

Finance & Support Services Committee Meeting – 13 April 2023

Held on Zoom.

Present

Susan Austin
Gerry Simonis
Sue McFarlane
Margaret Morris
Michael Hockaday
Keith Bradley
Tim Bateman
Jennie Blake
Nicola White

Representing

Chair
CF in Scotland
CF in Wales (to 11.30)
Eastern
East Midlands
North East
North West Midlands
South East
South West

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
Oliver Kinchin
Sonia James
Marion Kerr
President
President Elect
CF in Wales
CF in Scotland

1. Welcome (Paper A)

The welcome was given by the Chair, Susan Austin.

2. Opening Devotion

Devotions were led by Chair, Susan Austin, including a reading of Psalm 67.

3. Apologies

Apologies were noted and are recorded above.

4. Declarations of Interest

None.

5. Minutes of Previous Meeting – 1st October 2022 (Paper B)

Page 2 General Secretary requested a change of wording from ignored to extended.

Subject to the amendment the minutes were agreed by the Committee and to be signed by the Chair as a correct record.

6. Matters Arising not elsewhere on the Agenda.

General Secretary gave an update. There have recently been 2 applications for impact grants and 1 CMD travel grant.

After speaking with Rev. Chris J. Bamforth Damp it transpires that the portrait belongs to the Congregational Memorial Hall Trust and is a part of the Congregational Library portrait collection. It has been on loan to Argyle Chapel (Central URC) Bath for many years, and the church should have returned the picture to the Trust rather than the Congregational Federation.

The Portrait was collected by Rev Dr Janet H. Wootton, on behalf of Bunyan Meeting on 15th January 2023.

There were no other matters arising.

7. Investment Trust & Trading Board

Susan Austin

- a. Minutes of meeting – 9 Nov 2022, 15 Mar 2023

(Paper C, C1)

The Financial Controller has spoken to David Judge regarding investments with HSBC and can confirm that CF do not have any stock in HSBC.

The minutes were accepted by the Committee.

8. CF Accounts 2022, Forecasts 2023 & Budgets 2024 (Paper D, D1,D2,D3, D4)

Gary Baker

2022 Actuals

The finances of CF during 2022 were extremely positive. All KPI's are at the top of their ranges and are in a very healthy position.

Significant levels of capital receipts came in from closed church receipts along with a small legacy. Interest rates rose yielding higher deposit interest. Expenditure levels were similar to 2021 and well below budgets/forecasts.

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 £860,762 bringing total funds to £16,805,180, the highest level in CF's history. The main contributory factor being the CFL loan write off of £1.2 million.

Free Reserves

The Free Reserves fell back slightly down to 13.9 months' (2021: 14.9) worth of expenditure which is still above the 12 months threshold. However, expenditure is set to increase during 2023/2024 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

Core Operating Deficits (COD) remained stable in the year but will gradually increase during 2023/2024 back to more normal levels. These will be financed in the long term by unrealised investment gains and around 3% is currently required.

The Protected Program Fund – which also supports the Core Operations activities, rose to £5,859,066 which is its highest ever level and in the year yielded £139k in investment interest. CF has no debt and no pension fund commitments to finance.

Depreciation charges in 2022 came to £80,744 and this is expected to fall sharply over the next year or so as some historic charges drop out.

2023 Forecasts/2024 Budgets Expenditure levels are expected to increase back to pre-Covid levels. Church Support budget deficits increase by around 68% when compared to 2022 Actuals. Main reason is a full years CIPT managers costs along with perhaps some regular budget contingencies/buffers. Travel grants will also come into effect.

Summary

CF finances are healthy, due to sound management and controls. The KPIs introduced by finance will assist in monitoring the financial position going forward. Expenditure levels will increase back to Pre Covid levels, new initiatives have been geared in, active steps as regards the empty properties are required, 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 but may still come in. CF rely upon steady gains to investments of around 3% along with further closed church receipts. Everything is finely balanced. CF needs to protect its asset base which provides essential levels of investment income and investment gains. 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.

Q unrealized investment losses – cause? Could this go back up again? CF investments are long term and do fluctuate. Investment Manager doesn't expect 2 bad years in a row. Forecast is for an uplift by the end of this year.

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

Accepted: Unanimously.

