

## **Finance & Support Services Committee Meeting – 21 April 2022**

### **Held on Zoom.**

#### **Present**

Susan Austin  
Gerry Simonis  
Marion Kerr  
Margaret McGuinness  
Michael Hockaday  
Margaret Morris  
Tim Bateman  
Frank Wroe  
Jennie Blake  
Nicola White  
Sonia James

#### **Representing**

Chair  
CF in Scotland  
CF in Scotland  
CF in Scotland  
East Midlands  
Eastern  
North West Midlands  
North West  
South East  
South West  
CF in Wales

#### **Participant Observers**

Mark Tucker  
  
Gary Baker  
Philip Stainer  
Yvonne Campbell  
Jim Lyon  
  
Operations Manager &  
Company Secretary  
Financial Controller  
Property Manager/Finance Officer  
General Secretary  
Chair of Council

#### **Apologies**

Mark Taylor  
Sue McFarlane  
  
President Elect  
CF in Wales

### **1. Welcome (Paper A)**

The welcome was given by the Chair, Susan Austin.

### **2. Opening Devotion**

Devotions were led by the Chair, Susan Austin, including a reading from Matthew 6: 19-21.

### **3. Apologies**

Apologies were noted and are recorded above.

### **4. Declarations of Interest**

Nicola White highlighted she is temporarily looking after the Accounts for South West Midlands Area.

### **5. Minutes of Previous Meeting – 2<sup>nd</sup> October 2021 (Paper B)**

The minutes were agreed by the Committee and signed by the Chair as a correct record.

### **6. Matters Arising not elsewhere on the Agenda**

Two issues were raised for the next FSSC meeting, 1) A full review of CF staff and non-staff expenses policy 2) FSSC Terms of Reference amendments to be brought to next FSSC in respect of vacant positions and being quorate.

### **7. Investment Trust & Trading Board Susan Austin**

#### **a. Minutes of meeting – 10 Nov 2021, 16 Mar 2022 (Paper C, C1)**

The minutes were accepted by the Committee.

## **8. CF Accounts 2021, Budgets/Forecasts 2021 & 2022 (Paper D, D1,D2, D3, D4)**

**Gary Baker**

### **2021 Actuals**

The finances of CF during 2021 was extremely positive. All KPI's are at the top of their ranges and are in a very healthy position.

Expenditure was again down for a second year due to the effects of Covid and in how operations were run. Significant gains were made to both unrealised money market investments alongside an uplift in investment property valuations.

Significant levels of capital receipts also came in from closed church receipts.

CF offered grants to member churches requiring financial help during the year including meeting some affiliation fees.

The total increase in funds for the year came to £1,344,689 bringing total funds to £15,944,418, the highest levels in CF's history.

The Free Reserves stayed at 14.9 months' worth of expenditure which is above the 12 months threshold. This is because expenditure was subdued in 2021 due to Covid. However, expenditure is set to increase during 2022/2023 back to pre-pandemic levels and so this will naturally bring down the Free Reserves being held back into the normal band of 8-12 months.

Core Operating Deficits (COD) fell again during 2021 to the lowest levels for a very long time, again down to Covid – even given falls in investment income, expenditure levels fell even greater. COD will gradually increase during 2022/2023 back to more normal levels.

The Protected Program Fund – which finances the Core Operations activities, rose to £5,612,096 which is its highest ever levels.

CF has no debt and no pension fund commitments to finance.

Depreciation charges in 2021 came to £80,744.

### **2022 Forecasts/2023 Budgets**

Expenditure levels will increase back to pre Covid levels. Church Support deficits increase though by 33% higher than pre covid levels due to a combination of falling income and increased expenditure.

Depreciation is at £62k falling back to £51k in 2023 and CF have two empty investment properties, one empty welfare property and an empty No 4 building. All are proving a drain on CF resources at this time and it is hoped that perhaps steps to improve this situation will progress. They currently contribute to around £60k pa of total deficit levels.

An application for Homes for a Retired Minister is currently being worked through and it is possible that there will be a requirement to purchase a property for this.

It should be borne in mind also that budget holders have a tendency to gear into their budgets buffers/contingencies and this can easily amount to a further £50kpa overall.

