

Treasurer's Report to the Annual Congregational Meeting 2025

Managing Change

2025 is the first time when the Congregation will need to approve a revised budget. For those who may not recall, at the ACM in 2024, the Congregation approved a provisional budget for 2025, which would be reviewed and, where necessary, adjusted and re-approved. The reason for this is that technically, the budget, once approved, constitutes an effective authorization from the Congregation for the use of its resources to carry out its work. Without such an approval, any expenditures raised before the ACM are dependent on a future budget being adopted for them ultimately to be legal. By approving the budget in advance, this risk is removed. It also allows a more meaningful use of the budget by the Congregation as a strategic tool.

It turns out that this is a very appropriate time to be adopting the new practice. 2024 was the first full year after the special appeal made at the end of 2023 when the Church's finances were heading in a very alarming, downwards direction. It now provides a much sounder basis for planning into the future. 2025 will also be very different to what was imagined one year ago since we now know that our current Minister, the Rev Laurence Twaddle, will be standing down as of the end of May 2025. Not only will we miss him greatly, a change in Minister also brings with it several managerial challenges and also opportunities. Full-time Ministers are more expensive than temporary cover although the benefits to a Church of a long-term Minister are much more than can be quantified in financial terms. This means that the Church can plan for less expenditure in 2025 than was originally envisaged but it also needs to take a firm grasp over its plans for generating income while temporarily lacking the leadership which comes with a Minister.

All of this makes the ACM in 2025 a good chance to see what our budget history can tell us and how we can use this to assess our performance in 2024 and plan for the road ahead.

A Brief Guide to Budgeting

So what actually is a budget ? Broadly speaking, there are two types – resource-based and results-based. Resource-based budgeting is roughly where you plan for the income you expect to receive and for the expenditures which you know you will have to incur and fund with that income. A household budget is the most common form of resource-based budgeting. A results-based budget starts from a definition of the objectives an organization intends to deliver and defines the expenditures required based on that. The income is barely considered except in the sense that it will have to come from somewhere but that becomes part of the planning, along with the objectives.

Our Congregation is essentially resource-based although it does show a degree of results-based ambition with the relatively high income levels proposed. However, we basically plan around the expenditure we have to make to exist. This is partly because we don't typically make a lot of money but also because our Church is not in the business of making money. The objectives we seek to achieve are spiritual in nature and are not simply accomplished or increased by raising more funding. Instead, we need finances to keep our Church functioning and work on the assumption that if it functions, that is what is needed for it to do what it exists to do.

That's the basis on which we operate at present and it has a sensible logic. It prevents us from getting carried away by unrealistic ambition and also presents something which the whole Congregation can relate to, approve and own. It does contain a degree of ambition though and this is where a view over time can help to turn our budget into not just a planning tool but also a management tool. It lets us assess how well we're doing, where we are getting things right, where we need to be careful as we look forward and where we could realistically achieve more. A little more focus on results could be a very good thing.

A Brief History

We can look at performance against budget by both income and expenditure since 2013. This excludes Mission income and expenditure since they are not budgeted but simply raised and expensed as far as is possible each year. There are also many interpretations which can be applied but in the interests of keeping things simple, the main things to recall are that the level of expenditure dropped between 2016 and 2017 when there was no full-time Minister for a spell, and that income fell particularly between early 2020 and the second half of 2021 due to COVID-19 lockdown restrictions.

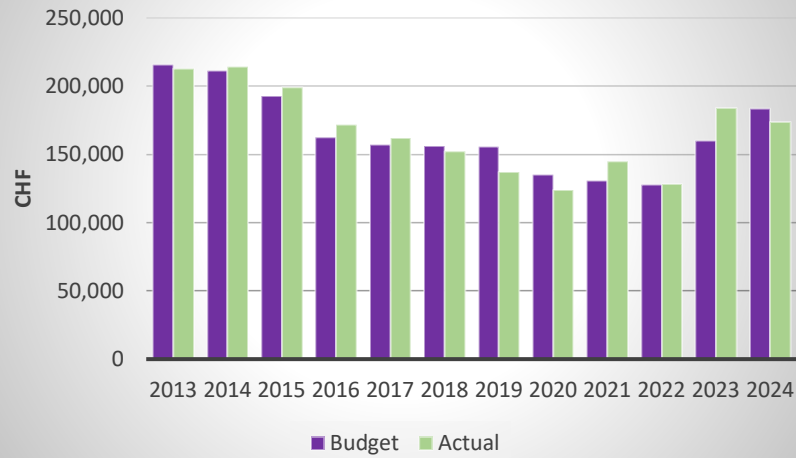
The overall figures can be seen on the next page but there are a few things worth noting:

- Income was higher than budgeted in 6 years and lower in 6 years
- Expenditure was always lower than budgeted except in 2 years
- Exceptionally good performance has almost always been driven by extraordinary events, such as the huge savings on employment costs in 2016/2017, one-off donations, and the special appeal in 2023
- There has been an overall decline in annual income levels both budgeted and actual until the special appeal of 2023, the effect of which started to fall already in 2024
- The annual expenditure level, both budgeted and actual, has been generally rising since 2016 although at a modest rate

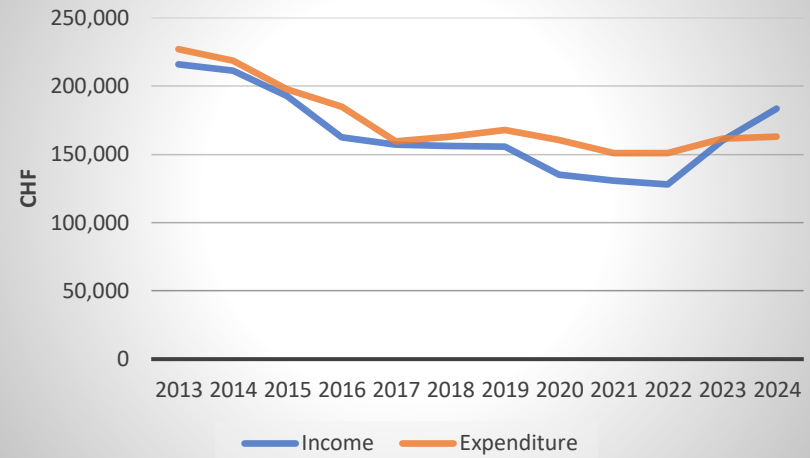
All of the above basically means that the Congregation is fairly strong at planning ahead in terms of expenditure. We have quite a good handle on what we plan to be spending and we keep it under control. Our income tends to fall a bit more short of our ambitions although this is often offset by what are essentially windfalls in terms of special donations and appeals. This has proven to be sufficient over the past decade, no more so than at the end of 2023 with the special appeal which turned a budgeted deficit of CHF 1,675 into a surplus of CHF 37,635. On top of a deficit in 2022 of CHF 23,783, this was a timely upturn. The question in 2024 and beyond was and remains how to sustain it.

The story of our budget shows us various lessons but two stand out. First, we have to plan ahead for increased expenditures. Our outlays will not get less. Perhaps temporarily, as the gap between Ministers cuts down on employment costs but that is no basis for longer term planning. However, our robust control in that area will help us. Second, especially as we come out of the first year of the Future Focus initiative, we need to get to grips with our income situation. Relative to budget, we can only see ourselves driven along by external trends and rescued by special events which we cannot reasonably control. Our Congregation needs to plan ahead in a way which lets us determine our own course.

