Paper D1

2027 Budget: Context & Assumptions Resources Committee

Basic Information

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Action required	**Decision**
Draft resolution(s)	**Resolution 8** **Assembly Executive adopts the M&M budget for 2027** **Resolution 9** **Assembly Executive notes the trajectory for 2028 and 2029.**

Summary of Content

Subject and aim(s)	The paper presents the budget for 2027 to be considered for adoption by Assembly Executive.
Main points	1) The overall budget reductions between the budget for 2024 and the 2026 budget are £1,191k 2) The M&M indications for 2027 decrease the M&M income by £353k to £16,633k. 3) The deficit reduction is achieved by strategic cost reduction and a generous M&M response. Achieving a balanced budget by 2030 will now depend on increased, and where possible, diversified income streams.
Previous relevant documents	Paper CD1 Assembly Executive November 2026 Paper A10 resolution 46 Extraordinary General Assembly November 25 Paper G1 Assembly Executive 2025 Papers G1 & G2 Assembly Executive November 2024 Papers G1 & G2 Assembly Executive November 2023
Consultation has taken place with...	Senior Leadership Team, Budget holders within the Offices of General Assembly 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 Since Assembly Executive in November 2023 there has been significant work to address the substantial budget deficit position, and Assembly Executive gave a clear steer to Resources Committee to achieve a balanced budget within five to seven years i.e. by 2030 at the latest, but ideally by 2028. Therefore, as we look to set the budget for 2027, we are at an important point on that journey.

1.2 Assembly Executive in November 2023 was also clear that the timeline for achieving a balanced budget was set so that the deficit could be tackled in a strategic way enabling growth and flourishing. To achieve this there have been moments where we have needed additional resource to bring capacity for strategic change (as was the case in 2024). As the denomination is on a continuing journey of change, the capacity needs will continue to ebb and flow during that process.

1.3 At the end of 2023, the deficit was £1.2m. By 31 December 2026, the deficit is forecast to be £87k. Therefore, in a 3 year, period the deficit will have reduced by £1.1m. £600k of that deficit reduction is attributable to increased M&M giving.

1.4 Some of the changes in recent years, have brought a renewed energy, increased collaboration and the beginnings of a more coordinated approach to the work of General Assembly and its committees. The refined committee structure and the staff restructure in 2025 have resulted in an intentional alignment of the staff team to the structure of the General Assembly Committees, which in turn continues to support increased coordination and collaboration. As a tangible outworking of this, Business Committee is working on a strategic roadmap to bring to Assembly Executive in February 2027. This roadmap sets out all the strategic resolutions made by General Assembly and Assembly Executive in recent years and places them into a high-level timeline from the end of 2026 to 2030. This kind of approach, if it becomes an annual exercise after each General Assembly, will support the long-term planning and in terms of the budget work, it will give context in which to consider the financial trajectory in each three-year window.

1.5 Alongside this the Church Life Review process has shaped how we journey together to make decisions in times of change and the resulting Church Life Fund presents opportunities for growth and flourishing.

1.6 There have been continued generous responses from local churches and synods to M&M, but M&M is under strain and has been for some time. Therefore, the work on the review of M&M is a critical part of how we journey forward together. However, this cannot be the only strand of work of this kind because the journey towards a balanced budget will necessitate work on both strengthening and diversifying income streams.

1.7 In terms of strengthening income streams, the M&M and review work is a key component. Within that, the Resolution 46 Task Group is proposing, as part of its deliverables set out in Paper CD1, to bring forward a recommendation on sustained denominational work on stewardship. Alongside this medium-term work, there will be some more short-term work on a renewed investment strategy which will commence after the review of our investment managers completes in 2027.

1.8 In terms of diversification, we will continue to work to make the restricted funds as 'active' as possible within their terms. This may involve schemes with the Charity Commission. This work alone will not be sufficient; we will also be seeking external grant funding where possible for some of our projects. Net zero and stewardship would be the most likely current examples.

1.9 It is therefore in this context that decisions have been taken in relation to the monies anticipated from the 'buy out' of the Ministerial Pension Fund (see section 3).

