

13. Unified Statement of Connexional Finances

Contact name and details	The Revd Timothy A Swindell Connexional Treasurer Tim.Swindell@methodist.org.uk
Resolution	13/1. The Conference receives the Report as the Unified Statement of Connexional Finances required by SO 360.

Summary of content

Subject and aims	Summary extracts of the full consolidated accounts of the Methodist Church for 2020/2021 which were adopted by the Methodist Council and are presented to the Conference as the unified statement of connexional finances required by Standing Order 360.
Main points	These accounts consolidate figures for a wide variety of Methodist activities and entities.
Background context and relevant documents	When the Methodist Church was registered with the Charity Commission it was agreed that the accounts of the registered charity would be those of the Methodist Council. The full consolidated accounts were presented to the Council and adopted by the Council under SO 212(1). They are available for scrutiny on the Methodist Church website and in printed form from the Finance and Resources Team at Methodist Church House. Under SO 360 the Council is required to present to the Conference a “unified statement of connexional finances ... so as to give an overall view of those moneys and other assets for which the council is responsible”. This Report consists of extracts from the full consolidated accounts which provide a summary of them to meet that requirement. It is submitted to the Conference as the trustee body of the registered charity.

1. Link to the financial statements

The accounts can be viewed online at: <https://www.methodist.org.uk/for-churches/finance/financial-accounts-trustees-report/>

2. Strategic objectives, aims and purposes of the Methodist Church

The activities covered in these financial statements fall within the work of The Methodist Church in Great Britain ('The Methodist Church' or 'The Church'). The aim of The Methodist Church in Great Britain is to fulfil its calling, which is to respond to the gospel of God's love in Christ and to live out its discipleship in worship and mission.

3. Public benefit requirement

The trustees of the Methodist Church had due regard to the public benefit guidance published by the Charity Commission in compliance with its duties under section 17 of the Charities Act 2011. This guidance sets out two key principles:

- the organisation must have an identifiable benefit.
- the benefit must be to the public or a section of the public.

The Church exists, *inter alia*, to:

- increase awareness of God's presence and to celebrate God's love;
- help people to learn and grow as Christians, through mutual support and care; and
- be a good neighbour to people in need and challenge injustice.

The trustees consider that for these reasons the charity meets these public benefit requirements.

4. Organisation of the work

Since 2019/2020 The Methodist Church in Great Britain, in response to its calling and in pursuit of the strategic objectives shown at the start of this report, now organises its work in the following eight key areas:

1. Building communities
2. Children, youth and families
3. Evangelism and growth
4. Global relations
5. Learning network
6. The Methodist Council and governance
7. Ministries
8. Property

5. Financial review

The activities covered in these consolidated financial statements are those under the oversight of the Methodist Council. The Methodist Church in Great Britain is the registered charity and the Charity Commission has agreed that these financial statements can properly serve as the financial statements of the charity.

The net income for the year was a surplus of £23.6m (2020: £5.8m deficit), including net investment gains of £22.7m (2020: £5.8m losses).

Other recognised gains for the year were £13.2m (2020: £14.1m loss). A £12.3m gain (2020: £9.1m loss) arose from the actuarial revaluation of the Pension and Assurance Scheme for Lay Employees of The Methodist Church.

