

Connexional Central Services Budget 2020/21: revision in the light of Covid-19

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Status of Paper	Final
Action Required	Approval
Resolutions	<p>94/1. Responding to resolution 53/6 of the 2020 Conference, the Council approves the revised budget as presented.</p> <p>94/2. The Council directs that the costs of the property strategy previously borne by an allocation of £1m from the Connexional Priority Fund should in future be charged to the Fund for Property.</p> <p>94/3. The Council directs that there should be no change to the previously agreed approach to setting the District Assessment.</p>

Summary of Content

Subject and Aims	The paper proposes a revised Connexional Central Services Budget for 2020/21.
Background Context	MC20/44 Connexional Central Service Budget 2020/21 Methodist Council Report, part 3 to the 2020 Conference
Consultations	Connexional Senior Management Team Finance Sub-committee 10/7/20 Strategy and Resources Committee 16/9/20

Summary of Impact

Financial	Significant impact on the financial position of the Church, the extent of which is currently uncertain
Wider Connexional	Significant impact on the missional work of the Church as resources become more constrained.

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Introduction

1. The Conference commended the Methodist Council's intention to review the Connexional Central Services Budget (CCSB) 2020/21 and subsequent years in light of the impact of the COVID-19 pandemic. In particular, it requested the review include plans to ensure that:
 - income levels are updated for the current best estimates;
 - fund balances remain above (or are restored to) reserve levels, and
 - expenditure plans are re-evaluated in the light of reduced resources.
2. The Conference also directed the Council to review all activities currently planned for 2020/21 to ensure that only necessary work goes ahead and to reduce expenditure to a minimum where possible.
3. The Conference also directed the Council to oversee a review of the financial impact of COVID-19 on the Church in order to enable future financial resilience and support financial planning across the Connexion.
4. This paper sets out the revised budget for 2020/21. The budget reflects the best estimate of funding at the current time. These estimates were reviewed by the Finance Sub-committee but it is noted that considerable uncertainty remains about the financial outlook across the wider economy and specifically the church. This budget will need to remain under close scrutiny as the year passes with the potential for changes to expenditure plans during the year.

Budget proposal 2020/21

5. The Connexional Team has undertaken detailed budget setting over the summer and identified savings of c£1.7m. Set against this saving are one off costs of redundancies (£120k), investment in IT (£150k) and a contingency budget (£250k).
6. This level of saving largely offsets the loss of income that is expected in 2020/21 from the income generating centres and investments. What it does not do is create a buffer should the pandemic cause a second major lock down or the situation where Districts default on the Assessment.
7. Achieving such a significant level of savings is not without consequence. Whilst a contingency of £250k has been set, this will only be sufficient to meet costs that will undoubtedly occur but cannot be foreseen when or against which budget (primarily where cover is required for key posts due to sickness, maternity leave or resignation). There is no contingency to deal with more significant changes to the plans or to deal with major unforeseen pressures.
8. The key assumptions and impacts are as follows:
 - there is no allowance for agency costs where critical posts become vacant and have to be filled (except for the contingency budget);
 - temporary posts that meet peaks in workload (eg Gift Aid officer over the summer) have been removed and each affected team has identified a plan to share the workload across the team as required;
 - all committees have had a cut of 50% in their budget, assuming that 50% of meetings can go online or be cut completely;
 - no events are planned before 2021;
 - no major travel is assumed before 2021;

- a reduction in the use of external legal advisors will be achieved following appointment to the various vacant posts in the legal team;
- there will be a reduction in use of external consultants to provide property expertise around the Connexion;
- there is a planned reduction in Higher Education grants for one year;
- version 3 of Worship, Leading and Preaching will not be translated into Welsh;
- the Schools and Education Officer post will not be recruited to and Chaplaincy will be covered internally;
- the Learning Network is continuing to provide more online engagement and to do less face-to-face;
- there is a reduction in costs of 3Generate because of the cancellation this year and reviewing the requirements for next year;
- the number of interns has been reduced from nine to four;
- redundancies in the Children, Youth & Families team due to the reduction in events brought about by the pandemic, and
- there has been a reduction in planned team development activities (eg off-site away days).

