

12. Unified Statement of Connexional Finances

Contact name and details	The Revd Timothy A Swindell Connexional Treasurer Tim.Swindell@methodist.org.uk
Resolution	12/1. 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 2016/2017 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	<p>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.</p> <p>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”.</p> <p>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.</p>

1. Link to the financial statements

The accounts can be viewed online at: www.methodist.org.uk/trusteesreport

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

The activities covered in these accounts fall within the work of the Methodist Church. The strategic objectives of the Methodist Church are directly linked to its aims. They are:

- Worship – to increase awareness of God’s presence and to celebrate God’s love;
- Learning and Caring – to help people to learn and grow as Christians, through mutual support and care;
- Service – to be a good neighbour to people in need and to challenge injustice; and
- Evangelism – to make more followers of Jesus Christ.

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

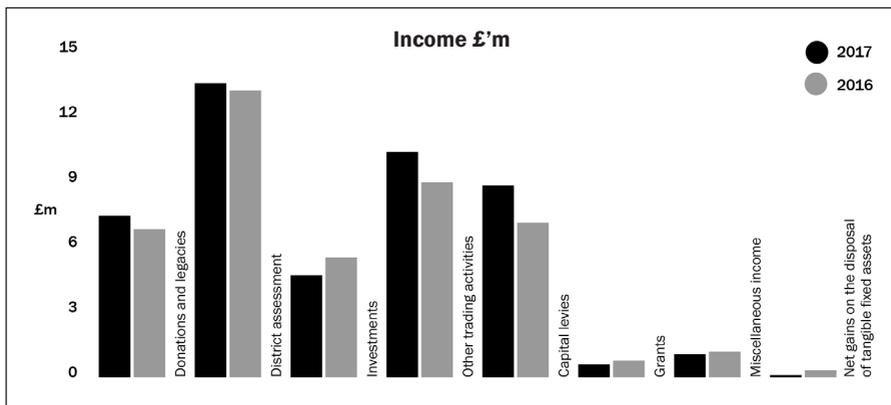
In 2016/17 the Methodist Church, in response to its calling and in pursuit of the strategic objectives (worship, learning and caring, service and evangelism), organised its work in the following key areas:

- equipping the Church to engage with society;
- formation, training, development and resourcing;
- empowering the ministry of overseas partners; and
- advocacy and education.

5. Financial review

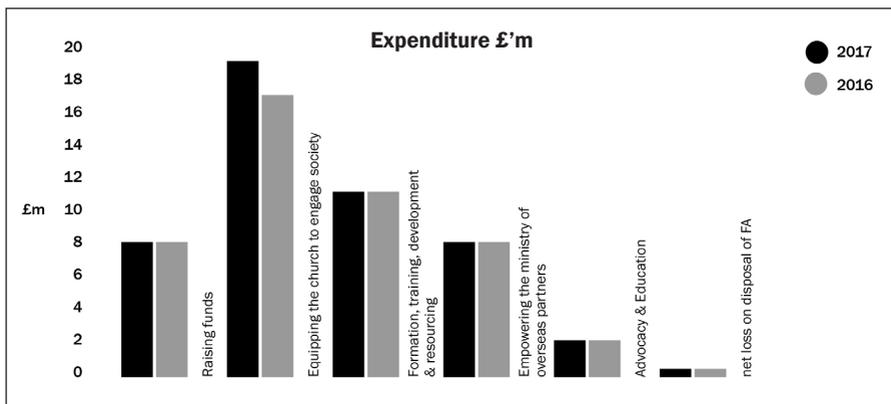
The activities covered in these consolidated financial statements are those under the oversight of the Methodist Council. The Methodist Church in Great Britain is the registered charity and the Charity Commission has agreed that these financial statements can properly serve as the financial statements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

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The total income for the year was £46 million, an increase of 7% compared to the previous year (2016: £43 million). Total expenditure increased by 4% to £48 million (2016: £46 million). At the end of the year, the Church recorded a net surplus of £16 million (2016: £14 million), an increase of 15%. The surplus includes net investment gains before other recognised gains and losses of £18 million (2016: £17 million).