2. Overview of 2027 budget figures

2.1 Appendix 1 sets out the 2027 budget figures against 2025 actual figures and 2026 budget figures.

2.2 The budget presented for 2027 shows income of £19.4m and expenditure of £19.7m, resulting in a deficit of £298k. This represents a £100k decrease compared to 2025 actuals, but a £211k increase on the 2026 forecast. However, looking at the journey from the end of 2023, this is a deficit reduction of £906k.

2.3 The savings have been achieved by a strategic reduction of expenditure. In the last 2-3 years the main areas have been addressed, leaving little scope for further cost reduction. Furthermore, any remaining steps will not be sufficient to bring a balanced budget, and it will not be possible to combat the impact of inflation year on year (estimated 3% per annum) through cost reduction alone.

2.4 The following areas are significant factors in the changes in costs:

2.4.1 Significant increases in costs: -

- Death in Service Life Assurance Costs: The quote for the 2027 premium is likely to increase costs for this insurance by £120k; this is an increase from £280k to £400k. It is too early to know whether such increases will continue year on year.
- Resources Committee agreed to increase the mileage rate from 45p per mile (staff and General Assembly Appointed Ministers) and 25p per miles (volunteers) to 55p per mile for everyone. This change took effect from 1st September 2026. This change increases the budgeted amount for committees and other meetings by approximately £70k. This change offsets some of the cost savings achieved from reducing the size General Assembly itself.

2.4.2 Significant reductions in costs

- Resource Centres for Learning - £367K has been removed from the M&M budget which related to Westminster College costs. In accordance with the Resolution 2F General Assembly 2026 (Paper A3), transitional support given to Westminster College will come from relevant restricted funds.
- A projected reduction in minister numbers – 9 in total during 2027.This reduces the impact of the 3.8% inflationary increase on stipends. The overall increase in stipend costs is therefore £63k

2.4.3 Significant income factors

- Projected investment income of £443k from the investment of the pension surplus (see section 3). This income yield is based on an assumption that £15m will be invested at the end of Q1 2027 and earn 4% interest.

3 Pension Surplus Monies

3.1 It is anticipated that the Pension Surplus will be paid out to the church at the end of Q1 2027. The 2027 budget therefore assumes this will be invested during 2027. A paper will be brought to Assembly Executive in February 2027 mapping the existing decisions of General Assembly and offering a high-level project outline. The resourcing of the existing work is forming the initial basis for the 2028 and 2029 draft figures and will inform future budget planning.

3.2 Without the income from investing the pension surplus, the deficit for the 2027 budget would reach £741k. This in turn would result in an increase of what is being asked from churches and synods in M&M. Looking ahead to 2028 and 2029, with the work already approved by General Assembly and Assembly Executive, there is unlikely to be any reduction in project costs for the foreseeable future which in turn raises an expectation of continued reliance upon the income from these additional investments. It is reasons like this that the proposed annual update of a strategic road map is becoming increasingly important (see section 1.4).

4 Key upcoming strategic work

4.1 Property Income

4.1.1 The 2027 budget includes current figures for property income. This income is primarily generated from the rental of the 2nd Floor of the Church House building to Greenbelt and the residential tenancy for the flat on the top floor of the building.

4.1.2 We are in a time of change with the building as the lease to Greenbelt is up for renewal in the final quarter of 2027 and while negotiations in this regard have commenced, it is too early in that process to provide definitive figures.

4.1.3 Additionally, the residential flat became vacant recently and Resources Committee and URC Trust are considering options for the use of this space.

4.2 Lay staffing structure and associated costs

4.2.1 When we undertook the staff restructure in 2025, a further phase was anticipated taking account of the anticipated impact of the pension 'buy out' and dealing with the outcomes of various ministerial reviews. Additionally, as noted in section 1.2, the ongoing journey of strategic change necessitates evolution in resourcing at different points on the journey.

4.2.2 The 2027 budget reflects potential changes during Q4 2026 and into 2027 and Salaries & associated costs shows a £186k increase on the 2026 budget. Of this £88k is the consequence of inflation and there is also a redundancy contingency for costs associated with the pension buy out. The impact of the 2025 restructure still means that we are saving £0.25m on staff costs before on costs. Additional resources, however, are needed and are an essential bolster to our legal and governance team. This is necessary to handle the increasing workload and the complexity of our structures and issues we are dealing with. This step, alongside other possibilities, are designed to release the capacity of the General Secretary for theological leadership of the denomination, which is a direct response to the recent review of the role.

