

# The Financial Perspective

## Starting Points

In recent years the following have featured in the Connexional Team finances:

- Assessments have continued to rise while membership has reduced, thus increasing the burden on churches
- General reserve levels have been higher than can be reasonably justified.
- Budgeted Team expenditure has been higher than budgeted Team income with the expectation that the shortfall will be taken from reserves.
- Team expenditure has been significantly reduced so that the budgeted shortfall needed from reserves in 2006-07 is £400,000 – significantly less than previous years.

[<sup>2</sup>] Connexional Team Focus is primarily about putting the Priorities for the Methodist Church into practice. It seeks to respond realistically to the rapidly changing environment of the early 21<sup>st</sup> century. This same realism is required in financial matters, and Team Focus recognises the need for the reconfigured Team to work within a balanced budget.

### Projecting into the future

[<sup>3</sup>] The major streams of income are:

- Assessments
- Donations and Fundraising
- Investment Income
- Other income including legacies

[<sup>4</sup>] The high commitment of the Methodist people to fund church work through the Assessment is a great strength, and results in a reliable and sustainable income stream. The other income streams all have differing degrees of variation, especially beyond one year's projection, and would include components of restricted funds.

While church membership continues to decline, it is unrealistic to expect total Assessment income to increase. Such increases would only add undue financial

burden on the local church. To avoid this burden, JSG is looking to propose that the Assessment per capita should be kept level and only increased in line with inflation. This will result in reduced real income from Assessments until membership levels stabilise.

[<sup>6</sup>] The recommended principle for financing the reconfigured Team is to use this reliable Assessment income to cover the core costs of the Team. Restricted income from other streams would be used within their specified restriction, e.g. to support international mission relationships, and may be the result of fundraising appeals. This approach would free up general donations and other substantial but fluctuating income for innovative work.

[<sup>7</sup>] 'Core Costs' here is taken to mean the functions of running the Connexional Team's services to the Church e.g. the core functions to support UK churches such as the formation of presbyters and deacons; the administration of international mission relationships, but not grants to overseas partners; and the use of MCH; together with personnel, finance and grants administration.

### **Funding Innovation**

[<sup>8</sup>] In the light of the Priorities, Team Focus emphasises the role of the reconfigured Team in providing models of what it means to innovate new ways of working. Some of this will be through creating particular staff roles within the Team; some through setting up specific time-limited projects; and some through making grants to various parts of the Connexion and to international partner churches.

[<sup>9</sup>] There is a great opportunity through the new Christian Communication and Advocacy cluster to raise support for these areas of work by encouraging donations, and specific fundraising. Within these sources of income will be restricted funds which hopefully will help local churches to both understand where their money is going, and also to generate enthusiasm about particular aspects of ministry. It should provide an opportunity to reinforce the general understanding that the UK is now a vital mission ground which requires innovative approaches and significant resources.

### **Transition arrangements**

[<sup>10</sup>] The transition to the new Team model will require considerable resources, though these are hard to quantify at this point in time. There is the obvious issue of potential redundancy payments, but also practical help

for any staff released from the Team to find new work; training and development for staff seeking new positions in the Team or outside, and the ongoing support and counselling for all Team staff as they work through the changes. This may entail employing more specialist staff for the transition period, or hiring consultants.

[<sup>11</sup>] Fortunately unplanned income and reserves in some funds means that there are resources available to meet these one-off costs.

### **Overall Savings**

[<sup>12</sup>] A provisional review of income and main expenditure streams for the reconfigured Team as proposed in the Core Paper suggests that it is realistic to develop a balanced budget for 2008-09 and beyond (after excluding transitional costs). The core costs of permanent Team posts should be reduced by an amount approaching the Conference target of around 30% relative to the 2005-6 Team budget.

A fuller exposition of the financial underpinning of the reconfigured Team will be available for debate and decision at the March Council.