

Finance & Support Services Committee Meeting – 6th April 2024

Held on Zoom.

Present

Susan Austin
Gerry Simonis
Ruairidh MacRae
Sue McFarlane
Margaret Morris
Michael Hockaday
Keith Bradley
(Chair from 11am)
Peter Butler
Tim Bateman
Thandar Tun
Ruth Green
Joanne Oldridge

Representing

Chair (to 11am)
CF in Scotland
Chair of CF Scotland
CF in Wales
Eastern
East Midlands
North East

North West
North West Midlands
South East
South West
South West Midlands

Participant Observers

Mark Tucker

Gary Baker
Philip Stainer
Yvonne Campbell
Clare Edwards

Operations Manager &
Company Secretary
Financial Controller
Property Manager/Finance Officer
General Secretary
Administrator / Minutes

Apologies

Oliver Kinchin
Elisabeth Sweeney-Smith
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.
Joanne Oldridge was welcomed to her first FSSC Meeting.

2. Opening Devotion

Devotions were led by Chair, Susan Austin, including a reading of Galatians Chapter 6: v.1-10.

3. Apologies

Apologies were noted and are recorded above.

4. Declarations of Interest

Peter Butler declared an interest; his church is a beneficiary of the Royton Trust.
Ruairidh MacRae declared an interest as Treasurer of CF Scotland and Minister of Eyemouth.
Gerry Simonis declared an interest as part of CF Scotland in connection with Eyemouth CC.

5. Minutes of Previous Meeting – 7th October 2023

(Paper B)

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.

There were no matters arising.

7. Loan Request – Eyemouth

(Paper B1)

Letter from Eyemouth Congregational Church asking for a five-year loan to pay a Scottish Power electricity bill of £24,500. This is a culmination of a dispute that has been going on for 10 years. There are various issues, Scottish Power not billing for over two years, the church trying to move supplier. Inaccurate bills, meter numbers, tariffs and readings.

The church is awaiting a response from the Ombudsman.

A discussion took place and points made included:

Chair Approved

- Wait for the Ombudsman's response.
- The stress and worry have impacted on the church Treasurer and Minister
- It has taken up a huge amount of time to try and resolve it.
- From an office perspective, more information is needed to make a decision.
- As a charity and as it involves a CF Trustee there has to be a trail as to how we have arrived at a decision

Recommendation: To collate further information from the church to facilitate due diligence with the aim to take forward to Council.

Decision: Agreed unanimously.

Action: Finance to liaise with Eyemouth to request information required.

Timescale: ASAP.

8. Investment Trust & Trading Board

Susan Austin

a. Minutes of meeting – 8 Nov 2023, 14 Mar 2024

(Paper C, C1)

The following were noted from minutes of 14 March 2024

To report to the Finance and Support Services Committee that a process of review of investments will be taking place as a matter of good practice.

Recommendation: Affirmation should be sought from Council that the Investment Trust and Trading Board has the authority to review these things from time to time.

Decision: Agreed unanimously.

Action: Chair of FSSC.

Timescale: 6th April 2024.

Salary Costs Student Accommodation

	2025	2024	2024	2023	2022	2021	2020	2019	2018
	Year Budget	Year Forecast	Year Budget	Year Actuals	Year Actuals	Year Actuals	Year Actuals	Year Actuals	Year Actuals
	£	£	£	£	£	£	£	£	£
Salary	52,685	51,000	43,505	39,574	29,482	33,523	32,904	31,462	26,120
Pension	6,664	6,320	3,985	3,682	2,726	3,121	3,065	2,860	2,409

The Financial Controller and the Property Manager/ Finance Officer have reviewed the makeup of this area of expenditure. Salary costs are significantly increasing compared with previous years.

2024 Budget/Forecasts

There are several factors impacting this: -

- (a) When the 2024 budget was set in December 2022, whilst we were anticipating employing additional staff, there were many unknowns at that point.
- (b) The staffing costs were lower in 2022 and 2023 as the Property Team was under-resourced, reliant on goodwill, overtime (allocated elsewhere) or contract cleaners.
- (c) Staffing hours have been increased to meet the demands of the current and forecast business, ensuring that we can operate 6 days a week.

