

Finance & Support Services Committee
14th October 2017

Summary Report

Financial Report

The management accounts for half year 2017 were presented to the committee along with latest budget forecasts for 2017 & 2018.

Net operating loss forecast for 2017 is £698k & for 2018 £485k. This includes historic depreciation of £100k and specific and restricted funds accounting for a further £166k leaving an underlying deficit going forward of around £219k.

Some of the effects of the organizational re-structure though are expected to reduce this still further along with some further benefits emanating from some of the investment properties.

Concerns were raised regarding the on-going properties at 4 Castle Gate and Heaton Park which remain empty.

Capital receipts of some £1.2 million - £1.5 million could be received over the coming 18 months or so and 90% of this will be invested into the Protected Program Fund (PPF) and 10% into the Ministry & Mission Fund towards future church grants. These receipts along with a legacy leave a reported surplus for 2017 of £370k and a reported deficit for 2018 of £320k.

Expenditure continues to exceed regular income with the shortfall coming from current and historic capital receipts.

Discussions as to whether operations can be sustained from the PPF on low level deficits of around £50k - £250k were considered. At present these deficit levels funded from PPF is around the £319k for 2018 but this is expected to fall to £219k going forward as depreciation drops out and through other savings still being worked through following the structural re-organisation. The current Council policy is to have no deficits by 2020.

The restricted programs such as Learning & Development; Ministry & Mission grants; Homes for Retired Ministries and Pastors and Widows grants account for £166k in 2018 of the total deficit of £320k for 2018.

	2018 (£'ooo's)	2017 (£'ooo's)
Operating Income	824	760
Operating Expenditure *	1,309	1,458
Net Operating Loss (NOL)	(485)	(698)
Capital Receipts	165	1,068
Total Surplus/(Deficit)	(320)	370
(NOL) Funded from:		
PPF/Closed Church Fund	319	440
Restricted Funds	166	258

*Includes historic depreciation of £100k

Half of all regular income is derived from the asset base through investments and the importance in protecting these was recognized otherwise the deficits would increase.

It is a fine line between running on a very basic level of operations in order to have no deficits and thus protect the asset base and investment income, when compared to running at low level deficits albeit carefully managed ones, whilst also recognizing that CF income consists of both regular income and capital receipts.

The PPF will increase significantly during 2017/2018 due to large capital receipts even given the funding requirements placed upon it during this period.

Other Matters

FSSC meetings continues to have low levels of member attendance and concerns were expressed how communication with member churches and Area Associations might be affected by this.

It is considered beneficial to hold a training session regarding charity reporting and fund accounting for both Area and Church Treasurers to be arranged for October 2018.

Communication and format was also at the heart of considerations regards the National Assembly to convey the financial position and clean audit received.

A condensed accounts summary sheet appropriate for Area Assembly and National Assembly is being worked on alongside the regular reports conveying the fund accounting requirements specific to charity reporting.

It was suggested that Church affiliation fees be frozen for 2019 along with Personal & Associate membership, Yearbook and Congregationalist. However, as the meeting at this point was no longer quorate, these can only act as suggestions to Council for consideration.

Updates to the financial section of the 2018 Yearbook were agreed including clarifying the Recommended Minimum Stipend for those living in a manse is "pro rata" based. It was also agreed to clarify the charitable status of churches due to some using the CF charity No. in error. All fees for weddings and funerals etc will be increased by £5. It was agreed to include a sentence regarding those ministers living in a manse to buy a property for retirement where possible and to let it in the meantime.

DONM: 21.4.18