The CF appointed Representatives on the Memorial Hall have reported the loss going forward of the £30k pa grant income as they are instead seeking to fund a new home and management for the Congregational Library which is currently in storage.

Inflation is currently running high and RPI is expected to reach 10% this year and this will have an adverse effect on CF deficits with expenditure levels likely to be affected by as much as £50k-£100k pa. These have partly been geared into the budgets so some of this increase has already been accounted for and we will have to review matters as they develop.

Council is upbeat and confident regarding the finances and are considering new initiatives and two

of these are being considered by FSSC today with the CMD Grants and the Travel Grants. Further closed church receipts are expected and around £750k is expected in the next two years with possibly more after that.

### **Summary**

CF finances are healthy, due to sound management and controls. The KPI's introduced by finance will assist in monitoring the financial position going forward. Expenditure levels will increase back to Pre Covid levels, new initiatives are being considered, active steps regards the empty properties', falling depreciation, tapered with high levels of inflation. Will investment income levels increase back to pre Covid? Loss of Memorial Hall grant income of £30k is fairly significant.

CF rely upon steady gains to investments along with further closed church receipts.

Everything is finely balanced. CF need to protect its asset base which provides valuable income and investment gains. Whilst CF should not just increase asset levels unduly there have been several favorable factors all coming together in one financial year. Going forward, expenditure levels will continue to be higher than reported actual income and so any deficits resulting need to be at a level which can be covered by either closed church receipts or investment gains.

**Monitoring and continuing to control expenditure within this balance is the key.**

### **KPI's**

**Total Net Assets** – These are now at record high levels. This is due to suppressed expenditure due to Covid, alongside capital receipts and significant unrealised investment gains.

Increasing levels of expenditure and effects of high inflation will increase core operations deficits going forward and put pressure on total net assets.

Expected further capital receipts will help alongside a steady and long-term investment gains.

CF finances remain finely balanced.

**Protected Program Fund** – These are also at record highs, due to investment gains, further capital receipts and lower pressure to cover the suppressed deficits.

Further capital receipts are expected, and it is crucial as part of finance strategy that these can finance CF core operations going forward.

**Free Reserves** – These provide 8-12 months of expenditure set aside to cover in case of emergency or contingency requirements.

Due to covid, expenditure is down and capital is up and so these free reserves currently are at 14.9 months of expenditure.

This though is expected to fall back into the agreed range as expenditure levels increase again and with high levels of inflation expected.

CF finances remain well managed and finely balanced. Investment income remains the largest income element and this is supplemented by long term investment gains. Protecting the asset base is therefore vitally important.

Capital receipts from closed churches supplement any capital gains and help protect the asset base, provide funding for the protected program fund (PPF) and help inflation proof the net assets.

The PPF is an essential element of finance strategy as it provides investment income to the core operations and also provides capital financing to any operating shortfalls.

CF have no debt nor any financial commitments or liabilities.

CF have five KPI's which are monitored to provide an early indication of financial health of the charity.

At 31.12.21, all KPI's are at healthy levels. Whilst this is encouraging, it should not be seen as a green light to suddenly pursue new initiatives nor dramatically increase expenditure levels.

CF are in the middle of its current three year cycle of operations and it is looking positive to be able

Chair Approved

to maintain these levels for a further three years from 2024-2026.

### **Income/Expenditure**

Income has fallen in the last two years due to covid and especially in reductions to investment income returns which have fallen back by around 20%. It is hoped to see a gradual recovery of this over the next couple of years.

Expenditure fell even more and this has reduced core deficits overall during the covid years. As expenditure now recovers back to normal levels, alongside high levels of inflation, deficits will once again rise.

### **Summary**

CF needs to protect the asset base. Keep expenditure levels under control. No knee jerk reactions either way is required. High levels of inflation are a concern. Finances are healthy but very finely balanced.

It was noted that the auditors reported no issues with the Accounts (Paper D4)  
Thanks were expressed from the Committee to the Financial Controller and Team.

Papers D, D1, D2, D3, D4 were all accepted and recommended to Council.

**Agreed: Unanimous**

**Action: Chair of FSSC to take to Council.**

**Timescale: April 2022**

## **9. CF Assembly Report**

**Sue Austin (Paper E)**

The Chair of FSSC reported on the KPIs currently used by CF accompanied by graphs showing that all of these are moving in the right direction i.e. income and assets rising in value and deficits reducing.

