governance matters with more joined up thinking and legal input at earlier stages in many instances, but it is also anticipated it will free up capacity to implement broader change – changes of a type which will positively impact

upon the budget deficit. The budget also includes provision for PA support for these two roles.

- 3.4 This accounts for approximately £250k of the increase in salary costs. It is however in part offset by a reduction in legal and consultancy fees; for 2025 this is a reduction of £47,370 against the 2024 budget, and a £149,894 reduction on the 2023 actuals. This budget line would not be eradicated as we would still need other legal and professional input. Once we move into this new situation, we will be better able to assess the further budget reductions which follow as a consequence of this change, ready for the 2026 budget.

## 4. Key strategic changes

- 4.1 As noted above, there are however some fundamental decisions which are anticipated across a number of committees towards the end of 2024 and early 2025 which have capacity to bring further change.

### 4.2 Relevance of Church Life Review

- 4.2.1 The Church Life Review is also pertinent to potential future changes and savings. While it is important to note that this work is not about underpinning the M&M budget, we are at an early stage where there remains a link. There are areas of work within the Support Services discussion which are also resourced through the M&M budget for the Office for General Assembly, deployed from Church House. The Consultation in November in relation to Support Services as well as a current consultation on a Resources Hub for local churches will give an early indication as to possible directions of travel. This in turn will enable strategic decisions to be taken in relation to the more operational aspects financed within the M&M budget. While we could have tried to anticipate such decisions for the 2025 budget it was felt this would be premature and we risked doing ourselves a longer-term disservice.

### 4.3 The General Secretariat

- 4.3.1 By the end of 2025, it is anticipated that the role of Deputy General Secretary for Mission and Deputy General Secretary for Discipleship will become one Deputy General Secretary role.

## 5. Key areas of reduction

- 5.1 There have been several areas where there have been reductions which are reflected in the 2025 budget:
- A reduction in minister numbers. This has resulted in a cost reduction of £463,296. It is important to note that this reduction is not finance/budget driven but rather the consequence of fewer people coming into ministry and the rate of retirement (both anticipated and early retirement).
  - If this remains an ongoing trend, then it arguably increases the pressure to make savings elsewhere so that support costs remain proportionate to the costs of ministry. Further work will be undertaken in 2024/2025 to determine whether the assumptions for ministerial numbers and costs remain accurate.
  - The support paid to Resource Centres for Learning has reduced in the context of the M&M budget. The total grants to the colleges for 2025 have been agreed as £808,932. A 5% reduction on the 2024 budget figure (of £693,037) is shown in the 2025 budget (£658,385). The balance of £150,547 due to the colleges

will be made up from the New College Fund, which is a restricted fund solely for the purposes of providing ministerial education. This step ensures the support while reducing the demand on the M&M budget.

- Student support has reduced by £41,245. Similarly to minister numbers, this is not because we have reduced our support to students but rather is related to the numbers and level expected for the 2024/25 academic year.

## 6. Other 2025 budget assumptions

6.1 It is important to note that in preparing the 2024 budget, we tried to take a zero-based approach. Unfortunately, some items were missed in the process resulting in under budgeting for some areas. Consequently, the 2023 and 2024 actuals have been used as a more accurate guide for the 2025 budget rather than the 2024 budget. Significant items of this nature to note which have been reinstated for 2025 are:

- £86k costs due to the Lay Staff Pension Scheme
- £30k subvention to the Welfare Funds missed in 2024 budget.

6.2 In reaching the 2025 budget, the following broad assumptions have been applied:

### 1. Income:

- Income from Synods and churches: M&M giving has been maintained at 2023 actual level with a hoped for top up coming from the Synods where necessary.
- Donations, legacies and grants: a significant reduction of about £30k in the grant from the Congregational Memorial Hall Trust is expected.

### 2. Expenditure:

- Stipends and associated costs: stipend increase of 3.8% for 2025. This is based on the agreed formula and recommended by the MoM Committee. The figure also takes account of the recent increase in employers' National Insurance contribution rate as announced by the Chancellor of the Exchequer.
- £35k increase in expected costs relating to immigration charges for ministers brought in on certificates of eligibility.
- Salary costs: 3% increase for lay staff salaries (In reaching this position, the Remuneration Committee took into account CPI, CPIH and RPI as at end of July 2024. We also seek to benchmark using the Annual Voluntary Sector survey and lay staff salary changes in other UK Christian denominations). The figure also takes account of the recent increase in employers' National Insurance contribution rate as announced by the Chancellor of the Exchequer.
- Programme expenditure:
  - £50k in E&L for cost of colleges running the Stepwise programme. However, this is offset by other associated savings.
  - £15k increase in the support costs for the Newbiggin Hub in Ministries.
- The level of resettlement and removal grants has been increased to align with the 2023 actuals as 2024 is already well above budget.
- Office and other staff costs:
  - Postage costs underbudgeted in 2024. This has been increased by £15k to bring in line with 2023 actual.
  - £15k increase in Apprenticeship levy cost as 2024 underbudgeted.
- Facilities and buildings costs: £100k for potential Business rates bill. We currently do not pay Business rates on Church House. Councils have

discretion about how they treat charities, but we do not have evidence of an agreed exemption. While we clarify the position with Camden Council, we have put provision into the 2025 budget to cover such rates being payable and in case of an element of backdating.

- IT costs: there has been an increase in the budget here to help cover the replacement costs of laptops as a good number of those used in Church House are nearing the end of their useful lives.