4.3 Key Programme and Committee Projects

4.3.1 *Programme Expenses* cover much of the routine work of the General Assembly Committees and the associated teams within the Offices of General Assembly.

Additionally for 2027, this includes a further £60k provision in case the phase one of the Safeguarding Case Review requires a next stage of work.

4.3.2 Within *Committee and Other Costs* £75k is allocated for the M&M consultation and the Property Services Consultation. Both workstreams were agreed at the Extraordinary General Assembly in November 2025. This is offset by income from designated funds.

4.3.3 The work with Place for Hope continues and therefore £80k is included within *Professional and Consultancy* fees to support this work. Similarly, a further £80k is included within this area of the budget to undertake the work on Equality, Diversity and Belonging which was agreed by General Assembly in 2023 (Resolution 55) but has not yet been undertaken.

5 Other Budget Assumptions

5.1 The 2027 budget is based upon the following additional assumptions in relation to income:

5.1.1 *Income from Churches and Synods*: this £16,633k represents the indications received from synods as to the likely M&M giving in 2027. This figure is a £142k decrease compared to 2025 actuals and a £353k decrease compared to 2026 budget.

5.1.2 *Donations Legacies and Grants*: the Trust has agreed the use of restricted funds to underpin the M&M budget in the following areas: -

- Supporting the portion of costs attributable to RMHS while we transition to a Memorandum of Understanding (MOU) and Service Level Agreement (SLA)
- Supporting the portion of costs attributable to Westminster College while we transition to an MOU and SLA

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

5.2.1 *Stipends*: Based on the agreed formula (formula includes Consumer Prices Index and average earnings increases as factors), the inflationary increase applied to stipends in 2027 will be 3.8%. This increase is offset by a projected reduction in minister numbers of 9 during 2027.

5.2.2 *Salaries*: the inflationary increase applied to salaries uses CPIH (Consumer Prices Index including owner occupiers' housing costs) but no reference to average earnings increase. This results in an inflationary increase for lay salaries of 3%.

5.2.3 *Student Fees and Support*: this is based on the agreed level of grants for the September 2026 intake of students.

5.2.4 *Committees and Other Meeting Costs* include £174k for General Assembly and Assembly Executive, which includes an increase in costs to cover the additional mileage expenses.

5.2.5 *Professional and Consultancy Fees* have increased by £68k compared to 2025 actuals. This is because there is ongoing legal advice in relation to the Ministerial Fitness to Practice.

6 Trajectory for 2028 and 2029

6.1 Appendix 2 sets out the estimated position for 2028 and 2029. While there are broad assumptions applied to reach these figures, there is still significant uncertainty around several elements. As such, the figures are provided to illustrate a potential trajectory only.

6.2 The assumptions applied to income:

6.2.1 *Income from Churches and Synods* assumes a 2% decline in M&M. This does not take account of the expected positive impact of the M&M Review. Nor does it reflect any increase from the stewardship work. At this point, it is not possible to determine when the tangible impact of this work will be seen.

6.2.2 *Income from Investments* shows a decrease in 2028 and 2029 seeking to account for the increased use of restricted funds.

6.2.3 *Donations, Legacies and Grant income* assumes a continuation of the current level; it does not account for the work we expect to do seeking external grant funding for some projects.

6.2.4 *Property Income* assumes a continuation of the current position increased to reflect anticipated rental income increases. However, we are exploring options for the use of the Church House building in terms of both the office space and the residential flat on the 3rd floor. Depending how this work evolves, there may be a changed position in 2028 and 2029.

6.3 Assumptions applied to expenditure: -

6.3.1 *Stipends and associated costs* are based on current minister numbers holding firm with a 3% inflationary increase applied to stipends in 2028 and 2029. This equates to a £745k increase between 2027 and 2029 which is the equivalent of a 2% per annum increase in M&M.

6.3.2 *Salary Costs* assume a 3% inflationary increase and include a contingency for succession planning and a potential new role relating to grants work. The latter will depend on the level of opportunity we identify and some more detailed work on cost v benefit analysis.