Much of CF income derives from investments and the Investment Trust and Trading Board (ITTB) meets three times a year to scrutinise investment policy and performance and discuss these with the CF investment manager.

It is encouraging to report that, in spite of considerable volatility in the short term, investment growth continues upward in the longer term, though it should be noted that investment income is 20% down on the pre-pandemic figures of 2019.

The Finance team also administers the payroll for ministers enrolled in the pension scheme and the Property Manager continues to oversee the trading arm of the Federation and administers the Homes for Retired Ministers scheme.

Although the cash flow position is good and the KPIs are all positive, there is still an over-reliance on closed church receipts for income and the operating deficit is higher than CF would like. Expenditure dropped significantly over two years due to Covid-19 but is increasing as activity and face to face meetings pick up again. Since the coming year is likely to see continued turbulence, particularly with regard to investment growth and income, there is a need to be careful in outlook and endeavour not to over-commit on the financial front.

Chair Approved

## 2021

£

Operating Deficit (343,593)  
Closed Church Receipts 414,152  
Unrealised Investment Gains 1,012,130  
Investment Property Revaluation 262,000  
Surplus/Deficit for the year **1,344,689**

Chair of FSSC thanked the Finance team for their hard work and support and the members of the FSSC and ITTB committees for their input and contributions.

A suggestion to move the KPI's information and graphs to page 3 (directly after the report narrative) was unanimously by the Committee.

### **Recommendations to approve the following:**

1. Accounts for the year ended 31 December 2021.
2. Budget for 2023.
3. Re-appointment of UHY Hacker Young as the Federation's auditors.
4. Affiliation fees for 2023 to be £160.00 per church and £8.75 per member.
5. Personal membership for 2023 to be £43.00.

**Agreed: Unanimous**

**Action: Chair of FSSC to take to Assembly.**

**Timescale: May 2022**

## 10. Finance Strategy and Operating Deficit

**(Paper F)**

Council have agreed the three-year strategy for 2021-2023 for operations to remain at the same levels alongside the on-going monitoring of the KPI's.

The forecasts however are influenced by current events which Covid is affecting. This means that the forecasts for both 2021 and 2022 are much lower than the original budgets but this is not a reflection on CF reducing its level of operations – more a response to Covid and current working arrangements.

The 2023 budgets see expenditure levels increasing back towards normal levels.

Interest rates remain low and CF have no debt and remain asset and cash privileged.

As reported in paper D, all KPI's @ 31.12.21 are at healthy levels.

Expenditure levels need to be kept under control. Areas of concern are very high levels of inflation and empty properties.

Council is currently putting forward new initiatives, see papers J and K.

FSSC October meeting will see the parameters set for the 2024 budgets. As things stand, CF are well placed to continue operations at similar levels for 2024-2026 as they have been for 2021-2023.

### **Summary**

CF will continue to monitor the KPI's, can continue to operate at similar levels as now, should always note that the finances are all finely balanced and not get carried away with any short term gains or losses.

Chair Approved

The Chair of Council addressed the reference to new initiatives advising Council is aware of the need to maintain the balance. Council is working towards a strategy to use closed church money to invest in growth areas.

Marion Kerr asked if any funds could be made available to support churches helping those affected by war.

CF disaster recovery plan supports CF rather than the churches. Does this require a wider discussion?

**Recommendation:**

**To take the issue to the next meeting of Council for further discussion / risk assessment**

**Proposed: Gerry Simonis**

**Seconded: Marion Kerr**

**Decision: Agreed unanimously**

**Timescale: 28 April 2022**

**11. Terms of Reference Review**

Ongoing - to remain on the Agenda

**12. CFL – Accounts**

**a. Accounts 2021**

**(Paper G)**

**Agreed: Unanimous**

**Action: Chair of FSSC to take to CFL Directors.**

**Timescale: Next meeting of CFL Directors.**

**b. CFL Statutory Accounts**

**(Paper G1)**

**c. CFL – Closed Church Distributions**

**(Paper G2)**

**d. John Dorsett Accounts 2021**

**(Paper G3)**

**e. CUC Accounts 2021**

**(Paper G4)**

The Finance & Support Services Committee to note the transfers made to the Congregational Federation during **2021**.