9. The overall budget for 2020/21 can be found at Appendix 1 and is summarised as follows:

Table 1: CCSB 2020/21 Income and Expenditure

	2019/20 Budget £'000	2020/21 Budget £'000
Income	36,267	31,604
Expenditure	(41,305)	(33,891)
Net deficit	(5,038)	(2,287)

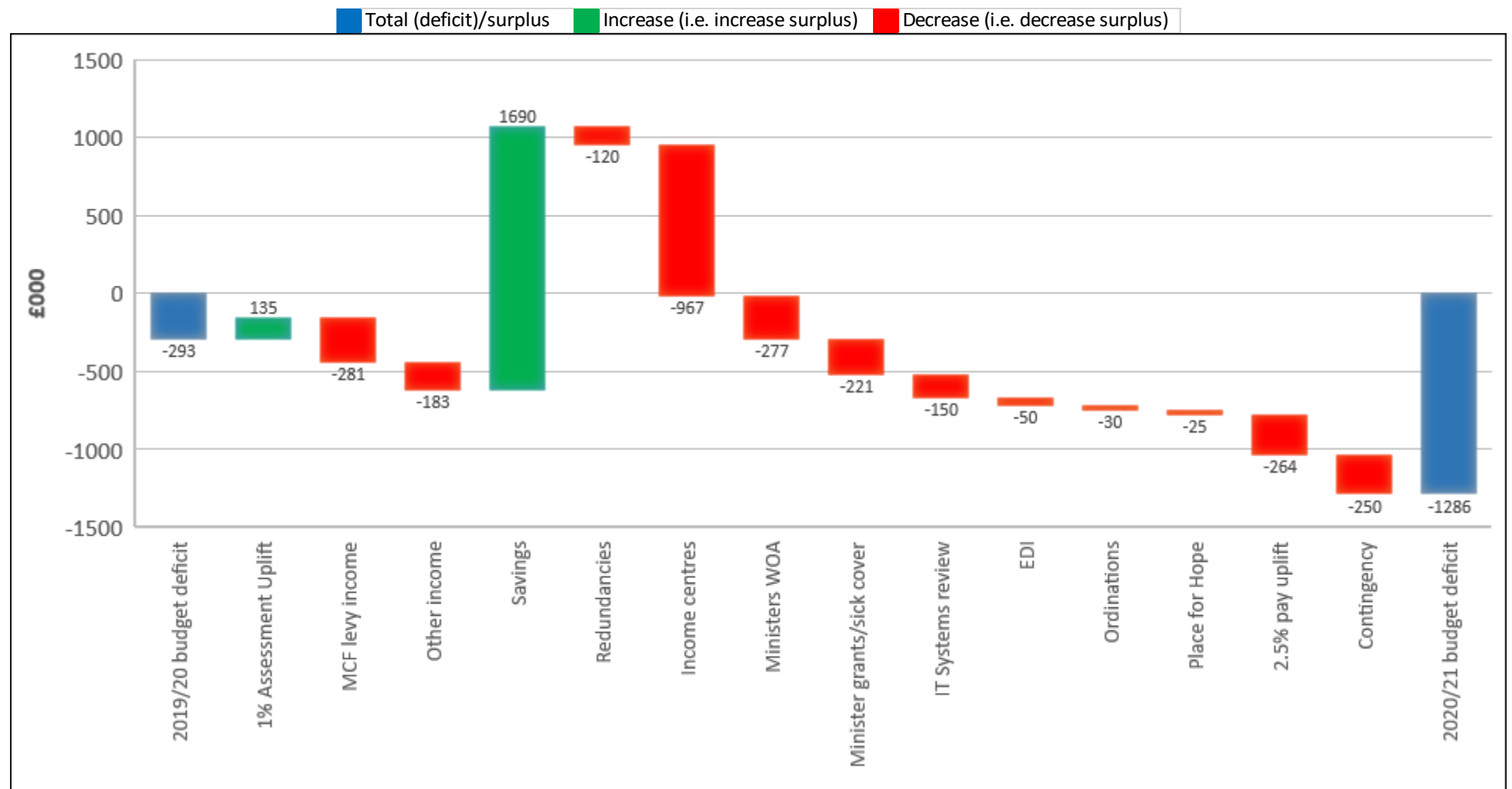
10. The budget that is funded by the Methodist Church Fund and is therefore potentially the area of most risk can be found at Appendix 2 and is summarised as follows:

Table 2: MCF 2020/21 Income and Expenditure

	2019/20 Budget £'000	2020/21 Budget £'000
Income	17,414	16,226
Expenditure	(17,707)	(17,512)
Net deficit	(293)	(1,286)