Chair Approved

- (d) The employment of a Caretaker/Maintenance, who in addition to carrying out the Jeff role, is reducing the reliance on external contractors.
- (e) Inflationary salary increases.
- (f) The 2024 Forecast now better reflects the true position.

Budget Variations Years 2021 to 2025

	2025 Year Budget	2024 Year Forecast	2024 Budget Variance	2024 Year Budget	2023 Period Actuals	2023 Budget Variance	2023 Year Forecast	2023 Year Budget	2022 Year Actuals	2021 Year Actuals
	£	£	£	£	£	£	£	£	£	£
8700 – Residential Services	12,250	12,250	(3,343)	15,593	13,494	(6)	14,850	13,500	14,199	11,879
8701 – Rolling Rooms	20,000	5,000	(20,000)	25,000	5,948	(19,052)	10,000	25,000	200	33,101
8705 – Repairs No 6	15,000	25,000		25,000	24,656	14,656	25,000	10,000	18,941	10,057
8715 – Repairs Conference	3,165	2,320		2,320	5,270	3,470	3,000	1,800	1,541	2,628
8718 – Repairs No 8	2,531	6,972	4,472	2,500	14,505	10,605	14,474	3,900	2,321	10,760

For information:

The Committee were made aware of the following available resources:

- The Conference Centre equipped with good facilities is available for hire.
- Holiday home in Swansea which is available to Ministers and their families and members of Congregational churches.

The minutes were accepted by the Committee.

9. Chair Report

Susan Austin

The Chair reported that her term comes to an end this year. She will not be standing for another 3-year term due to other commitments but will continue to attend meetings in the capacity of North East area representative.

The successor will be chair of FSSC & ITTB, become a CF Trustee, CFL Director and also prepare a report for Assembly. Sue will chair the remaining meetings for 2024 and asked the Committee to think and pray about it; welcoming any questions about the role.

10. CF Accounts 2023, Forecasts 2024 & Budgets 2025 (Paper D, D1,D2,D3, D4)

Gary Baker

The Financial Controller gave thanks to the whole of the finance team for another successful year end and audit and all their work and support throughout the year.

2023 Actuals

The finances of CF during 2023 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. Interest rates rose yielding higher deposit interest. Expenditure levels increased to pre-Covid levels.

The total increase in funds for the year came to £277,871 bringing total funds to £17,083,051, the highest levels in CF's history.

Significant one-off events in the year are as follows:

	£'000
Operating Deficit	(483)
Closed Church Receipts	368
Loss on sale of an empty Investment Property	(11)
Unrealised Investment Gains	404
Total	278

Significant impact grants were awarded in the year to CF churches along with grants to support minister's stipend increases which all contributed to increasing the operating deficit.

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

Audit

UHY confirm a clean audit relating to the financial accounts and reports stating the following.

Comments:

- ✓ No significant adjustments were noted
- ✓ There was found no indication of management bias or significant transactions outside the normal course of business
- ✓ Related part disclosures appear to be complete
- ✓ Funds appear to be correctly accounted for
- ✓ Closed church receipts appear to be appropriately accounted for
- ✓ Investments were deemed to be appropriately valued
- ✓ Fixed assets were appropriately classified and valued
- ✓ There have been no changes to accounting policies
- ✓ There were no matters arising from unusual transactions
- ✓ There were no matters arising from accounting estimates and judgements
- ✓ There were no matters arising from Going Concern
- ✓ There were no matters arising from the Trustees' annual report, disagreements, significant difficulties or matters.
- ✓ There were no unadjusted misstatements or items
- ✓ The auditors thanked the finance team for its work and co-operations during the audit process

However, one item was raised relating to the failure of the trustees to fully comply with the trustees' related party declarations. This is the third year in a row this has been raised. Congregational

Chair Approved

Federation staff team spent a concerted effort in assisting trustees with compliance. It was noted that despite the best efforts of the team, one trustee did not return his annual related party declaration. This is the only blot in an otherwise perfect audit. The importance of compliance by ALL trustees is an important one and a charity commission requirement.

The Company Secretary advised that the Chair of Council has been made aware of the above as part of the Management responses to the audit.

Recommendation: That all CF trustees complete their annual related party declarations.

Decision: Agreed unanimously.

Action: Chair of FSSC.