	£	Balance due @ 31.12.2021
<b>Final Distribution - Darwen Hollins Grove</b>	132,172	-
<b>Final Distribution – Ipswich Manse</b>	858	-
<b>Interim Distribution of Centre Church, Nottingham</b>	33,919	5,069
<b>Interim Distribution – Polesworth</b>	95,000	266
<b>Interim Distribution – Pontypool</b>	57,164	287
<b>Interim Distribution - Trebanog</b>	95,000	1,456

**The Committee Agreed the above transfers.**

**13. CF Area Grants (England & Wales)**

**(Paper H)**

The Financial Controller advised he continues to encourage all Areas and Treasurers to be aware of the grant money to support churches and its members.

**14. Safeguarding Policy**

**Yvonne Campbell (Paper I)**

The Congregational Federation Safeguarding Policy covers volunteers, tutors, students and staff. It was highlighted that there is a Code of Conduct to be aware of as a member of a committee.

Points raised:

- Rights of Work – the Auditors have raised the issue of ensuring people have a right to work
- Misalignment of Yvonne Campbell's contact details on page 6
- Should the GDPR terminology appear on this document? It does not contain any personal information; it is a policy.
- Page 2 paragraph 3 – *There is trustee body and there are various Committees and Boards should read There is a trustee body.*

The General Secretary will take the above points back to the Safeguarding Officer and Thirtyone:eight.

**15. Travel Reimbursement Expenses**

**(Paper J)**

Council have agreed, in principle, to this new initiative. The purpose appears to be in encouraging CF Ministers and CIPT students to attend certain CF events and thus to being more involved in the National life of CF.

It is suggested these now be called travel expenses as it is a reimbursement rather than a sum of money as an award towards something.

The Financial Controller welcomed comments as this is a draft not a policy, costs and budget lines need to be considered.

A discussion took place and points made included:

- Train tickets are retained at the station at the end of a journey
- A photograph of the ticket would be sufficient for the claim
- Councils aim to encourage the use of public transport may not be feasible in remote areas
- Change car mileage to 100% of total mileage at 20p per mile
- Stipulate it is rate contribution rather than full mileage rate
- Eligible claimants to be changed to *CIPT students, Active Accredited Ministries and those locally recognised in the Yearbook serving a CF Church.*
- Travel by air / sea could run into hundreds of pounds for just one individual

The comment was made that all of the above shows how difficult it is to manage something like this by committee. Controls are required to expenditure levels, it needs to be fully costed out.

**Recommendation: To have a working group of G Baker, M Tucker, Y Campbell, S Austin, P Stainer and to bring back for further discussion**

**Agreed: Unanimous**

Chair Approved

**Timescale: Next FSSC meeting October 2022.**

The General Secretary left the meeting

**16. CMD Grants**

**(Paper K)**

This paper to act as an application form for those wishing to apply for a grant in order to undertake a specific learning or growth journey that will enrich their personal lives and / or enhance their ministry.

The Financial Controller highlighted the following:-

- The GDPR statement will need adding to the form
- Office Use only must include a Finance section for coding and authorizing
- An additional 'Is the claimant a CF Trustee?' 'tick' box is required (relates to required declaration in Statutory Accounts)
- Is the grant scheme open to CF Trustees?

It was acknowledged that the form needs amending / updating and that it would be harsh to say the grant would not be open to Trustees / Council.

It will need to be clear from the outset how it will be managed, it will be administered by CIPT.

The point was raised that the grant should not be awarded if the claimant has already received a grant relating to Ministry from their Church or Area.

Budget limits on restricting number of awards per year should be put in place. Which fund does it come under, who is the budget holder?

**Recommendation: CIPT to look at the budget implications of CMD Grants**

**Agreed: Unanimous**

**Action: To come back to Finance Committee Meeting**

**Timescale: October 2022**

**17. Memorial Hall Report**

**(Paper L)**

The Committee received Paper L

Gerry Simonis left the meeting

**18. Date of next meetings**

**2022** 1 October (FSSC)

30 September (Area Treasurers)

**17. Closing Prayer** – the meeting joined in the sharing of the grace.

Signed: .....

Dated: .....