11. The movements in the MCF budget are summarised in the waterfall chart below showing how the deficit increases from £293k in 2019/20 to a deficit of £1,286k in 2020/21:

Chart 1: Change in the MCF Budgeted Deficit from 2019/20 to 2020/21



Grants

12. Grant giving is currently suspended from the Mission in Britain Fund, the Fund for Property and Connexional Priority Fund (CPF) grants for property feasibility. Proposals in relation to grants are included in a separate paper. This budget assumes that the money remaining (c£0.7m) from the original £1m allocated from the CPF to support property development will now be funded from the Fund For Property thus releasing monies back to the CPF for other priorities. It is proposed that property feasibility grants resume whilst Mission in Britain grants will not resume until the new process for grant giving is in place in 2021/22.

Connexional Allowances Committee

13. The Connexional Allowances Committee (CAC) held an additional meeting in September specifically to consider two papers on the use of the funds under their stewardship. This work was prompted by the increase in value of the funds under their responsibility. These papers demonstrated how a number of areas of expenditure currently funded by the Methodist Church Fund are covered by the purposes of the benevolent funds. Consequently, the CAC agreed in principle that the following areas of spend would be met from their funds, though with the clear understanding that the position would be reviewed periodically and in the light of affordability:
 - Recuperative breaks proposed by the Secretary of the Conference.
 - Sick leave and the associated travel grant after the first 6 months of sickness.
 - Pre-retirement course for ministers.
 - Additional wellbeing support from the Connexional Team.

These changes do not affect the overall budget, but do mean the benevolent fund balances will be lower than previously planned, with an offsetting benefit in the Methodist Church Fund. This represents good progress in meeting one of the aims of the Connexional Financial Strategy to make most appropriate use of the funds available.

Fund Balances

14. Despite the current financial challenges, it is not anticipated that fund balances will fall below the reserve levels previously set. Therefore, the requirement set by the Conference to restore fund balances to reserve levels has been achieved.
15. The balances of each fund can be found in Appendix 3.

District Assessment

16. The Connexional Financial Strategy set out a key aim to reduce the burden of the District Assessment over time. This would largely be achieved through the benefits from a more entrepreneurial approach to the church's finances. To date, no additional income has been achieved through this approach other than from the existing streams of funding from the income generating centres. The current pandemic will only further reduce the ability to generate new sources of funding in the future with the MCH redevelopment effectively stopped, the Oxford Place development on hold, and only the Camden project proceeding as intended.
17. The Finance Sub-committee reviewed three options in relation to the setting of the Assessment in the short term, namely:
 - make no change to the Conference approved 1% per annum increase over the next 3 years;

- make modest reductions to the Assessment recognising this will have a significant impact on the work of the Connexional Team, or
- make a dramatic one-off reduction to the Assessment (say 50%) in 2020/21 to recognise the pressure churches are under in the short term, but restore the Assessment to a more normal level in the following year.

18. The SRC agreed with the recommendation from the FSC that there is no change to the existing approach of a 1% per annum uplift for 3 years.

Future years

19. The budget presented is for one year only. More time is required to assess the impact of the current pandemic on future budgets and whether the level of savings taken from the budget in 2020/21 is sustainable in the long-term. Work on the budget for the three years commencing 2021/22 will commence shortly and report to the usual timetable.

The Wider Church

20. Work continues to assess the wider impact of the pandemic on the finances of the Church. Two meetings have taken place with District Treasurers and the annual District Treasurers forum will take place in October. Examples have been shared where wealthier circuits have helped support those less fortunate. The treasurers have agreed to submit information about their cash balances held as at 1 September to support our review of financial resilience.

*****RESOLUTIONS**

94/1. Responding to resolution 53/6 of the 2020 Conference, the Council approves the revised budget as presented.

94/2. The Council directs that the costs of the property strategy previously borne by an allocation of £1m from the Connexional Priority Fund should in future be charged to the Fund for Property.

94/3. The Council directs that there should be no change to the previously agreed approach to setting the District Assessment.