The “other recognised gains and losses” for the year included a gain of £9 million (2016: £12 million loss) from actuarial revaluations on the Pension and Assurance Scheme for Lay Employees of the Methodist Church. This was caused by changes in the assumptions used to value the Scheme’s liabilities, the result of changes in market conditions and resulting in an overall increase in the Scheme’s deficit.



6. Incoming resources

Total income increased by 7% this year mainly due to a 24% increase in property levies compared to the previous year. There was also a 9% increase in income from donations and legacies. These increases were partially offset by a 15% decrease in investment income, resulting both from the planned use of reserves and a substantial direct investment in one property.

The value of investments held on behalf of the Council increased to £181 million (2016: £167 million). A detailed analysis of the income is provided in Notes 2-6 of the financial statements.

7. Resources expended

Total expenditure increased by 4% to £48 million (2016: £46 million). Of this, £39 million (82%) was spent directly on charitable activities. This includes all amounts spent in furtherance of our mission including grants and direct programme activities. A detailed analysis of expenditure by activity is presented in Notes 7-8 of the financial statements.

8. Investments

The total value of funds held at 31 August 2017 was £273 million (2016: £248 million). Restricted reserves were £190 million (2016: £182 million), including endowment reserves of £19 million (2016: £17 million). Unrestricted reserves were £82 million (2016: £66 million restated). A detailed breakdown of the funds is set out in Notes 19-25 of the financial statements.

As at 31 August 2017, the Church held fixed asset investments with a fair value of £167 million (2016: £153 million restated). The Investment Committee regularly reviews 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 Investment Committee is satisfied with the overall performance of the investment portfolio against agreed benchmarks.

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	Notes	Unrestricted £000	Restricted £000
Income and endowments from:			
Donations and legacies	3a	653	6,699
Charitable activities			
District Assessment		13,325	71
Investments	4a	1,320	3,318
Other trading activities	5a	8,049	2,214
Other			
Capital levies	6a	8,742	-
Grants	6b	-	585
Miscellaneous income	3c	572	485
Net gains on the disposal of tangible fixed assets		-	2
Total income		32,661	13,374
Expenditure on:			
Raising funds	7a	6,404	1,977
Charitable activities			
Equipping the church to engage society	7a, 20a, 21a	12,551	6,174
Formation, training, development and resourcing	7a, 20a, 21a	7,106	3,518
Empowering the ministry of overseas partners	7a, 20a, 21a	1,534	6,103
Advocacy and education	7a, 20a, 21a	2,322	97
Net loss on the disposal of tangible fixed assets		37	-
Total expenditure on charitable activities		23,550	15,892
Total expenditure		29,954	17,869
Net gains on investments	14a	3,444	13,044
Net income		6,151	8,549
Transfers between funds	22	1,187	(1,340)
Net income after transfers		7,338	7,209
Other recognised gains and losses:			
Actuarial gains/(losses) on defined benefit pension schemes	28	8,644	63
Gains on revaluation of charitable properties		55	-
Net movement in funds		16,037	7,272
Total funds at 1 September		66,336	164,229
Total funds at 31 August		82,373	171,501

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Endowment £000	2017 Total £000	Unrestricted £000	Restricted £000	Endowment £000	2016 Total £000
-	7,352	785	5,963	-	6,748
-	13,396	13,067	-	-	13,067
-	4,638	1,296	4,160	-	5,456
-	10,263	7,073	1,801	-	8,874
-	8,742	7,035	-	-	7,035
-	585	-	757	-	757
-	1,057	438	721	-	1,159
-	2	-	322	-	322
-	46,035	29,694	13,724	-	43,418
15	8,396	6,209	1,940	13	8,162
-	18,725	11,114	5,964	-	17,078
-	10,624	7,113	3,745	2	10,860
-	7,637	1,560	6,115	-	7,675
-	2,419	2,376	118	-	2,494
-	37	10	-	-	10
-	39,442	22,173	15,942	2	38,117
15	47,838	28,382	17,882	15	46,279
1,376	17,864	4,383	11,010	1,440	16,833
1,361	16,061	5,695	6,852	1,425	13,972
153	-	946	(1,131)	185	-
1,514	16,061	6,641	5,721	1,610	13,972
-	8,707	(12,226)	(115)	-	(12,341)
-	55	-	-	-	-
1,514	24,823	(5,585)	5,606	1,610	1,631
17,446	248,011	71,921	158,623	15,836	246,380
18,960	272,834	66,336	164,229	17,446	248,011

