

Designated and Restricted Reserves

The Pension Reserve is a fund held by the Union to support the Baptist family in dealing with the deficit in the Baptist Pension Scheme. Across the Designated and Restricted sections, the Pension Reserve received total income of £0.83m (2021: £1.76m) comprising: £0.24m (2021: £1.04m) of proceeds from closures of churches where the Union is the beneficiary of the Ultimate Trust, £0.55m (2021: £0.55m) from Baptist Union Corporation to support the interest costs on the loan from RBMHO and £0.04m (2021: £0.17m) of other income. Expenses totalled £1.09m (2021: £0.82m) comprising £0.98m (2021: £0.62m) in interest on the loan from RBMHO, £0.06m (2021: £0.15m) on supporting churches with pension deficits and £0.05m (2021: £0.05m) on legal fees and expenses relating to pensions.

The Designated section had a deficit balance of £16.59m (2021 £16.33m), comprising the £20m liability to RBMHO and £3.41m in cash. Of the cash balance, £3.60m was set aside in an escrow account to support the Baptist Pension Scheme. £3.00m is short term to assist the Defined Benefit Scheme as it moves to buy-out and wind up. £0.60m relates to the Defined Contribution Scheme in meeting the financial sustainability requirements of its Master Trust authorisation. Both amounts therefore are not available for general use. The long-term plan is to repay the £20m loan from RBMHO using anticipated future cash surpluses from RBMHO that will be shared with the Union under a memorandum of understanding between the Union's Trustees and the Trustees of RBMHO, which will resolve the deficit in the Fund.

The Baptist Strategy Building Scheme is a closed scheme which made interest free loans for building works to churches which would typically not qualify for other loans. Repayment plans are only put in place when it is felt that the church is able to afford it. Any loan without an active repayment plan is fully offset by a provision in the accounts as well as any repayments due more than five years into the future. Repayments of £70k (2021: £17k) were received and the review of the provisions held at year end resulted in a reduction in the provision (shown in the accounts as a negative expenditure) of £0.6k. There were 12 loans outstanding at year end with a gross value of £0.95m (2021: £1.02m) to which a bad debt provision of £0.56m has been accounted for.

The Baptist House Reserve: which holds the assets involved in the Union's co-ownership with BMS World Mission of the Baptist House premises. £0.07m (2021: £0.07m) of depreciation was recorded against the fund, leaving a balance of £2.91m (2021: £3.09m)

Fixed Asset Reserve: holds the Union's other property assets. This fund recorded £0.09m (2021: £0.03m) of depreciation against the properties, leaving a final balance of £2.25m (2021: £2.91m) after purchases and sales during the year.

Pastoral Funds: The Pastoral Fund and Retired Ministers' Benevolent Fund continued to make grants for pastoral support of members of the Baptist family totalling £0.12m (2021: £0.13m). The Pastoral Fund received investment income of £0.08m (2021: £0.07m) and had a year end balance of £2.03m (2021: £2.16m) after loss on investments of £0.09m (2021: gain £0.01m).

Strategic Projects Fund: The Fund supports key strategic projects initiated by the Union. This year, £0.03m was spent investigating options around a future financial model of Baptists Together, leaving a balance of £0.01m at the end of 2022 (2021: £0.04m).

Baptist Assembly: The Baptist Assembly is an annual event which reviews the life of the Union over the last 12 months, and receives updates on ongoing projects and areas of work. In 2022 the event had costs of £0.10m, offset by income of £0.04m from donations and £0.01m contributed by BMS.

Subsidiary and Related Entities

The associated entities of the Union operate according to their own Governing Documents and, where required, report to the Union's Trustee Board. The Trustee Board works in partnership with the relevant officers or Directors of these entities where issues arise that impact upon the wider life of the Union. The Union is involved in the following related companies and bodies:

1 Baptist Union Corporation Limited (BUC): is a registered Charity (charity number 249635) and a Company Limited by Guarantee (company number 32743) and operates as a subsidiary of the Union. The members of the BUC are the Trustees of the Baptist Union of Great Britain. The organisation's activities include holding as Custodian Trustee of the property and investments of the Union and Baptist churches in trust with the BUC, together with trust funds in cash. The BUC recorded an operating surplus for 2022 of £0.87m (2021: surplus £1.74m) prior to gifts to the Union of £0.87m (2021: £0.75m). The reserves at year end were £4.39m (2021: £4.39m).

