

## Context of establishing the Connexional Central Services Budget for three years commencing with 2016-17

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<b>Status of Paper</b>	Final
<b>Action Required</b>	To note
<b>Draft Resolutions</b>	<p>79/1. The Council receives the report and directs the Strategy and Resources Committee to use the principles contained within it as the basis for budget preparations.</p> <p>79/2. The Council considers it helpful that the Conference should again be presented with options for the calculation of the Methodist Church Fund Assessment and directs the Strategy and Resources Committee to present options to the Council for presentation to the Conference.</p>

### Summary of Content

<b>Subject and Aims</b>	The paper presents an opportunity for the Council to comment on the budgetary process To update the Council on the principles for the compilation of a three year budget commencing in 2016-17
<b>Main Points</b>	<ul style="list-style-type: none"> <li>• Level of Methodist Church Fund (MCF) assessment</li> <li>• World Mission Fund (WMF) grant budget</li> <li>• Impact of pay and grading review</li> <li>• Discipleship and Ministries Learning Network (DMLN) budget ring-fencing</li> </ul>
<b>Background Context and Relevant Documents</b>	Connexional Central Services Budget as agreed by the 2015 Conference (agenda item 36A, p 301 Agenda 2015 vol 2)
<b>Consultations</b>	N/a

### Summary of Impact

<b>Financial</b>	All parts of the Connexion will be affected by the MCF assessment decisions
<b>Wider Connexional</b>	See financial

## Context of establishing the Connexional Central Services Budget for three years commencing with 2016-17

### Background

1. Given that the process of compiling the Connexional Central Services Budget for three years beginning with 2016-17 will involve a number of critical decisions that will affect finances across the Connexion, it was felt that it would be useful to highlight the planned process to the Council in October. Many of the initial budget assumptions will be established by the Strategy and Resources Committee (SRC) when it meets in November – its discussions will therefore be informed by any guidance which the Council wishes to provide.

### 2. Process and timetable

- Initial parameters, including salary increase assumptions decided by SRC in November 2015
- Income figures produced by the Finance Office and agreed by the Senior Leadership Group of the Connexional Team (SLG) then combined with SRC decisions.
- Budget holders within the Team work with SLG to produce first draft budget for mid-January 2016.
- Discussion of key questions in more detail by Methodist Council in January 2016.
- Budgets presented to Finance Sub-committee (FSC) and scrutinised in detail February 2016.
- Budget as endorsed by the FSC discussed by the SRC in March 2016 – it will formally recommend the budget to the Council.
- In April 2016 the Council will debate and agree the budget to be presented to the Conference.
- In July 2016, the Conference will adopt year one only of the three year budget.

### 3. Methodist Church Fund (MCF) Assessment

Every three years the Conference determines the method by which changes to the level of the total MCF assessment will be made. It establishes this a year in advance, so that budgets across the Connexion can be prepared in light of the actual assessment to be met. The 2016 Conference will therefore be asked to agree the method by which the assessment will change for the three years commencing 2017-18. The assessment for 2016-17 will increase by 2% as agreed by the 2013 Conference. The apportionment of this by District was agreed with District Treasurers at their annual practitioner forum in August 2015 – this is now being used to prepare circuit and church budgets.

In order to produce a three year budget commencing in 2015-16, the Council needed to decide what level of increase to use for calculation purposes only for year three. It decided to use 1%, stressing that this should not be taken in any way as an indication of what would be proposed to the 2016 Conference.

When the current formula was agreed the Council decided to provide the Conference with three different options. The general feeling at the time was that the Conference engaged very effectively with this, producing a clear decision after a full and careful debate. The Council is

asked now whether it has any initial views on whether or not the Conference should again be presented with a choice and if so whether or not the Council is likely to recommend a preferred option? If it does so, then it would need to decide which one to use as the assumption figure for years two and three of the budget. As this year, these would only be indicative because the Conference only adopts year one of the budget under Standing Orders.

#### **4. World Mission Fund (WMF) Grants Budget**

The 2015-16 onwards budget for grants from the World Mission Fund (WMF) remained largely unchanged, pending consideration of the strategic use of that fund in supporting the Church's work with partners overseas. However, in the light of this review it was not felt appropriate by either the SRC or Connexional Grants Committee (CGC) that a further round of three-year rolling grants be made in 2015/16. As a result, this budget has been smoothed over the three years of the draft budget, but retained at the same overall level. Given the gradual decline in income to the fund, this assumption of an unchanged pattern of spending will mean a reduction in its balance of over £5.7m over the three years of the budget. It is anticipated that the ongoing work, in collaboration with the Methodist Church in Ireland, on the strategic use of the WMF and of a resultant reserves policy will enable more detailed proposals on this to be incorporated into the 2016 budget round. However, it will ultimately be for the Council to adopt a reserves policy and to decide the rate at which the fund is used and how quickly any tapering off in grant budget is applied.

#### **5. Continued release of reserves for mission and ministry in Britain grants**

Over the last two years the Council has adopted target reserves levels for the Mission in Britain Fund (MiBF), the Connexional Priority Fund (CPF) and the Fund for Property (FfP). It has agreed in each case to release additional amounts from each of these in order to reduce balances down to the target levels within three years. The budgets for connexional grants from each will continue to reflect this. £1.5m of CPF reserves has been ring-fenced for other work and proposals for the use of this will form part of the draft budget.

#### **6. Impact of pay and grading review**

At its meeting this October the Council will be asked to approve new grading and salary structures. It is proposed that these will be implemented from 1 September 2017, with the salary review for 2016 being determined by the existing method when the SRC meets in November. However, an overall assumption will be required for years two and three of the budget.

#### **7. Discipleship and Ministries Learning Network (DMLN) Budget**

Since the creation of the DMLN, its budget has been maintained to the level originally stated in the Fruitful Field report to the Conference. At that time an assumption was made about the assets that would be available to generate income at a level of £927k per annum<sup>1</sup>. The sources of income indentified in the report have not yet achieved the expected levels and despite massive progress at each of them, MIC Ltd and the Guy Chester Centre have not been able to take up that slack. The existing three year budget includes just over £1m spread over three

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<sup>1</sup> In the case of the Guy Chester Centre, Methodist International Centre, the Southlands Methodist Trust, the Discipleship and Ministries Learning Fund and, potentially, the Trusts associated with Wesley House, Cambridge, these funds and assets will provide an income for the Network, and the Committee anticipates that the income generated will be sufficient to meet the annual costs attributed to the Network's funds and assets of £927k. The Committee further recommends that the Network develop a fund and asset management strategy which, as well as enabling revenue costs to be met from the Network's income, will enable the costs of moderate capital expenditure projects at the two centres to be met from the Network's funds. Para 268 Fruitful Field Report 2012 Agenda p756

years from the Fund for Training as top-up funding. This is not sustainable in the long-term and itself removes any room for manoeuvre on other capital expenditure. It is therefore proposed that the DMLN budget will be treated as a part of the whole henceforth and not necessarily held at the levels agreed by the 2012 Conference, reflecting the Church's current financial context.

### **\*\*\*RESOLUTIONS**

**79/1. The Council receives the report and directs the Strategy and Resources Committee to use the principles contained within it as the basis for budget preparations.**

*The following resolution is offered to test the mind of the Council in respect of section 3 of the report.*

**79/2. The Council considers it helpful that the Conference should again be presented with options for the calculation of the Methodist Church Fund Assessment and directs the Strategy and Resources Committee to present options to the Council for presentation to the Conference.**