## **7. Basis of the target figures for 2026 and 2027**

7.1 At a time of change, there continues to be uncertainties around the budgets for 2026 and 2027, but we are committed to continuing to make changes in order to fulfil the will of Assembly Executive so clearly expressed in November 2023. As noted above in the context and overview exploration, which is expected to evolve during 2025 and into 2026, but it is too early to provide an accurate indicative budget for those subsequent years, but to give an outline of the target for 2026 and 2027, the following has been assumed:

- 3% rise for stipends and associated costs
- Approximately 20 ministers reaching retirement age in 2026 and 2027, and the figures currently assume all will retire
- Ten new ministers per annum join the URC via ordination or Certificates of Eligibility
- For RCL support grants the same 5% reduction for the M&M budget has been used for the 2026 and 2027 targets. There are ongoing conversations with the RCLs to work out a way forward, and the 2026 and 2027 will need to evolve during 2024 and into 2025 to reflect the emerging discussions
- Student fees and support remain difficult to predict too far into the future and therefore we have maintained the same level for 2026/2027.

## **8. Other relevant factors**

8.1 Later in Q4 2024 we hope to receive final confirmation as to the contributions required to cover the expenses of the URC Ministers' Pension Scheme. We are hoping there will be a reduction in these costs but at the time of writing, the updated position is not known. If it is available by the time Assembly Executive meets, then an oral update will be provided prior to any resolutions being passed. The budget has however, been prepared on a prudent basis, using the figures from the current schedule of contributions.

## **9. Notes to aid understanding the comparative figures**

9.1 To reflect operational changes and to bring greater clarity to the budget, some items have moved to different areas of the budget. The most significant of which is that £46k for Council tax and water bills for ministers have moved from 'Facilities and Buildings Costs' into 'Other Minister Costs'.

## **10. Decisions for Assembly Executive**

10.1 The budget is presented to Assembly Executive following:

- the Resources Committee's detailed review of the budget and the assumptions contains therein
- Approval of the budget by the URC Trust

10.2 Assembly Executive is asked to adopt the M&M budget for 2025 and note the target figures for 2026 and 2027.

## UNITED REFORMED CHURCH Draft Budget For 2025

	2023 Actual £	2024 Budget £	2025 Budget £
<b>Income</b>			
Income from Churches & Synods	16,315,691	15,845,000	16,315,700
Donations, Legacies & Grants	174,685	175,500	122,700
Income from training & academic activities	1,380	1,200	0
Other income	39,402	23,780	37,000
Income from Investments	1,433,209	1,287,000	1,436,000
Income from Trading Activities	205,225	216,600	203,000
Property income	171,767	188,950	190,950
<b>Total Income</b>	<b>18,341,357</b>	<b>17,738,030</b>	<b>18,305,350</b>
<b>Expenditure</b>			
Stipends & associated costs	12,692,421	12,544,353	12,081,057
Other Minister costs	141,272	280,620	215,460
Salaries & associated costs	2,741,326	2,716,330	3,098,663
RCL Support	738,842	693,037	658,385
Student Fees & Support	585,245	434,600	544,000
Discipleship development	1,095	8,500	2,600
Programme expenditure	258,515	261,523	331,582
Committee & other meeting costs	240,328	316,467	296,232
Grants	425,466	383,623	424,840
Travel, accommodation & subsistence	152,623	141,864	151,461
Office & other staff costs	270,773	230,849	278,521
Professional & Consultancy fees	344,444	241,920	194,550
Telecoms	37,551	35,392	39,350
Facilities & buildings costs	126,242	191,124	292,500
IT Costs	305,053	290,191	334,050
Cost of sales	130,852	161,800	139,300
Sundries	17,936	22,000	18,300
Depreciation	86,506	86,820	50,692
Irrecoverable VAT	237,222	175,000	210,000
<b>Total expenditure</b>	<b>19,545,089</b>	<b>19,216,013</b>	<b>19,364,043</b>
<b>Net expenditure</b>	<b>1,203,732</b>	<b>1,477,983</b>	<b>1,058,693</b>

## UNITED REFORMED CHURCH Draft Budget For 2025

	2025 Budget £	2026 Target £	2027 Target £
<b>Income</b>			
Income from Churches & Synods	16,315,700	16,315,700	16,315,700
Donations, Legacies & Grants	122,700	102,700	82,700
Income from training & academic activities	0	0	0
Other income	37,000	37,000	37,000
Income from Investments	1,436,000	1,200,000	1,200,000
Income from Trading Activities	203,000	200,000	198,000
Property income	190,950	240,950	240,950
<b>Total Income</b>	<b>18,305,350</b>	<b>18,096,350</b>	<b>18,074,350</b>
<b>Expenditure</b>			
Stipends & associated costs	12,081,057	11,950,872	11,502,004
Other Minister costs	215,460	204,687	194,453
Salaries & associated costs	3,098,663	3,082,843	3,109,778
RCL Support	658,385	625,466	594,193
Student Fees & Support	544,000	544,000	544,000
Discipleship development	2,600	2,600	2,600
Programme expenditure	331,582	331,582	331,582
Committee & other meeting costs	296,232	296,232	296,232
Grants	424,840	424,840	424,840
Travel, accommodation & subsistence	151,461	156,005	160,685
Office & other staff costs	278,521	275,736	272,978
Professional & Consultancy fees	194,550	200,387	206,398
Telecoms	39,350	40,531	41,746
Facilities & buildings costs	292,500	218,875	225,441
IT Costs	334,050	344,072	354,394
Cost of sales	139,300	143,479	147,783
Sundries	18,300	18,849	19,414
Depreciation	50,692	50,692	50,692
Irrecoverable VAT	210,000	210,000	210,000
<b>Total expenditure</b>	<b>19,364,043</b>	<b>19,121,746</b>	<b>18,689,214</b>
<b>Net expenditure</b>	<b>1,058,693</b>	<b>1,025,396</b>	<b>614,864</b>