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	Notes	2017 £000	2016 £000	Restated 2017 £000	Restated 2016 £000
Fixed assets					
Intangible Assets	13c	178	171	176	171
Tangible fixed assets	13a,b	96,210	93,101	88,853	85,931
Investments	14a,b	181,424	166,509	158,694	151,022
	277,812	259,781	247,723	237,124	
Current assets					
Stocks	17	119	145	103	145
Debtors	15	6,112	7,133	5,215	6,378
Short term deposits		24,133	20,518	21,456	16,810
Cash at bank and in hand		6,612	1,349	2,049	1,078
Total current assets		36,976	29,145	28,823	24,411
Creditors					
Amounts falling due within one year	16a	(20,751)	(15,964)	(18,578)	(14,323)
Net current assets		16,225	13,181	10,245	10,088
Total assets less current liabilities		294,037	272,962	257,968	247,212
Creditors					
Amounts falling due after more than one year	16b	(9,476)	(6,343)	(5,767)	(6,341)
Net assets excluding pension liability		284,561	266,619	252,201	240,871
Defined benefit pension scheme liability	28	(11,727)	(18,608)	(11,727)	(18,608)
Net assets including pension liability	23	272,834	248,011	240,474	222,263
The funds of the charity:					
Unrestricted funds					
General funds		45,440	42,895	44,710	42,675
Designated funds		46,543	39,776	46,543	39,776
Defined benefit pension scheme liability	28	(9,610)	(16,335)	(9,610)	(16,335)
Total unrestricted funds	19, 24	82,373	66,336	81,643	66,116
Restricted funds	20a,b, 24	171,501	164,229	139,871	138,701
Endowment funds	21b,c	18,960	17,446	18,960	17,446
Total funds		272,834	248,011	240,474	222,263

11. Accounting estimates and judgments: defined benefit pension schemes

The Methodist Council participates in three main pension schemes: the Methodist Ministers' Pension Scheme (MMPS); the Pensions and Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC); and the Superannuation Scheme for Lay Mission Partners of the Methodist Church (SSMP).

The PASLEMC scheme is treated as a group plan for accounting purposes, with the Methodist Council as the sponsoring employer with legal responsibility for the plan. There is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan as a whole to individual group entities and therefore the Council has recognised the entire net defined benefit cost and the relevant net defined benefit liability in its individual financial statements. Participation in a group pension plan is a related party transaction. The Council's policy is to recognise the contributions paid to the Scheme by other group employers as a credit in the Statement of Financial Activities.

The pension assets and liabilities in respect of the **PASLEMC and SSMP schemes** are recorded in line with FRS 102, with scheme valuations undertaken by independent actuaries. FRS 102 measures the value of pension assets and liabilities at the balance sheet date and determines the benefits accrued in the year and the interest on assets and liabilities. Current service costs, together with the net interest cost for the year, are allocated to relevant expenditure headings within the SOFA. **The MMPS scheme** assets and liabilities are excluded.

Scheme assets are measured at fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis at the balance sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities. The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members is recognised in the consolidated statement of financial activities within actuarial gains/losses on defined benefit pension schemes. The resulting defined benefit asset or liability is presented separately on the face of the balance sheet.

The MMPS is also a group scheme as all of the participating entities, mainly the Circuits and the Council, are under the common control of the Conference. However the Council has adopted a different accounting policy for this Scheme. For the MMPS, costs equal to the contributions paid are recognised in the accounts as they fall due. Pension costs are allocated to activities and between funds according to an employee's normal job function.

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12. 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 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

12/1. The Conference receives 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 on financial statements

We have audited the financial statements of The Methodist Church in Great Britain (the 'charity') and its subsidiaries (the 'group') for the year ended 31 August 2017 which comprise the Consolidated Statement of Financial Activities, the Connexional ('parent charity') Statement of Financial Activities, the Consolidated and parent charity Balance Sheets, the Consolidated and parent charity Cash Flow Statements and notes to the financial statements, including a summary of 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 2017 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material

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uncertainties that may cast significant doubt about the group's or parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Trustees' Report is inconsistent in any material respect with the financial statements; 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 25, 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.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row, Birmingham
West Midlands B2 5AF

Date: 19th February, 2018

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