6.3.3 *Projects costs* assume the safeguarding past case review will have concluded but that we will have started some work on vocations.

6.3.4 *Committee costs* reduce because it is anticipated that some large-scale consultations will have concluded in that time.

6.3.5 *Professional and Consultancy fees* assume that the consultancy work in relation to the Equality, Diversity, Inclusion and Belonging will have progressed to a conclusion but that there will be fees associated with the RCL transition work.

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 2027 and note the possible trajectory for 2028 and 2029.

8 Appendix 1

UNITED REFORMED CHURCH
Draft Budget For 2027

	2025 Actual £	2026 Budget £	2027 Budget £
Income			
Income from Churches & Synods	16,775,185	16,986,127	16,633,131
Donations, Legacies & Grants	133,193	100,000	73,000
Income from Designated & Restricted Funds	123,386	654,428	360,043
Other income	66,853	45,000	20,000
Income from Investments	1,565,165	1,423,000	1,461,667
Income from Pension Surplus investment	0	0	443,333
Income from Trading Activies	186,062	193,000	191,941
Property income	186,154	197,550	193,265
Total Income	19,035,997	19,599,105	19,376,380
Expenditure			
Stipends & associated costs	12,347,774	12,162,027	12,225,018
Other Minister costs	160,517	165,530	107,960
Salaries & associated costs	2,877,729	2,918,776	3,104,644
RCL Support	701,219	833,932	466,966
Student Fees & Support	621,505	546,625	446,500
Programme expenditure	244,015	448,200	356,500
Committee & other meeting costs	332,939	350,500	423,945
Grants	360,223	394,500	346,080
Travel, accomodation & subsistence	167,854	226,900	210,192
Office & other staff costs	280,196	254,399	273,495
Professional & Consultancy fees	379,097	443,100	447,589
Telecoms	31,064	35,600	33,800
Facilities & buildings costs	173,580	280,235	406,854
IT Costs	299,313	307,600	332,439
Cost of sales	136,371	133,780	124,050
Sundries	25,787	20,000	22,750
Depreciation	81,571	79,615	95,700
Irrecoverable VAT	213,404	285,000	250,000
Total expenditure	19,434,157	19,886,319	19,674,482
Net expenditure	398,160	287,214	298,101

9 Appendix 2

UNITED REFORMED CHURCH
Draft Budget For 2027

	2027 Budget £	2028 target £	2029 target £
Income			
Income from Churches & Synods	16,633,131	16,300,468	15,974,459
Donations, Legacies & Grants	73,000	73,000	73,000
Income from Designated & Restricted Funds	360,043	236,411	243,399
Other income	20,000	20,000	20,000
Income from Investments	1,461,667	1,460,000	1,455,000
Income from Pension Surplus investment	443,333	443,333	443,333
Income from Trading Activies	191,941	190,000	190,000
Property income	193,265	233,274	233,274
Total Income	19,376,380	18,956,486	18,632,464
Expenditure			
Stipends & associated costs	12,225,018	12,591,768	12,969,522
Other Minister costs	107,960	107,960	107,960
Salaries & associated costs	3,104,644	3,352,410	3,452,982
RCL Support	466,966	466,966	466,966
Student Fees & Support	446,500	446,500	446,500
Programme expenditure	356,500	338,500	338,500
Committee & other meeting costs	423,945	337,945	337,945
Grants	346,080	338,980	338,980
Travel, accomodation & subsistence	210,192	216,497	222,992
Office & other staff costs	273,495	281,700	290,151
Professional & Consultancy fees	447,589	476,670	406,680
Telecoms	33,800	34,814	35,858
Facilities & buildings costs	406,854	419,059	431,631
IT Costs	332,439	342,412	352,684
Cost of sales	124,050	127,772	131,605
Sundries	22,750	23,433	24,135
Depreciation	95,700	116,000	116,000
Irrecoverable VAT	250,000	257,500	265,225
Total expenditure	19,674,482	20,276,887	20,736,317
Net expenditure	298,101	1,320,400	2,103,853
Change in deficit		**1,022,299**	**783,453**
Made up mostly of:			
Decrease in M&M		332,663	326,009
Increase in Stipends etc		366,751	377,753
Increase in Salaries etc		247,766	100,572
		947,179	804,335