Timescale: Next Council meeting April 2024.

2024 Forecasts/ 2025 Budgets

Expenditure levels are expected to increase back to pre-Covid levels.

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 current level of operations has been agreed for 2024 – 2026 and during that period the KPI's will continue to be monitored.

Inflation falling will help the CF finances along with higher interest rates.

Memorial Hall grant income is expected to be half and is not included in the budgets.

A new 10-year lease has been entered into with No 4 which improves income significantly.

It is essential that CF protect its asset base as that provides the main source of income. It is therefore essential that CF continue to control expenditure to within current levels.

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. Memorial Hall grant income is expected to be halved.

CF have no debt. CF holds significant investments, and these provide the main income sources and therefore controlling expenditure and the asset base remains essential.

There are likely to be closed church receipts and these are invested into the Protected Program Fund which helps finance and fund the CF activities in supporting the churches.

Chair Approved

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. The CF finance model requires a total investment return, income + on-going 3.5% annual capital growth.

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

Recommendation

The Finance Committee accept and recommend.

Paper D: Finance Report

Paper D1: CF Accounts 2023; Forecasts 2024/Budgets 2025

Paper D2: CF Balance Sheet at 31st December 2023

Paper D3: Statutory Accounts 2023

Decision: Agreed Unanimously.

Action: Chair of FSSC to bring recommendations to Council.

Timescale: April 2024

Capital Expenditure

(Paper D4)

For information.

Audit Findings Report 2023

(Paper D5)

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

11. CF Assembly Report

Susan Austin

(Paper E)

The Chair of FSSC reported that despite a continuing background of weak economic growth, inflationary pressures and geopolitical turbulence, it is encouraging to report that the Congregational Federation's financial position at the year-end is a healthy one.

The Congregational Federation is in a stable and positive financial position but as in previous years, the approach should be one of prudence and caution. Gains in Investment interest, improvement in interest rates and the leasing of No.4 Castle Gate will make welcome contributions to income but this is countered by domestic inflation rates, increases in costs and expenditure, and a global background of volatility which may affect investment performance.

The on-going deficit is covered in the longer term by unrealised Investment gains, and it is therefore important to take a long-term view with Investments to even out the years which are less productive.

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

	2023
	£
Operating Deficit	(494,183)
Closed Church Receipts	367,961
Unrealised Investment Gains	404,093
Recommendations	Surplus/(Deficit) for the year
	277,871

1. That the

accounts for the Year

Chair Approved

Ended 31 December 2023 are received.

- 2. That the budget for 2025 be adopted.**
- 3. That the Assembly approves the re-appointment of UHY Hacker Young as the Federation's auditors.**
- 4. That the affiliation fees for 2025 to be £170 per church and £9.25 per member.**
- 5. Personal membership for 2025 to be £45.**

Sue Austin left the meeting. Keith Bradley standing in as Acting Chair

12. Finance Strategy and Operating Deficit Financial Controller (Paper F)

The 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 2024 and 2025 budgets see expenditure levels increasing back towards normal levels.

Interest rates are gradually increasing which will bring in additional income, CF have no debt and remain asset and cash privileged.

The KPI's are attached to this paper; all KPI's @ 2023 remain at healthy levels.

Expenditure levels though do need to be kept under control. High levels of inflation are of concern, and it is welcome news to see these falling back to more manageable levels. Further falls in the rate of inflation are expected during 2024 and this can only help maintain the healthy CF finances.

No 4 Castle Gate now have tenants on a ten-year lease at good market rates and this helps CF finances considerably.

CF are in the process of switching investment properties over the coming years into money market investments and are to be reported through the Protected Program Fund to support CF Core Operations.

KPI's

Income and Expenditure

Expenditure levels for 2023 increased in the year which reflects more normal levels of operations when compared to recent years which were affected by Covid. Income is down due to lower closed church receipts of £368k (2022: £807k). Expenditure exceeded income in the year by £115k.

Core Operating Deficits

These remained fairly steady, in 2020 £214k; 2021 £176k and in 2022 £199k. However, they had been suppressed by Covid affecting the level of operations. In 2023, expenditure increased to more normal levels and as a result the core operating deficit increased to more normal levels of £323k.