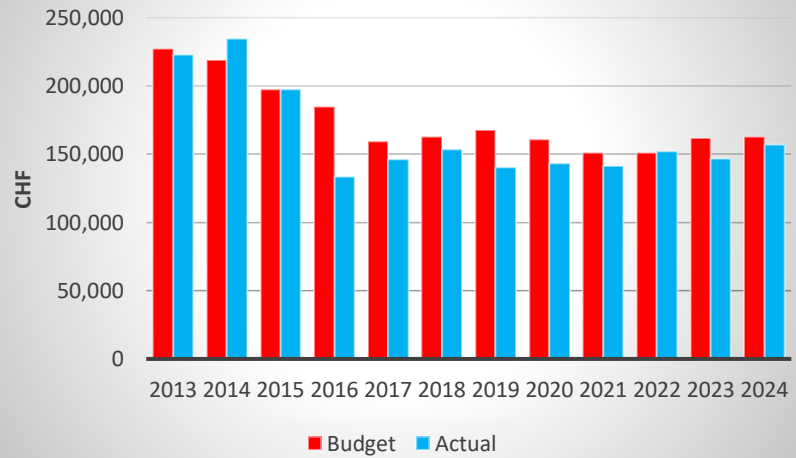
Income



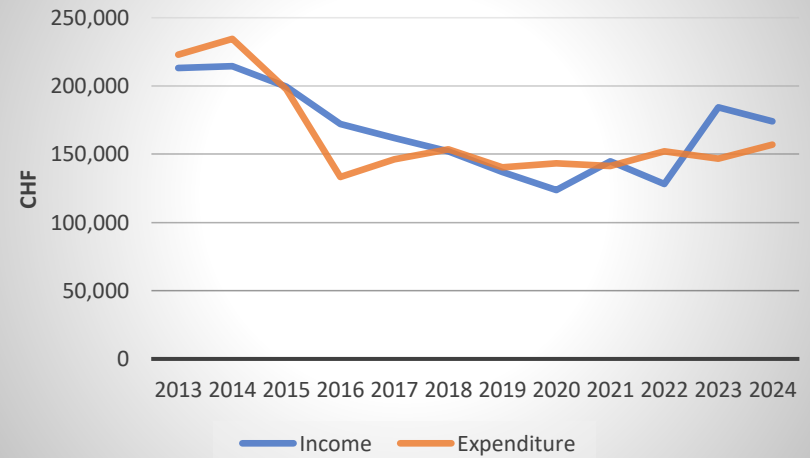
Budget



Expenditure



Actual



2024 – A Short Summary

	2024 Budget	2024	2023	2024 vs 2023
Income	183,300	173,987	184,186	- 13,704
Expenditure	162,965	157,045	146,551	6,990
Surplus	20,335	16,942	37,635	- 20,694
Mission	N/A	26,522	30,027	- 3,505
NET ASSETS	292,840	289,447	272,505	16,942

- FWO very strong (CHF 106,660), giving decent income performance
- Cash and donations down by CHF 9,501 relative to budget and by CHF 25,855 relative to 2023
- Expenditure higher due mainly to Church of Scotland fees, utilities and taxation-related costs
- Net assets reflect financial worth of the Church and increase whenever there is a surplus
- Adjusted for inflation, net assets decreased by around CHF 50k from 2017 to 2022 but recovered by around CHF 40k over 2023 and 2024

What can we see from 2024 ?

2024 was encouraging in general although it did reveal one serious failing on the income side. The 2024 budget was very ambitious in terms of income, and the cash and donations figures predictably enough fell a little short of target. However, Freewill Offering exceeded its CHF 100,000 target by CHF 6,660 which was an excellent performance. The Church Fair also performed strongly, bringing in CHF 13,819 even when weather and timeframe threatened to conspire against it.

The real concern came from special fund-raising which raised only one third of what was planned. The figure had been largely based on the anticipated progress of the Future Focus initiative. This was never a particularly easy factor to predict and it may yet be that it goes on to generate significant results. It is also very important to remember that Future Focus is principally intended to boost the Congregation and Congregational life and that its impact on finances is not the main objective. It can take time for such results to be seen. However, inasmuch as it can be hoped to bring in increased revenue, it still has to

demonstrate concrete results. It is also the one element where the Congregation tried to take full ownership of something it could drive forward.

Nonetheless, the income level was certainly better than in 2023 prior to the special appeal. That is encouraging since perhaps the message then, of income levels descending past a sustainable point, can be seen to have taken effect. However, income levels have to keep climbing if expenditure levels do so. The increase in Freewill Offering is the best encouragement for that but the main concern is that there is no real oversight or planning. The Church has no fundraising or marketing committee and proactive income generation does not really feature on the agendas of either the Kirk Session or the Congregational Committee. The Church is not lost at present but it needs to plan ahead and take its future in its own hands here.

By contrast, expenditure went very much as planned in 2024. Employment and facilities (Manse and Auditoire/Salle) costs were closely aligned with what had been approved by the Congregation. The main savings were from other expenses on Church of Scotland fees (Giving to Grow payments to Edinburgh plus International Presbytery dues), and on contingency funding, which is always planned although not intended to be used except where essential. Other expenses were still higher than in 2023 when the Church of Scotland deliberately kept fee levels artificially low to help with post-lockdown recovery but that era seems past now.

The main questions regarding expenditure will be how far the Congregation can plan to expand Church life in addition to simply surviving, and what the impact of a new Minister will be. The latter depends very much on the personal circumstances of any candidate. Obviously, the choice of Minister should not be driven by finances. The Congregation needs the best Minister for the job. The question is rather how best to ensure that it can have the finances its needs to get that Minister and that is where advance planning is critical. We can look at what has happened in 2024 and soon in 2025 as well and use that as the basis to determine what we will need in 2026 and beyond. Then we can plan our ambitions in our income and our critical needs in our expenditure. If we can get those right and use them as part of the set of tools we have to manage our Church, then we will have a budget and financing which play the role they should in Church life.

Acknowledgements

There are always several people to acknowledge in terms of the Church's financial management. Not least are the Ushers who collect the offerings each week and particularly Arthur, Nicola and Han who pay the funds into the Church accounts.

Andrew McCallum and Robert Walker have provided invaluable services in carrying out the independent examination of the Church's accounts, which is legally required and also ensures that what is submitted for approval is correct and trustworthy.

Finally, we should also recognize the pro bono services provided generously by SOFAD SA in terms of tax advice and employment costs management. This service has been of immense help in 2024 and recent years.

As mentioned, there are plenty others and full apologies are offered to anyone who should have been mentioned explicitly but has not been here. The fault lies entirely with the Treasurer.