**St Elsewhere Parish Church (EXAMPLE DOCUMENT ONLY)**

**Business Rationale - Financial Review 2013**

**Background**

At a recent PCC meeting held on 27 February 2013 the financial affairs of the church were discussed including the following areas:

* Finance (including Mission Giving and Budget 2013)
* Expenditure

The basis of our discussion highlighted the fact that for some years we have been operating with a deficit in our finances caused by our expenditure exceeding our income resulting in our reserves going down (our greatest expenditure is our salary bill). The outcome of these discussions is that we are forecasting a deficit for this year of, 2013, £72k, for 2014 £62k and for 2015 £65k. This is clearly unsustainable and a review of our expenditure must be undertaken.

This information was subsequently shared at our Annual General Meeting held on 24 April 2013, the Treasurer, in his written report commented: *‘Discussions focussed on the need to both increase our income…………and lowering our expenditure. The expenditure is well controlled with few areas of savings other than in the salary bill and this area was discussed at length at a recent PCC meeting. In outcome, it was agreed that the whole issue of our staff would need to be reviewed again in June when, in the absence of either an unforeseen increase in our income or reduction in our expenditure, it is likely to be the case that we have to reduce expenditure in this area which may include reducing our staff numbers/hours.’*

The purpose of this report is to:

* **Clarify our financial situation and maximum levels of acceptable deficit**

In 2012 our total income was £ which included £ of restricted funds (for evangelism, diocesan grant for children and family worker, and grants from a Trust for specific expenditure). Our income less the restricted funds came to £ (£ minus £ ), which included a legacy of £ . These unrestricted funds (save for the legacy) comprise giving from the congregation of £ and income from the use of the church and halls (including the coffee morning income) of £ .

Our budget for 2013 shows a total income of £ which includes restricted giving for evangelism of £ , and expenditure of £ (including capital expenditure of £ ), a deficit of £ .

If the budget is accurate, this will mean our reserves will be extinguished at the end of 2013, save for the ‘Jane Doe’ monies of £108,000 received at the beginning of this year. A large part of these funds are in investments and although they could be cashed in, it is considered more prudent to leave these funds as reserves or to be used, in part only, on any urgent expenditure in relation to our buildings that arises, but not to be used for day to day running expenses.

The aim of the PCC must be to reach a point, as soon as possible, whereby our income equals our expenditure each year, and leaving an amount in reserve for contingencies and any unforeseen capital expenditure that is bound to arise on expensive buildings of our kind. This cannot be done immediately but must be our aim over the next few years.

The PCC considers it prudent to aim towards always having reserves of a minimum £50,000 at any one time, and to create savings of £15,000 from this year’s budget, given we are already more than half way through the year, and to budget for a deficit of £20,000 in 2014, and £10,000 in 2015, and having no deficit in 2016.

* **Outline our current staffing levels/expenditure**

We currently employ an Operations Manager on £ pa (£ with NI contributions), an administrator (three people on a job share amounting to 30 hours per week) on £ pa (£x with NI Contributions), and two cleaners on £ pa. We also employ a children and family worker but this post is paid for by the diocese. These salaries for 2012 came to £ . The cleaners’ hours have been reduced slightly, as have the administrators, and on 21 June Angela who works in the office as one of the administrators, is leaving to be ordained.

The Operation Manager’s role was initially for one year but we were able to secure funding for most of the salary for a second year when the contract was extended, but for the last year the church has funded this role out of general funds.

* **Outline proposed planned savings and how we could increase our income**

Given the work that has taken place on our expenditure, there are very few areas of savings apart from salaries, which at £ represents our largest item of expenditure.

What can we do to increase our income? Our giving is unusual in that we have always been very dependent on the income we raise from our coffee mornings and through hiring out the buildings. Last year the income from the congregation was about £50,000, and £37,000 from the use of the buildings and coffee mornings. We receive legacies from time to time but we cannot rely upon these. It has been encouraging to see the overall giving from the congregation rise through stewardship campaigns we have run, but the income from the coffee mornings, which was about £18,000, is now going down as we are unable to offer four mornings. Income from the hiring of our premises is also now a little vulnerable with only a small number of organisations using them, and the Town Council, who have been a user, facing large budget cuts. It is therefore difficult to see where there is going to be an increase in income in the short to medium term.

The PCC has concluded there is no alternative but to consider significant savings in the salary overhead.

**ADD INTO THE REPORT WHAT YOU HAVE DONE ABOUT THE FOLLOWING POINTS:**

* **A review of any work duties that could be absorbed into other roles (if any)/identify what roles you need to keep/could be changed/could be done differently or without**
* **Review other options to avoid job losses i.e., reduced working hours, part time work, voluntary redundancy**
* **Conclusions from the above i.e., you have to reduce staff costs**
* **Propose recommendations for taking this forward**
* **Agree next steps for communicating to staff**