Paper G1

2026 Budget: Context & Assumptions

Resources Committee

Basic Information

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Action required	Decision.
Draft resolution(s)	**Resolution 2** **Assembly Executive adopts the M&M budget for 2026.** **Resolution 3** **Assembly Executive notes the target figures for 2027 and 2028.**

Summary of Content

Subject and aim(s)	The paper presents the budget for 2026 to be considered for adoption by Assembly Executive.
Main points	1) Reductions in the budgeted deficit have continued since 2024; the 2025 budget reduced the deficit from £1,477,983 to £857,937 and the 2026 budget further reduces the deficit to £287,214 representing a deficit reduction of £548,091. 2) The deficit reduction is achieved by strategic changes in key areas and a generous M&M response. 3) The M&M indications for 2026 increase the M&M income by £670,437 to £16,986,127. 4) The main targeted cost savings have been achieved and those that remain are insufficient to eradicate the deficit. Therefore, the future budgets will continue to rely on the generosity of churches and synods in terms of M&M.
Previous relevant documents	Paper G1 & G2 Assembly Executive November 2024 Papers G1 & G2 Assembly Executive November 2023 Papers ADH1 and ADH2 General Assembly July 2025
Consultation has taken place with...	Senior Leadership Team, Business Committee, Resources Committee, investment managers, URC Trust.

Summary of Impact

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

1. Background

1.1 As part of approving the 2024 budget in November 2023, Assembly Executive considered several options for tackling the budget deficit, which at that time rested at £1,477,983. Assembly Executive gave Resources Committee a clear steer that the deficit must be tackled and set an expectation that a balanced budget was to be achieved within five to seven years i.e. by 2030 at the latest but ideally by 2028.

1.2 Assembly Executive was also clear that this timeline was set so that the deficit could be tackled in a strategic way enabling growth and flourishing.

1.3 Consequently, some operational reductions were achieved in readiness for the 2025 budget, but the budget made some additions to release capacity to enable further change, which in turn would enable longer term budget reductions.

1.4 Nevertheless, the 2025 budget showed a reduction of £642,678 from the 2024's budgeted deficit of £1,477,983. This resulted in a budgeted deficit for 2025 of £857,937.

1.5 Based on a medium-term approach to tackling the budget deficit and to stay on track to achieve a balanced budget by 2030, the 2026 budget would need to further reduce the deficit by at least £314,381 to achieve a maximum budgeted deficit of £543,556, but to combat the impact of inflation, reductions would need to be at least £323,812.

2. Overview

2.1 It was noted in the context of the 2025 budget (2025 Paper G1, para 2.2) that we need to be organised in a way which enables General Assembly to set real priorities with appropriate financial resources. Work has therefore continued to refine the committee structure. Additionally, in response to this we have sought to structure the staff team, which make up the Offices of General Assembly, in a way which best supports the work of General Assembly and its committees.

2.2 Continuing to take a strategic approach has enabled further reductions in expenditure. There have also been generous M&M responses from churches and synods; this has resulted in an additional £670,427 being the initial offer for M&M, bringing the total projected income from churches and synods to £16,986,127 (2025: £16,315,700).

2.3 Therefore, a combination of strategic cost reductions (see section 4) and increased M&M projections, results in a budget deficit of £287,214 for 2026. This represents a reduction of £570,723 on the 2025 budget deficit (2025: £857,937).

2.4 This budget has been prepared, out of necessity to meet the deadlines, amidst significant operational change. That adds complexity to the process of settling assumptions. Therefore, the mid-point of 2026 will be a particularly critical point of review and especially careful monitoring will be required. The Resources Committee approved a Budget Policy at the end of 2024, in recognition of the approach that would be necessary to fulfil the seven-year plan, and its implementation will support this monitoring and review process during 2026.

3 Key upcoming work

3.1 Business Committee and Safeguarding Committees have agreed to instigate a full review of all safeguarding files. From a safeguarding perspective, the records from previous reviews are inadequate meaning this is important from a risk management perspective. Therefore, an additional £80k is included in the 2026 budget for ‘programme expenditure’.

3.2 In 2023 General Assembly instructed Business Committee to appoint an external consultant to advise on the range of our Equality Diversity and Inclusion (EDI) work (Resolution 55). This is important work but for reasons of both capacity and budget it has not yet progressed. It is important that progress is made, therefore £80k has been allocated within the ‘professional and consultancy fees’ budget for 2026 to begin this work.

3.3 In considering future resourcing, the Resources Committee has recommended that as a denomination we begin a significant consultation process about the M&M system and approach. Business Committee has endorsed this approach. As this is a significant issue which is theological as well as financial and links to the polity of the United Reformed Church, it will require careful exploration and consultation. To this end £57k has been budgeted for in 2026 so that this consultation can commence.