Income

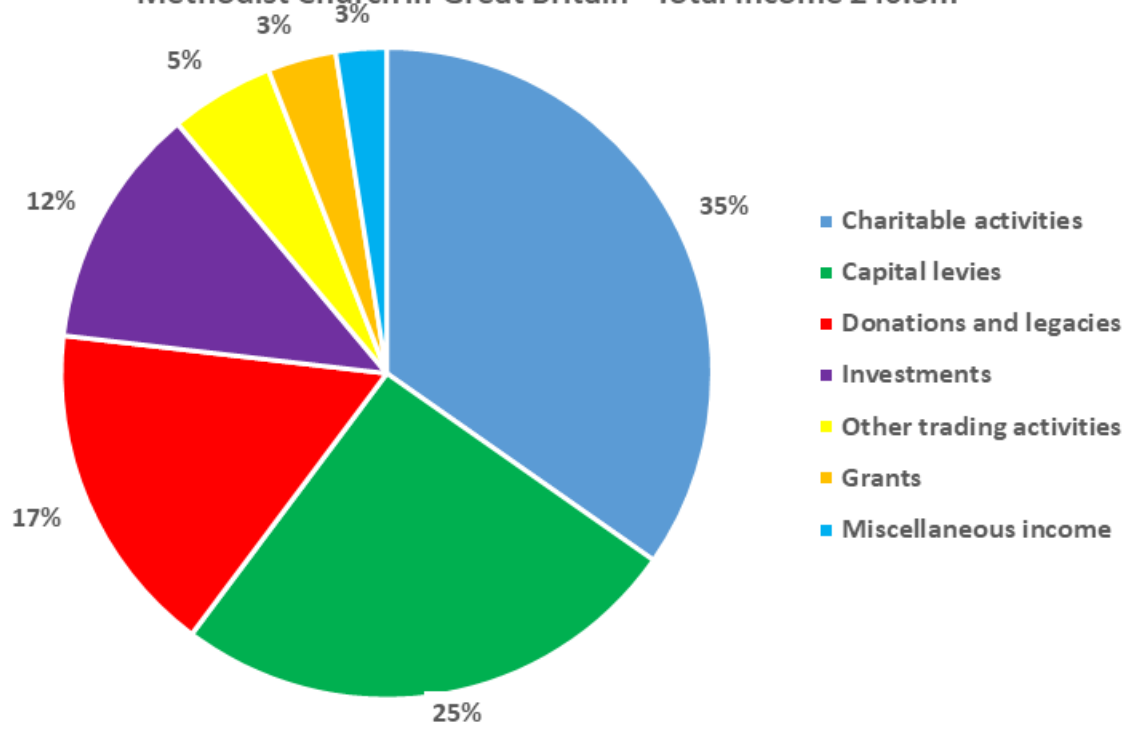
The total income for the year was £40.3m (2020: £44.4m) a decrease of 9% compared to the previous year. This was mainly due to the following:

1. Reduced legacy income following the significant (£1.9m) legacy received in 2019/2020.
2. Lower levels of donations due to the impact of the COVID-19 pandemic.
3. Major reductions in trading income across both MICL (reduced hotel occupancy) and Cliff College (course and event cancellations).
4. A reduction in investment income was experienced due to the significant impact that the pandemic had on the financial markets with consequent reductions in dividends being paid in year.
5. The deconsolidation of the Westminster College Oxford Trust (£0.5m).