Appendix 1 CCSB Budget 2020/21

Activity		Budgets 2019/20	Forecast 2019/20	Budgets 2020/21
		£	£	£
Income	Central Income	16,494,828	18,270,596	16,195,906
	Grants	8,216,806	8,639,959	7,583,670
	Global relations	3,270,735	2,352,425	2,971,307
	Others - Pensions	3,037,979	3,640,796	2,997,045
	Income Generating Centre	1,900,834	181,766	314,419
	Ministries	1,086,544	620,691	598,448
	Evangelism & Growth	760,801	382,152	380,662
	Property	326,017	266,363	320,941
	Children & Youth	150,100	149,946	100,000
	Methodist Council & Governance	157,451	117,033	142,022
Income Total		35,402,095	34,621,728	31,604,419
Expenditure	Grants	(10,155,649)	(10,069,366)	(7,700,291)
	Global relations	(9,370,867)	(8,715,566)	(7,431,276)
	Ministries	(4,590,799)	(3,483,766)	(3,804,151)
	Methodist Council & Governance	(5,007,297)	(3,887,786)	(4,566,913)
	Learning Network	(2,703,206)	(2,557,194)	(2,698,871)
	Evangelism & Growth	(2,304,802)	(1,938,788)	(2,284,612)
	Children & Youth	(1,657,854)	(1,462,589)	(1,126,331)
	Building communities	(1,554,558)	(1,481,632)	(1,469,610)
	Others - Pensions	(1,385,251)	(1,472,498)	(1,301,652)
	Property	(1,075,147)	(962,872)	(813,911)
Expenditure Total		(40,440,248)	(36,726,788)	(33,891,133)
Grand Total		(5,038,153)	(2,105,060)	(2,286,714)

Activity		Budgets 2019/20	Forecast 2019/20	Budgets 2020/21
		£	£	£
Income	Central Income	15,995,301	17,847,908	15,785,840
	Property	203,719	146,695	198,643
	Children & Youth	150,100	149,946	100,000
	Methodist Council & Governance	157,451	117,033	142,022
Income Total		16,506,571	18,261,581	16,226,505
Expenditure	Methodist Council & Governance	(6,002,988)	(4,647,369)	(5,189,367)
	Learning Network	(3,399,043)	(3,216,816)	(3,233,018)
	Evangelism & Growth	(1,725,552)	(1,431,024)	(2,342,393)
	Children & Youth	(1,459,908)	(1,367,180)	(1,076,353)
	Building communities	(1,197,905)	(1,276,128)	(1,120,244)
	Property	(1,173,771)	(1,007,627)	(778,057)
	Global relations	(712,958)	(622,988)	(489,303)
	Ministries	(642,048)	(1,672,823)	(2,172,991)
	Grants	(485,408)	(1,107,162)	(1,110,534)
Expenditure Total		(16,799,581)	(16,349,116)	(17,512,260)
Grand Total		(293,010)	1,912,465	(1,285,755)

Appendix 3 Fund Balances

Fund	Fund Name	Opening Fund Balance 1/9/19	Forecast 2019/20	Budget 2020/21	Closing Fund Balance 31/8/21	Property		Balance excl	
						values	Net balance	Reserve level	property less reserve
700	MCF General	23,985,587	1,912,465	(1,285,755)	24,612,297	(16,002,455)	8,609,842	7,500,000	1,109,842
702	Defined Pension Liability	(5,234,525)	0	0	(5,234,525)	0	(5,234,525)		(5,234,525)
704	Auxiliary Special Purposes	577,899	2,091	(44,921)	535,069	0	535,069		535,069
705	Trinity Hall Trust	965,014	10,162	1,434	976,609	0	976,609		976,609
706	Lefroy Yorke Trust - Endowment Fund	774,663	0	0	774,663	0	774,663		774,663
707	Barratt Memorial	1,143,785	0	0	1,143,785	0	1,143,785		1,143,785
708	Opportunities for the Disabled - Endowment Fund	1,172	0	0	1,172	0	1,172		1,172
709	Rank - Endowment Fund	6,400,602	0	0	6,400,602	0	6,400,602		6,400,602
714	Marshall Scholarship - Endowment Fund	641	0	0	641	0	641		641
715	Necessitous Local Preachers - Endowment Fund	178,712	0	0	178,712	0	178,712		178,712
716	Strawson Gift - Endowment Fund	6,500	0	0	6,500	0	6,500		6,500
717	William Leech Charities -EF	11,580,455	119,580	220,000	11,920,035	0	11,920,035		11,920,035
719	Aspinall Robinson Trust (MDO Holiday Fund)	721,421	11,149	2,292	734,861	0	734,861		734,861
720	MDO Surplus Funds	429,163	8,648	4,983	442,794	0	442,794		442,794
722	Education and Youth	(3,435)	3,435	0	0	0	0		0
724	Archives Revenue Fund	17,696	96	102	17,895	0	17,895		17,895
725	WG Barratt - Income	445,080	16,644	20,799	482,524	0	482,524		482,524
727	Connexional Priority Fund	8,704,978	(458,643)	(190,702)	8,055,633	0	8,055,633	5,000,000	3,055,633
728	Epworth Fund	7,129,549	(350,475)	(330,088)	6,448,987	0	6,448,987	5,000,000	1,448,987
729	Pension Reserves Fund	33,622,908	2,346,333	1,858,291	37,827,532	0	37,827,532		37,827,532
731	Beckley Trust	3,394	13	5	3,412	0	3,412		3,412
732	Connexional Team Benevolent Fund	7,838	(8)	(8)	7,823	0	7,823		7,823
733	Computers for Ministry	745	0	0	745	0	745		745
734	Necessitous Local Preachers - Income	15,998	25	3,383	19,406	0	19,406		19,406
735	Southdown Project Fund (Tolpuddle)	15,546	72	33	15,651	0	15,651		15,651
736	Borries Bequest - Endowment	26,856	0	0	26,856	0	26,856		26,856