This is of course subject to the outcome of discussions and decisions at the extraordinary meeting of General Assembly in November 2025; in particular Paper A10, Resolution 46 which states General Assembly instructs Resources and Ministries Committees to arrange a consultation with synod officers, synod trust company trustees, and other relevant decision-makers, to address underlying theological and other strategic and covenantal questions related to finance and governance, particularly in relation to the sustainability of the Ministry and Mission Fund and the ministry provision made possible by that fund.

4 Key strategic changes

4.1 Changes in the General Assembly committee structure. Therefore, there are some cost savings factored within ‘committee and other meeting costs’.

4.2 In February 2025, the Senior Leadership Team instigated a review of staffing levels in the Offices of General Assembly. This process concluded in July 2025; the new structure was implemented on 1st September 2025 and the embedding and settling phase is ongoing.

This restructure was done strategically so that the staff team is structured in a way which supports the refined committee structure. This strategic restructure resulted in nine individuals being made redundant, seven people being appointed to new roles and five people accepting part time hours. There were also changes to existing roles. Overall, these changes based on 2025 staffing costs resulted in a saving of £439k.

4.3 For the 2025 budget process in 2024, it was noted that there are several entities connected to the URC which receive support from the Offices of General Assembly (2024 G1 para 2.6). The support to which we refer in this context covers some staff time but also significant operational expenses. In all cases this has been a long-standing arrangement but to date no provision for recharge has ever been negotiated. For the 2026 budget 'Other Income' includes recharges to organisations linked to the URC for expenses incurred by the M&M fund amounting to £176k (£141k for RMHS and £35k for Westminster College).

The 2026 budget includes provision for these being charged for, but for at least 2026, they will be matched by grants from restricted funds of the URC Trust, namely the Homes for Retired Ministers Fund and the New College Fund. Conversations and negotiations are ongoing to agree Memorandums of Understanding and Service Level Agreements to support this position. It should equally be acknowledged that the URC General Assembly budget does not fully account for all the different types of support which the Church receives from these other entities.

4.4 Assembly Executive in February 2025 instigated a significant piece of work in relation to the learning needs of the denomination as well as a process for addressing the excess capacity and associated costs in the formation of accredited and recognised ministries. General Assembly determined in July 2025 to cease using at least one Resource Centre for Learning (RCL) for the delivery of EM1, meaning that from September 2026 EM1 students will only be sent to one or two RCLs (Paper ADH2 Resolution 14).

Additionally, General Assembly adopted a financial 'envelope' of £1m (Paper ADH2, Resolution 15). This is a maximum figure and should not be treated as a target. In the 2026 budget the combined costs of 'RCL support' and 'Student fees and support' are in line with that £1.2m envelope. This is to reflect the highest possible cost position based on General Assembly's decision. It also reflects the fact that, whatever decision Assembly Executive comes to in February 2026 will take time to implement and there will need to be a managed withdrawal from whichever RCL Assembly Executive decides we will cease to use for EM1. The difference in the 'envelope' costs and the actual expected costs will be covered from the New College fund.

4.5 The Church Life Review has been a significant strategic piece of work for the Church and has, thus far, been funded from designated funds. While the current Church Life Review work culminates at General Assembly in November 2025, the strategic and developmental life of the church needs to continue. Resources Committee, Business Committee, and the URC Trust acknowledged that this work needs, over time to be a more integral part of the M&M budget. Therefore, for the 2026 budget the costs have been shown as a single line item. These will be funded by the Church Life Review designated fund and, if necessary, indirectly from the Carmichael Montgomery Fund. These costs will therefore remain cost neutral to the M&M budget.

4.6 General Assembly 2025 (resolution 7.3) agreed to reduce the size of General Assembly for July 2026, such that each Synod shall appoint 12 representatives to

General Assembly. This change brings budget savings of approximately £35k for 2026.

4.7 General Assembly 2024 (Resolution 13) required the Reform Magazine to be cost neutral before the end of 2025. Both the reduction in printing costs and staff changes are steps towards this. These changes need more time to bed in before we can fully assess what other steps might be necessary for Reform to reach a break-even position. An updating report will be brought in 2026.

5 Other Assumptions

5.1 The 2026 budget is based upon the following additional assumptions in relation to income:

5.1.1 As noted in 2.2 above, expected giving to the M&M fund from churches and synods has increased from the target level of £16.3m (the level achieved in 2023), to just under £17m.

5.1.2 As noted in 4.3 above, 'Other Income' includes recharges to organisations linked to the URC for expenses incurred by the M&M fund amounting to £176k.