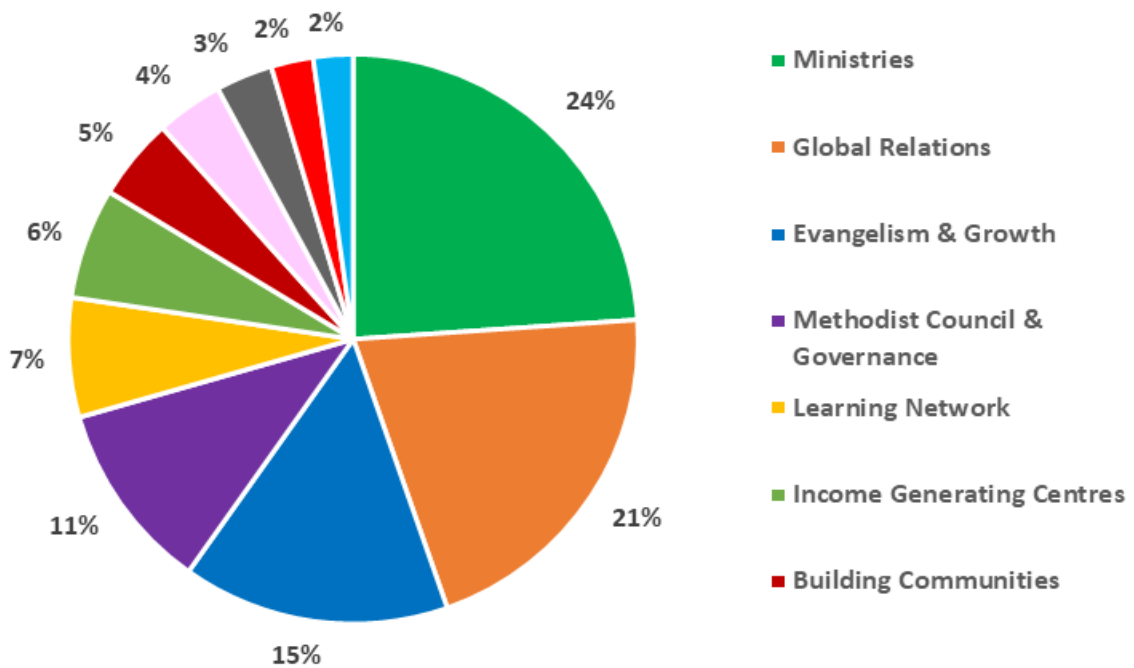
Expenditure

Total expenditure decreased to £39.4m (2020: £44.4m). Of this, £35.4m was spent on direct charitable activities (2020: £37.2m). The reduction in expenditure was partly due to a reduction in charitable spending by All We Can and the deconsolidation of Westminster College Oxford Trust (£0.7m). Expenditure also reduced because of the ongoing impact of the Covid pandemic reducing trading, events and physical meetings. Spending from restricted funds plus transfers was £2.6m greater than income. This largely reflects the policy to use excess reserves in a planned manner over three years.

Methodist Church in Great Britain - Total Income £40.3m



Methodist Church in Great Britain - Total Expenditure £39.4m



6. Investments

As at 31 August 2021, the Church held fixed asset investments with a fair value of £194 million (2020: £189 million). The Finance Sub-Committee regularly review the investment portfolio and performs an annual review of the investment policy. The Church's investment objective is to seek an optimal return from income and capital combined. The Finance Sub-Committee is satisfied with the overall performance of the investment portfolio against agreed benchmarks.

7. Consolidated statement of financial activities – see over

8. Consolidated balance sheet – see over

The Methodist Church in Great Britain

Consolidated statement of financial activities

For the year ended 31 August 2021

	Notes	Unrestricted £000	Restricted £000	Endowment £000	2021 Total £000	Unrestricted £000	Restricted £000	Endowment £000	2020 Total £000
Income and endowments from:									
Donations and legacies	3a	1,079	5,620	-	6,699	3,564	5,994	-	9,558
Charitable activities	3e	13,680	306	-	13,986	13,555	342	-	13,897
Investments	4a	1,312	3,539	-	4,851	1,350	4,060	-	5,410
Other trading activities	5a	851	1,235	-	2,086	4,835	1,217	-	6,052
Other									
Capital levies	6a	10,272	-	-	10,272	6,917	-	-	6,917
Grants	6b	416	954	-	1,370	469	729	-	1,198
Miscellaneous income	3c	426	590	-	1,016	647	685	-	1,332
Total income		28,036	12,244	-	40,280	31,337	13,027	-	44,364
Expenditure on:									
Raising funds		2,988	966	17	3,971	6,159	1,001	17	7,177
Charitable activities									
Building communities	7a	1,023	817	-	1,840	1,251	818	-	2,069
Children & Youth	7a	1,266	7	-	1,273	1,690	7	-	1,697
Evangelism & Growth	7a	5,561	394	10	5,965	4,662	1,444	-	6,106
Global relations	7a	972	7,188	-	8,160	1,341	8,719	-	10,060
Learning Network	7a	2,654	13	-	2,667	2,803	19	-	2,822
Methodist Council & Governance	7a	4,221	18	-	4,239	3,378	4,335	-	7,713
Ministry	7a	5,152	4,260	-	9,412	875	149	-	1,024
Property	7a	801	140	-	941	4,698	29	-	4,727
Others - Pensions	7a	799	-	-	799	691	-	-	691
Net loss on the disposal of tangible fixed assets	7a	148	(59)	-	89	106	161	-	267
Total expenditure	20a, 21a	25,585	13,744	27	39,356	27,654	16,682	17	44,353
Net gains/(losses) on investments	14a	9,924	9,646	3,125	22,695	(3,070)	(1,850)	(849)	(5,769)
Net income		12,375	8,146	3,098	23,619	613	(5,505)	(866)	(5,758)
Transfers between funds	22	946	(1,203)	257	-	954	(1,187)	233	-
Net income after transfers		13,321	6,943	3,355	23,619	1,567	(6,692)	(633)	(5,758)
Other recognised gains and losses:									
Remeasurement of net defined benefit pension scheme liability	28	12,213	80	-	12,293	(9,092)	(29)	-	(9,121)
Gains(losses) on revaluation of charitable properties		-	946	-	946	-	(5,000)	-	(5,000)
Net movement in funds		25,534	7,969	3,355	36,858	(7,525)	(11,721)	(633)	(19,879)
Total funds at 1 September		92,442	152,119	19,480	264,041	99,967	163,840	20,113	283,920
Elimination of Westminster College from consolidation	9	-	(10,757)	-	(10,757)	-	-	-	-
Total funds at 31 August		117,976	149,331	22,835	290,142	92,442	152,119	19,480	264,041