2 The Retired Baptist Ministers' Housing Organisation (RBMHO): is a Charitable Incorporated Organisation registered with the Charity Commission (charity number 1177649), which provides housing for retired Baptist ministers and their spouses. Eight of the 15 Trustees of RBMHO are appointed by the Trustees of the Union. On 31 December 2018 RBMHO took on the operations, assets and liabilities from its predecessor organisation, The Retired Baptist Ministers' Housing Society. RBMHO is accounted for as a Restricted Fund within the Union's Consolidated Financial Statements. During 2022 RBMHO made a surplus of £1.70m (2021: £2.69m) and had total reserves at the year-end of £38.88m (2021: £37.19m).

3 The Retired Baptist Ministers' Housing Society (RBMHS): The Society is a charitable Community Benefit Society registered with the Financial Conduct Authority under number 21462R. The Trustees of Retired Baptist Ministers' Housing Organisation (RBMHO) are the members of the Society. The society is now dormant, having transferred its assets, liabilities and operations to RBMHO on 31 December 2018, which continues its work.

4 Baptist House Limited (BHL): The BUC is one of the two members of this Company Limited by Guarantee (company number 2366122), which operates Baptist House on behalf of The Union and BMS World Mission. The Union may appoint up to three of the six Directors of the company. BHL recorded a loss of £0.05m (2021: profit £0.03m) and total reserves at the end of the period were £0.25m (2021: £0.30m). The Union's half share of the results for the year to 31 October 2022 are included in the consolidated financial statements.

5 Baptist Pension Trust Limited: This Company Limited by Guarantee (company number 03481942) is responsible for managing the administration and investments of the Baptist Pension Scheme. The Directors are the only members of the company. The Directors appoint Baptist Union-nominated Directors to the Board of the Company and at least one-third of the Board are member-nominated Directors as required by law. The results are not included in the Union's consolidated accounts.



Investment Performance

The governing documents give the Charity Trustees the power to invest in such securities and on such terms as the Charity may deem fit. The Trustees have delegated the detailed monitoring of the portfolio to the Finance and Audit Committee of the Union.

The investments are managed within ethical guidelines set down by Baptist Union Council. These comprise both positive and negative screening. In summary the positive screening means investing in companies or sectors which reflect Christian values in areas like environmental protection, supporting sustainable development, health including healthy food, education, employment, human rights including addressing modern day slavery, good corporate social responsibility, good governance, financial transparency, anti-corruption controls, safe working practices, natural justice and sensitivity towards the communities in which their business operates. Our negative screening excludes companies with more than 10% of revenue in any of the following: gambling, pornography, the supply of tobacco products, alcoholic beverages, armaments, high interest rate lending, human embryonic cloning or genetically modified organisms (except where research is absolutely essential), companies involved in human exploitation or injustice and the extraction of coal and tar sands and any other fossil fuel extraction. Where we invest in pooled funds these are screened to ensure that no more than 5% of assets in the fund are in companies that fail to meet the direct investment criteria. This policy was revised by Baptist Union Council in 2021.

Within the investment strategy, Schroders Plc have been appointed as investment managers with discretion over investments. Details of the investments are set out in note 13 to the financial statements. Our investments are managed in two portfolios, a general portfolio and an endowment portfolio. Since the fourth quarter of 2020, both portfolios have targeted performance on a total return basis of CPI+4% per annum net of fees over the long-term. The Finance and Audit Committee has put in place composite benchmarks for Schroders as follows:

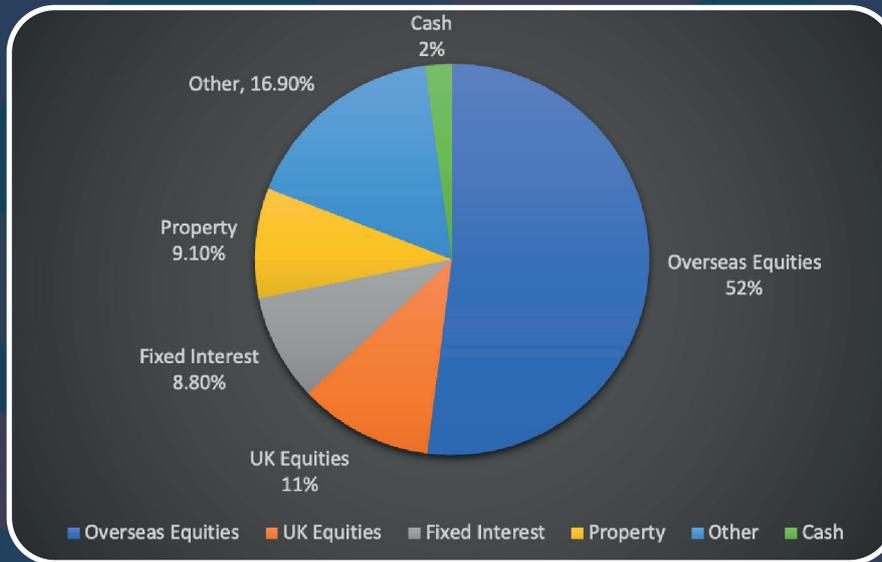
	General Portfolio	Endowment Portfolio
MSCI AC World GBP	65%	65%
FTSE All Share TR	5%	5%
IBOXX UK Non-Gilt TR	5%	5%
IPD Property (UK) Index	10%	10%
UK CPI + 3%	15%	15%

A summary of investment performance in the 12 months to 31 December 2022 is presented in the following table:

	2022 Performance	Composite Benchmark	Performance vs Benchmark	Long-term target (CPI+4%)	Performance vs long-term target
General Portfolio	-6.9%	-4.7%	-2.2%	15%	-21.9%
Endowment Portfolio	-6.6%	-4.7%	-1.9%	15%	-21.6%
Combined	-6.9%	-4.7%	-2.2%	15%	-21.9%

2022 was a difficult year for financial markets, particularly as interest rates started to rise, creating uncertainty. The rise in inflation also caused a very rapid rise in the long term target. As a consequence, the short-term negative performance was greater than the expected composite negative benchmark and significantly below the long-term benchmark. The Trustees continue to monitor performance on a quarterly basis.

Actual consolidated Asset Allocation as at 31 December 2022 is shown below:



Approach to fundraising

The Baptist Union of Great Britain funds the majority of its work through funds raised from its members, who are churches, regional associations and colleges. The Home Mission Appeal, through which funds are collected from member churches, is organised by our partner regional associations. We also request a subscription from each member church, association and college, which is requested annually by writing to each organisation's treasurer. We also have a small number of personal members, from whom we also request a subscription on an annual basis.

Our main avenue for raising funds from the general public is through legacies. We offer a will writing scheme in partnership with the National Free Wills Network, which is run by Capacity Marketing, a Division of Ashton Maund Associates. Capacity Marketing is a member of the Institute of Fundraising, which requires all members to sign up to the Code of Fundraising Practice. This scheme is promoted via our member churches and referrals are passed to National Free Wills Network for referral on to their member solicitors, who are regulated by the Solicitors Regulation Authority. Solicitors are required to check that a client is not under duress when making a will, which provides protection from undue pressure. Capacity Marketing only send at most two standard form letters when contacting individuals referred to the network and no telephone calls are made to potential donors.

We also accept direct donations from the public via our website. There are links provided to make a donation from various pages of our website. We do not actively promote the online donation facility through any direct marketing. We do promote our work to our member churches by letter and email to their church leaders and by email to subscribers to our mailing lists.

Fundraising complaints are handled through our standard complaints procedure. No complaints relating to fundraising were received in 2022. Complaints are monitored and reviewed for any concerns in relation to fundraising practices, which would then be reported to the Trustee board.