5.1.3 'Income from investments' has been reduced to reflect falling interest rates.

5.2 The 2026 budget is also based on the following additional assumptions in relation to expenditure:

5.2.1 Based on the agreed formula, stipends have been increased by 4.3%.

5.2.2 The increase in National Insurance which came into effect in April 2025 adds a further £243k to the budgeted stipend costs.

5.2.3 Other minister costs have been reduced to bring it more in line with the 2024 actuals. Part of this reduction is because the immigration costs relating to those receiving Certificates of Eligibility within the current 'intake' is expected to be lower as a good number of the possible candidates already have British Citizenship.

5.2.4 An increase of 3.8% has been applied to salary costs, which is in line with CPIH (the Consumer Prices Index which takes account of housing costs) at the time of budget preparation.

5.2.5 As noted in paragraph 4.2 above, the staff restructure resulted in a saving of £439k on 2025 salaries. However, the inflation increase of 3.8% increases salaries for 2026 and therefore reduces the level of actual savings against the 2025 budget.

5.2.6 'Committee and other meeting costs' envisages reductions as the refined Committee structure will involve fewer meetings. However, including costs to cover the proposed M&M consultation (para 3.3 above) has meant this figure is broadly in line with the 2025 budget.

5.2.7 'Travel, accommodation and subsistence' has been increased to reflect the above-inflation increases in the hospitality industry, particularly the costs of accommodation.

5.2.8 The 2025 budget for 'professional and consultancy fees' was set based on the legal adviser being 'in-house' from the start of the year. However, the appointment only started in April 2025 and consequently some of the expected savings were not made. This element of the budget has also been increased to include £80k to cover the EDI consultancy work detailed in para 3.2 above.

5.2.9 The 2025 budget for irrecoverable VAT was overly optimistic; this was based on early conversations about the recovery rate when the VAT review was underway alongside the 2025 budget preparations. The outcome was that the recovery rate, while improving somewhat, did not improve to the level originally anticipated at the start of the VAT review. For 2026, irrecoverable VAT has been budgeted for by applying the 2024 actual recovery rate, which was the point at which the new rate was first applied.

6 Targets for 2027 and 2028

6.1 The seven-year plan set by Assembly Executive to reach a balanced budget by 2030 aimed for the M&M giving to be maintained at the 2023 actual giving levels. However, as noted in para 2.2 above, the indications for 2026 are significantly above this target. Consequently, the projected deficit for 2026 is £250k less than where the plan would expect us to be at this point.

6.2 While a deficit of £287k for the 2026 budget is better than we hoped and expected at this stage on the journey to a balanced budget, there remains a deficit to be addressed, and the annual impact of inflation means there is more work to be done.

6.3 There are areas in the budget where we expect some changes to be made in 2026 such as IT costs, building and facilities contracts.

6.4 Additionally, there are one-off expenses included the 2026 budget for governance related work which are not expected to be long running and by the end of 2026 the process in relation to the RCLs will have concluded bringing greater certainty in relation to these costs. Similarly, by the end of 2026, we will have a better understanding of the level of legal work that is routinely referred to external lawyers rather than the in-house Head of Legal Services.

6.5 However, it must be noted that the savings that such steps can yield is limited and will not be enough to eradicate the remaining deficit. Furthermore, all the main areas of spend have been addressed in readiness for the 2026 budget.

6.6 The result is that the deficit cannot be eradicated by cost cutting alone and the targets for 2027 and 2028 rely on the continued generosity of churches and synods. The amounts included for 2027 and 2028 are both lower than the total indicated by synods for the 2026, they remain higher than the 2023 actuals which had been factored into the seven-year plan. The figures of £11.8m and £11.5m come from what we need, based on these broad target figures, to achieve a balanced budget. The target figures for M&M are also based on the current model so if the consultation proceeds and results in a different approach, these figures will need to be remodelled.

6.7 During such a time of change, forecasting and setting targets for future years is not straightforward. This is particularly true when the operational budget holders are navigating substantial changes in staffing and working approach. The targets for 2027 and 2028 include the following broad assumptions: -

6.7.1 Stipends and associated costs - assumes a 3% increase and a continuing decline in the number of people coming forward for ministry which is not as great as the number of ministers retiring year on year, hence a declining figure. This decline in ministry rates is not included for financial reasons but seeking to reflect the current reality around the number of people coming into ministry as against those who are retiring.

6.7.2 Salaries and associated costs - assumes a 3% uplift.

6.7.3 RCL Support - assumes ceasing to use one RCL for EM1 from September 2026.

6.7.4 Student Fees and Support - assumes a continued trend of reducing student numbers and a possible change in the grant system.