Fund	Fund Name	Opening Fund Balance 1/9/19	Forecast 2019/20	Budget 2020/21	Closing Fund Balance 31/8/21	Property		Balance excl	
						values	Net balance	Reserve level	property less reserve
738	Modern Christian Art- Development	17,631	(1,013)	(6,986)	9,633	0	9,633		9,633
739	Forces Chaplaincy Revenue	802,311	(210,927)	(202,453)	388,931	0	388,931		388,931
741	Methodist Heritage	8,205	(8)	592	8,789	0	8,789		8,789
743	Mission in Britain Fund	4,895,458	319,835	712,421	5,927,715	(2,384,852)	3,542,863	1,000,000	2,542,863
744	Mission in Business Industries and Commerce	405,877	(3,927)	4,298	406,248	0	406,248		406,248
746	Lay Mission Superannuation	308,294	(88,372)	6,775	226,697	0	226,697		226,697
747	Connexional Travel Fund	255,531	(12,612)	(10,843)	232,075	0	232,075		232,075
748	Sabbatical Fund	15,115	(15)	(15)	15,085	0	15,085		15,085
750	Fund for the Support of Presbyters & Deacons(FSPD)	9,936,498	(405,515)	(340,194)	9,190,789	(1,125,000)	8,065,789		8,065,789
752	Medical Benevolent Fund	2,271,612	(20,759)	(21,879)	2,228,975	0	2,228,975		2,228,975
753	Ministers Children's Relief Association	55,280	(20,573)	(3,225)	31,482	0	31,482		31,482
755	Listed Buildings	21,528	45	33	21,606	0	21,606		21,606
757	Fund for Property	1,436,276	(243,279)	322,926	1,515,924	0	1,515,924	1,000,000	515,924
758	Special Extension Fund	2,014,772	26,979	24,323	2,066,074	0	2,066,074		2,066,074
762	Fund for Training	6,993,828	47,081	119,003	7,159,912	(6,700,683)	459,229		459,229
763	Long Term Renewal Fund	109,730	101,289	100,425	311,444	0	311,444		311,444
764	Overseas Student Work	286,634	3,950	2,451	293,035	0	293,035		293,035
765	Centenary Hall Trust	25,535,221	18,878	(12,302)	25,541,797	(25,802,142)	(260,345)		(260,345)
766	World Mission Fund	26,970,057	(4,923,407)	(3,487,189)	18,559,461	(8,158,400)	10,401,061	3,500,000	6,901,061
767	Benevolent Fund	347,400	4,884	3,956	356,241	0	356,241		356,241
770	MIC Trust	27,314,304	(320,045)	119,919	27,114,177	(20,715,678)	6,398,499		6,398,499
851	Benevolent Fund - Deaconesses	50,626	(68)	886	51,445	0	51,445		51,445
854	Oxford Institute	108,325	188	120,278	228,791	0	228,791		228,791
856	Designated Training Fund	458	337	0	794	0	794		794
869	Langley House Trust	87,214	405	238	87,856	0	87,856		87,856
Grand Total		201,766,427	(2,105,060)	(2,286,714)	197,374,653	(80,889,210)	116,485,443	23,000,000	93,485,443