Baptist Pension Scheme (BPS)

The Baptist Union of Great Britain is a participating employer in the BPS, which has a defined benefit (DB) section relating to pensionable service up until the end of 2011. The BPS DB liability is recognised in our accounts as a liability based on a discounted cashflow of the contributions due under the agreed recovery plan. In September 2020, BPS completed a triennial valuation of the scheme as at 31 December 2019. This showed a deficit of assets compared to liabilities of £18m. The associated schedule of contributions and funding plan was developed in consultation between the Pension Trustee and the Pension Employers' Group and approved by the Union. The Union made a one-off contribution of £0.5m in December 2020 under this schedule of contributions in addition to the current employer contribution plan which ends in June 2026.

During 2022 the DB Scheme moved into surplus on a technical provisions basis and allowing a buy-in of the remaining liabilities. As a result, the liability for the Baptist Union has reduced to a nominal £42. A further triennial revaluation of the Scheme is due during 2023 based on the valuation at 31 December 2022. Because the valuation will not be completed before these accounts are finalised accounting standards require that a liability of £6m is recorded based on the last triennial valuation as at 31 December 2019 when there was a deficit of assets to liabilities of £18m and a schedule of deficit contributions running to June 2026. This liability amounts to £4.89m on a discounted flow basis. The Trustees expect this liability will be released once the 2022 valuation has been completed.

During 2019 £0.76m from the Pension Reserve was set aside in an escrow account to support the Defined Contribution part of the Baptist Pension Scheme in meeting the financial sustainability criteria necessary for obtaining Master Trust authorisation from the Pension Regulator. Following a review this was reduced to £0.55m in 2022.

A further £3.0m was set aside in an escrow account in 2022 to support the funding of the costs relating to the buy-out and winding up of the DB Scheme.

Policy on Reserves

During the year, the Trustees reviewed the reserves policy of the Union. The policy is put in place to ensure that the Union has sufficient free and available funds to cope with unplanned expenditure or an unforeseen drop in income. Having considered the risks relating to income and expenditure, the Trustees consider that it is appropriate to hold between 6 and 12 month budgeted expenditure, based on the timescales they anticipate it would take to reduce ongoing cost commitments due to notice periods for staff (typically between 3 and 9 months) and suppliers (up to 12 months) and the time it would take grant recipients to adjust to any reduction (estimated at between 6 and 12 months). This equates to reserves in the range of £3.3m - £6.1m. The unrestricted free reserves, excluding Designated Income Funds, capital assets and escrow accounts, totalled £4.1m at the year end. The Trustees feel this level of reserves is appropriate.

The Union holds a number of Designated Income Funds which can be spent at the discretion of the Trustees in furtherance of the Union's objects. The Trustees note their obligations to justify the holding of such funds and the details of these funds are provided in note 22 to the financial statements.

Report of the Finance and Audit Committee

The Finance and Audit Committee continues to oversee the finances of the Union. The key elements of work of the Committee in 2022 were

- Monitoring the finances of the Union, its subsidiaries and Baptists Together as a whole, including the income and expenditure, management of capital and liquidity and the management of assets.
- Setting the interest rate policy on behalf of the Baptist Union Corporation.
- Monitoring the performance of the Union's investment portfolio including overseeing the implementation of the Union's updated ethical investment policy and reviewing the benchmarks used for monitoring performance of the investment managers.
- Monitoring the position of the Baptist Pension Scheme and the potential strategies for managing the remaining liability in the defined benefit scheme.
- Reviewing the Risk Register, insurance cover and financial controls.
- Overseeing the year-end process for production of the annual report and accounts for BUGB and subsidiary entities, including reviewing the report of the auditors, Moore Kingston Smith, on the 2022 accounts and planning for the 2023 audit.
- Monitoring the financial support schemes for churches during the cost of living crisis experienced across the UK.
- Continuing to contribute to the Financial Model Review of Baptists Together.
- Reviewing the proposals for the future funding of ministerial training.

Key focus areas in 2023 will be the further stages of the Financial Model Review, monitoring the ongoing process for a buyout of the Baptist Pension Scheme and monitoring the next stage of the implementation of the scheme for the Funding of Ministerial Training.