6.7.5 Programme expenditure - assumes that phase one of the Safeguarding audit completes in 2026. 2027 target figures assume some work being necessary on a phase 2 for follow up work, but 2028 target figures assume this work is concluded.

6.7.6 General Assembly costs: it assumes the use of income from a restricted fund to support the costs of large gatherings such as these.

6.7.7 Committee and other meeting costs – assumes the M&M consultation (if approved by General Assembly in November) will conclude in 2026.

6.7.8 Travel, accommodation and subsistence – this is the only area where a different inflation increase has been applied. A 4% rate rather than 3% has been applied to reflect the ongoing trend of above inflation rises in the hospitality industry.

6.7.9 Professional and consultancy fees - assumes the EDI review is complete.

7. Decisions for Assembly Executive

7.1 The budget is presented to Assembly Executive following:-

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

7.2 Assembly Executive is asked to adopt the M&M budget for 2026 and note the target figures for 2027 and 2028.

UNITED REFORMED CHURCH
Draft Budget for 2026

TOTAL	2024 Actual £	2025 Budget £	2026 Budget £
Income			
Income from Churches & Synods	16,215,970	16,315,700	16,986,127
Donations, Legacies & Grants	241,480	122,700	100,000
Other income	98,752	37,000	227,655
Income from Investments	1,537,444	1,436,000	1,423,000
Income from Trading Activities	187,500	203,000	193,000
Property income	209,062	190,950	197,550
Grant from CLR Fund	0	0	288,308
Total Income	18,490,207	18,305,350	19,415,639
Expenditure			
Stipends & associated costs	12,540,470	11,768,901	12,162,027
Other Minister costs	153,442	227,660	168,365
Salaries & associated costs	2,798,766	3,098,663	2,765,469
RCL Support	772,225	658,385	650,466
Student Fees & Support	507,366	546,600	546,625
Mission Costs	20,034	21,500	21,000
Programme expenditure	266,115	312,582	397,200
Committee & other meeting costs	272,426	296,232	290,500
Grants	382,742	424,840	394,500
Travel, accommodation & subsistence	214,081	151,461	216,900
Office & other staff costs	240,717	278,521	254,400
Professional & Consultancy fees	507,724	271,550	408,100
Telecoms	33,453	39,350	35,600
Facilities & buildings costs	420,072	280,300	277,400
IT Costs	294,747	334,050	307,600
Cost of sales	137,327	139,300	133,780
Sundries	21,887	18,300	20,000
Depreciation	79,689	85,092	79,615
Irrecoverable VAT	291,474	210,000	285,000
CLR Costs	0	0	288,308
Total expenditure	19,954,757	19,163,287	19,702,854
Net (surplus)/exp	**1,464,550**	**857,937**	**287,214**

UNITED REFORMED CHURCH
Draft Budget for 2026 and projections for 2027 and 2028

TOTAL	2026 Budget £	2027 target £	2028 target £
Income			
Income from Churches & Synods	16,986,127	16,762,000	16,505,000
Donations, Legacies & Grants	100,000	100,000	100,000
Other income	227,655	213,000	216,000
Income from Investments	1,423,000	1,423,000	1,423,000
Income from Trading Activities	193,000	193,000	193,000
Property income	197,550	198,000	198,000
Grant from CLR Fund	288,308	288,000	288,000
Total Income	19,415,639	19,177,000	18,923,000
Expenditure			
Stipends & associated costs	12,162,027	11,855,000	11,559,000
Other Minister costs	168,365	170,000	172,000
Salaries & associated costs	2,765,469	2,848,000	2,934,000
RCL Support	650,466	600,000	550,000
Student Fees & Support	546,625	536,000	525,000
Mission Costs	21,000	21,000	21,000
Programme expenditure	397,200	350,000	320,000
Committee & other meeting costs	290,500	143,000	149,000
Grants	394,500	394,000	394,000
Travel, accommodation & subsistence	216,900	226,000	235,000
Office & other staff costs	254,400	262,000	270,000
Professional & Consultancy fees	408,100	320,000	320,000
Telecoms	35,600	37,000	38,000
Facilities & buildings costs	277,400	286,000	294,000
IT Costs	307,600	317,000	326,000
Cost of sales	133,780	138,000	142,000
Sundries	20,000	21,000	21,000
Depreciation	79,615	80,000	80,000
Irrecoverable VAT	285,000	285,000	285,000
CLR Costs	288,308	288,000	288,000
Total expenditure	19,702,854	19,177,000	18,923,000
Net (surplus)/exp	**287,214**	**0**	**0**