Free Reserves

It is CF policy that these remain in the range of 8 – 12 months of expenditure. During the covid years, expenditure fell and as a result 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 2023 it sits at 12.6 months (2022: 13.9 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. All closed church receipts have 90% 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

During 2023, total fund assets increased from £5.9m to £6.3m and provides around £160k annually in investment income which directly supports the Core Operations. During the year, an additional £358k income was paid into the fund, there was unrealised investment gains of £206k, proceeds from the sale of 60 Meadow Rise, Llanharan of £146k added to the fund and £248k paid out in supporting core operations.

Total Net Assets/Funds

These increased in the year by £278k, from £16.8 million to £17.1 million. These stand at record high levels. It is envisaged that over the long term, these investments will increase by around 3.5% 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. CF relies upon a total return investment strategy to fund operations.

Chair Approved

It was suggested that consideration be given to gearing into the KPI graphs, the current Forecast and Budget years, alongside the historic Actual year results. The Financial Controller agreed to look into this. For example, in this case, that would be to include the 2024 Forecast and the 2025 Budgets.

13. CF Area Grants (England & Wales)

(Paper H)

The Financial Controller reminded the Committee of the grant money available to support churches within England and Wales and their members and that the funds can go towards anything. He added that Area Treasurers should be putting it on the Agenda for Area meetings.

The point was made that it would be useful for new Area Treasurers to have a guide to understand the requirements of the role.

At FSSC October 2023 meeting a decision was made to draft a letter to go with the Affiliation Fee Invoices to the Areas with a Treasurer vacancy to raise awareness and encourage applications for the role and to represent their Area at FSSC.

A document was produced entitled "What is involved in becoming an Area Treasurer?" This can also be used as a guide for current and future Area Treasurers.

Recommendation: To send "What is involved in becoming an Area Treasurer?" to all Area Treasurers.

Decision: Agreed unanimously.

Action: Philip Stainer to distribute.

Timescale: ASAP.

14. Memorial Hall Report

Philip Stainer

(Paper J)

Paper is for information.

The Committee received Paper J

15. CFL – Accounts

a. Balance Sheet 2023

Philip Stainer (Paper T)

Recommendation: The Finance Committee accept and recommend CFL Balance Sheet 2023

Decision: Agreed Unanimously.

Action: Chair of FSSC to take to CFL Directors.

Timescale: April 2024.

b. CFL Statutory Accounts

(Paper T1)

Recommendation: FSSC accept and recommend CFL 2023 Statutory Accounts 2023

Decision: Agreed Unanimously.

Action: Chair of FSSC to take to CFL Directors.

Timescale: April 2024.

c. CFL – Closed Church Distributions**(Paper T2)**

The Trustees are requested to approve the following transfers made without restriction to the Congregational Federation during 2023.

	2023
	£
Final Distribution - Ashley	12,490
Final Distribution - Ton Pentre	17,124
Final Distribution - Trudoxhill	9,849
Final Distribution - Shalford Green	10,537
Interim Distribution - Tredegar	54,000
Final Distribution - Shalford Green	1,332
Interim Distribution - Colchester	30,000
Interim Distribution - Sandford	160,719
Interim Distribution - Tredegar	6,000
Interim Distribution - Colchester	50,000
Final Distribution - Tredegar	15,910
Total	367,961

The Committee agreed to the above transfers.

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

Decision: Agreed Unanimously

Action: Chair of FSSC to take to CFL Directors.

Timescale: April 2024

d. John Dorsett Accounts 2023**(Paper T3)****e. CUC Accounts 2023****(Paper T4)****f. CFL – Properties & Investments****(Paper T5)**

Recommendation: The Finance Committee accept and recommend Paper T3,T4, T5

Decision: Agreed Unanimously

Action: Chair of FSSC to take to CFL Directors.

Timescale: April 2024

The Financial Controller advised the Committee that CUC Accounts 2022 have not yet been filed with the Charity Commission. CFL are in default as managing trustees.

This is due to issues with Congregational United Charities (CUC) struggling with the Charity Commission's new process. The responsibility may need to be taken in-house and is ongoing. The Finance Team are currently assisting CUC with the process.

16. Any other Business

The Committee were advised that Keith Smith (CF caretaker) retires soon after over 25 years of service.