The Methodist Church in Great Britain
Balance Sheets as at 31 August 2021


	Notes	The Methodist Church in Great Britain		The Connexional Funds	
		2021	2020	2021	2020
		£000	£000	£000	£000
Fixed assets					
Intangible assets	13c	76	99	63	83
Tangible fixed assets	13a&b	95,947	94,231	87,366	86,315
Investments	14a&b	193,575	189,112	181,991	162,308
		289,598	283,442	269,420	248,706
Current assets					
Stocks	17	54	60	36	41
Debtors	15	3,611	3,845	3,342	3,482
Short-term deposits		13,326	14,038	11,539	12,745
Cash at bank and in hand		4,970	4,559	4,179	2,808
Total current assets		21,961	22,502	19,096	19,076
Creditors					
Amounts falling due within one year	16a	(14,372)	(17,158)	(13,425)	(14,908)
Net current assets		7,589	5,344	5,671	4,168
Total assets less current liabilities		297,187	288,786	275,091	252,874
Creditors					
Amounts falling due after more than one year	16b	(3,969)	(8,960)	(3,301)	(4,238)
Net assets excluding pension liability		293,218	279,826	271,790	248,636
Defined benefit pension scheme liability	28	(3,076)	(15,785)	(3,076)	(15,785)
Net assets including pension liability	23	290,142	264,041	268,714	232,851
The funds of the charity					
Unrestricted funds					
General funds		53,214	54,139	52,514	52,904
Designated funds		66,092	52,193	64,984	51,096
Defined benefit pension scheme liability	28	(1,330)	(13,890)	(1,677)	(13,890)
Total unrestricted funds	19	117,976	92,442	115,821	90,110
Restricted funds	20	149,331	152,119	130,058	123,261
Endowment funds	21	22,835	19,480	22,835	19,480
Total funds		290,142	264,041	268,714	232,851

Total unrestricted funds include revaluation reserve of £7.2m (2020: £7.6m) for both The Methodist Church in Great Britain and the Connexional Funds. Total restricted funds include revaluation reserve of £54.1m (2020: £54.3m) for The Methodist Church in Great Britain and £52.2m (2020: £52.3m) for The Connexional Funds. (Note 24 Page 90)

The notes on pages 49 to 98 form an integral part of these accounts.

Approved and authorised for issue by the Board of Trustees on 26th January 2022 and signed on their behalf by:


 Mrs E Jill Baker
 Chair of the Council


 The Reverend Timothy Swindell
 Connexional Treasurer

9. Statement of trustees' responsibilities

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the income and expenditure of the charity for that period. In preparing these financial statements, the trustees are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) observe the methods and principles in the Charities Statement of Recommended Practice (SORP);
- c) make judgements and estimates that are reasonable and prudent;
- d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- e) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

A resolution proposing the re-appointment of RSM UK Audit LLP as auditor to the charity was approved by the Methodist Council.

RSM UK Audit LLP has indicated its willingness to continue in office.

*****RESOLUTION**

13/1. The Conference received the Report as the Unified Statement of Connexional Finances required by SO 360.

Independent Auditor's Report to the Trustees of The Methodist Church in Great Britain Opinion

We have audited the financial statements of The Methodist Church in Great Britain (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 August 2021 which comprise the Consolidated Statement of Financial Activities, the Connexional Statement of Financial Activities, the Consolidated and Connexional Balance Sheets, the Consolidated and Connexional Cash Flow Statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and charity's affairs as at 31 August 2021 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditors under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Trustees' Report; or
- sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 40, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud. In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework, that the group and parent charity operates in and how the group and parent charity is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Charities Act 2011 and the parent charity's governing document. We performed audit procedures to detect non-

compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustees' Report and remaining alert to new or unusual transactions which may not be in accordance with the governing documents.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to General Data Protection regulations in the UK and safeguarding. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence with regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's trustees as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row, Birmingham
West Midlands B2 5AF

Date: 7 February 2022

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.