Action: Chair of FSSC to take to Council.

Timescale: April 2023

Capital Expenditure

(Paper D4)

Property Manager has received a quote for the Lift Modernisation for £35,428.99.

He recommends that this happens during August 2023.

Committee asked if there needs to be another quote – Property Manager has good rapport with the current company who service the lift. The VAT will get claimed back as the lift is primarily for use by students.

The Property Manager asked if he could proceed with this now or does it need to wait for a Council decision? Deferring a decision would mean that the work would be delayed and could take up to 12 weeks if it is carried out later in the year.

Decision

Committee unanimously agreed for the Property Manager to go ahead and arrange the works now.

Audit Findings Report 2022

(Paper D5)

The Audit reports a clean bill of health for the accounts.

There is one matter for Council to resolve with Trustee Declarations forms.

Unpaid Affiliation Fees (Confidential)

Philip Stainer (Paper D6)

The General Secretary reported that there are 3 churches who do not communicate with the CF and have not paid the Affiliation fees for some time.

Recommendation:

That the 3 churches concerned be removed from Membership with CF – to reapply for membership if they wish to rejoin in the future.

Agreed: to put the recommendation to Council.

Timescale: 21.4.2023

9. CF Assembly Report

Sue Austin (Paper E)

Committee asked for the total net assets and relating figures be changed to K instead of thousands and make sure this is consistent throughout the document.

General Secretary requested that Pioneering Ministry be removed from the list & that HRM be removed as this is not funded from PPF.

The KPI graphs, show that the free reserves are over maximum limit; this is due to reduced expenditure because of Covid. Expenditure is returning to normal levels and is being closely monitored.

Recommendations:

1. Receive Accounts for the year ended 31 December 2022.
2. Receive Budget for 2024.
3. Re-appointment of UHY Hacker Young as the Federation's auditors.
4. Affiliation fees for 2024 to be £165.00 per church and £9 per member.
5. Personal membership for 2024 to be £44.00.

Agreed: Unanimously

Action: Chair of FSSC to take to Council then Assembly.

Timescale: Council 21.4.23; Assembly 13.05.23

10. Finance Strategy and Operating Deficit

Financial Controller

(Paper F)

Council have agreed the three-year strategy for 2024-2026 for operations to remain at the same levels alongside the on-going monitoring of the KPI's.

The 2023 and 2024 budgets see expenditure levels increasing back towards normal levels. Interest rates are gradually increasing which will bring in additional income, CF has no debt and remains asset and cash privileged. The KPIs are attached to this paper, all KPIs @ 2022 are at healthy levels. Expenditure levels though do need to be kept under control. Areas of concern are very high levels of inflation and empty properties. Government policy is for inflation levels to fall back towards the 2% target range. CF is in the process of letting No 4 and this should be given absolute priority as it has a fairly significant impact on the finances. CF is in the process of switching investment properties over the coming years into money market investments, to be directed through the Protected Program Fund to support CF Core Operations.

KPIs

Income and Expenditure

Expenditure levels for 2022 remained consistent with the year before. Income benefited largely by closed church receipts of £807k. Income exceeded expenditure in the year by £573k.

Core Operating Deficits

These remain fairly steady. In 2020 £214k; 2021 £176k and in 2022 £199k. Budget deficits tend to include significant budget buffers/contingencies by budget holders and quite often actuals come in a lot less. Whilst this does not help the reader of the accounts it appears to be a common annual theme within the CF budgets. Deficit levels are down on pre-Covid levels.

Free Reserves

It is CF policy that these remain in the range of 8 – 12 months of expenditure. During the Covid years, expenditure fell, the free reserves increased above this range. As operations return to more normal levels, expenditure will increase, and the free reserves will come down to within the agreed range. For 2022 it sits at 13.9 months (2021: 14.9 months), back towards the range but is still currently slightly above it. The Free reserves are therefore currently in a strong and healthy position.

Protected Program Fund (PPF)

CF policy is that this fund supports the CF Core Operations. 90% of all closed church receipts are allocated into this fund. This helps provide for future investment income, to protect against inflation, to provide certainty and security for the Core activities. In any year, if expenditure exceeds the elements in the CF Finance Model, the resulting deficit will be covered by the PPF. CIPT, having its own funds, will cover its own deficit. Because of this fund, CF can make substantial investments into supporting its member churches and thus help provide support and training in so many ways. These include:

- CIPT – training to equip churches through its 7 ministries.
- Safeguarding – supporting and equipping churches to be safeguarding compliant.
- Church Support Workers
- Youth and Children
- Minister's Pension – making contributions to its accredited minister's
- Assembly – Covering the costs
- President Expenses – Covering these expenses
- CF Churches – helping provide payroll process services
- CF Churches – helping provide client investments services to over 100 CF churches
- Summer school; CMD; Likewise events, New Biggin Hub for Pioneering Ministries
- ICF

This framework exists under the current agreed policies that should CF decide any new initiative, such as Pioneering Ministry, this can slot quite easily and seamlessly into the Core Operations. It could very easily have its own page, budget codes etc. and be included in the PPF financing to cover its expenditure. Like Safeguarding, for example.

During 2022, total fund assets increased from £5,610k to £5,859k and provides around £139k annually in investment income which directly supports the Core Operations. During the year, an additional £747k income was paid into the fund, there were unrealised investment losses of £461k,

CHAIR APPROVED

proceeds from the sale of 28 Arnside Avenue of £178k added to the fund and £215k paid out in supporting core operations.

Total Net Assets/Funds

These increased in the year by £861k, from £15,944k to £16,805k. These stand at record high levels. Whilst it should be recognised that the £1.2 million loan write off by CFL was largely responsible for this uplift, there were almost a million pounds worth of unrealised investment losses. It is envisaged that over the long term, these investments will increase by around 3% pa which is sufficient to cover current Core Operations.

Summary

CF will continue to monitor the KPIs, can continue to operate at similar levels as now during 2024 - 2026, should always note that the finances are all finely balanced and not get carried away with any short-term gains or losses and to keep expenditure levels under control.

11. Terms of Reference Review

General Secretary

Ongoing - to return to the Agenda when the Strategy Group have completed their work.

12. CFL – Accounts a. Accounts 2022

**Philip Stainer
(Paper G)**

Agreed: Unanimously

Action: Chair of FSSC to take to CFL Directors.

Timescale: 22.4.23

b. CFL Statutory Accounts

(Paper G1)

c. CFL – Closed Church Distributions

(Paper G2)

The Finance & Support Services Committee to note the transfers made to the Congregational Federation during **2022**.

The Trustees are requested to approve the following transfers made to the Congregational Federation during **2022**.

	2022
	£
Interim Distribution - Ashley	77,042
Final Distribution - Brimington	20,119
Final Distribution - Ipswich Church	53,650
Final Distribution - Nottingham	5,084
Final Distribution - Polesworth	287
Final Distribution - Pontypool	266
Interim Distribution - Shalford Green	582,198
Interim Distribution - Ton Pentre	58,441
Final Distribution - Trebanog	1,456
Interim Distribution - Trudoxhill	82,319

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Total	880,862
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The Finance & Support Services Committee to note the distribution made in accordance with Trust Deeds during **2022**.

	2022
	£
Final Distributions - Brimington	181,070
Final Distributions - Ipswich	482,848
Interim Distribution - Ridgewell	475,000
Final Disbursements to UCCC - Tredegar	14,790

The Committee agreed the above transfers.

Action: Trustees to approve both the transfers and distributions at next council meeting.

- d. John Dorsett Accounts 2022** (Paper G3)
- e. CUC Accounts 2022** (Paper G4)

Agreed: Unanimously
Action: Chair of FSSC to take to CFL Directors.
Timescale: 22.04.2023.

- 13. CF Area Grants (England & Wales)** (Paper H)

For information.

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

- 14. Review of CF Expenses Policy** GB (Paper H)

Recommendation's

Meals Daily allowance - for lunch up to £15 per day.

For overnight stays and/or evening travel up to £30 for an evening meal.

Detailed receipts are to be provided and should always state exactly what has been purchased, to facilitate transparent and clear audit trails and assist in VAT analysis.

Manager's approval of Special Requirements

Council, in November 2022, agreed that expense claimants can apply to the Chair of Council to consider any claims which fall outside the normal policy.

For practical reasons, it is recommended to FSSC that this is amended to include either Chair of Council or Operations Manager.

