



# Connexional **Financial** Strategy

Adopted by the **Methodist** Council in October 2018

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## Background

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- 1.1** Following the publication of the Statistics for Mission at the 2017 Conference, a discussion began around the Connexion about their implication for a Church which is now less than one-third the size that it was 50 years ago, with less than 188,000 members, with an ageing profile and a growing shortage of ordained ministers.
- 1.2** In a letter to members of the Connexional Leaders' Forum, Gareth Powell, the Secretary of the Conference, asked the question ***"In what ways will the Connexional Team resource 'Our Calling'?"***, asking us to reflect again on the calling and priorities for the Methodist Church.
- 1.3** Resources refer to the very wide range of resources available to the whole Connexion – people, time, theology, literature, as well as financial resources.
- 1.4** This paper seeks to develop ideas and strategies concerning how the Methodist Connexion might best be resourced in its work through its financial assets – property, investments and liquid assets. A separate 'Connexional Property Strategy 2018-2020' addresses property specifically and should be considered alongside this strategy.
- 1.5** Our Calling declares that the calling of the Methodist Church is to respond to the gospel of God's love in Christ and to live out its discipleship in worship and mission. In this, the Church exists:
- to increase awareness of God's presence and to celebrate God's love (Worship);
  - to be a good neighbour to people in need and to challenge injustice (Service);
  - to help people learn and grow as Christians, through mutual support and care (Learning and Caring); and
  - to make more followers of Jesus Christ (Evangelism).
- 1.6** Simply, if this is the calling of the Methodist Church then our financial resources must be allocated to support this work. The intention of this paper is to continue to develop the thinking of members, treasurers, stewards, ministers, Connexional Team members and others about how we bring together the two strands of property and finance and ensure good stewardship of the small amount of God's creation that he has entrusted to us.

- 1.7** Overall the key to success is using the reserves and other assets of the Church wisely to further the calling of the Church, both now and into the future. Imagination and innovation must be used to engender an open, flexible, entrepreneurial environment where funds flow to the projects and initiatives that most need them in fulfilment of the Church's calling.



## Sharing

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- 2.1** The generosity of the Methodist people over many years and continuing today is acknowledged. This generosity comes in many forms, most significantly perhaps through the giving of time and talents. In the context of this paper, through substantial offerings of money. Without this sustained generosity at a local level we simply could not afford to keep the doors of 4,500 churches open, and we could not afford the stipends of our ministers. On a fairly conservative estimate local congregations raise in excess of £75 million per annum to fund both local and wider connexional work.
- 2.2** The nature of the Methodist Church as a connexional Church offers tremendous possibilities and opportunities through the ability to move resources around, from places where there is surplus, to the places where need is identified. This applies to ALL of our resources, but money and investment assets are amongst the simplest of our assets, in theory, to move around. It is our responsibility as stewards of God's resources to maximise their use and their returns. The liquidity of money over property and people makes its wise stewardship a real priority and there should be a fundamental responsibility placed on trustee bodies through all levels of the Church both to encourage this and to ensure this happens. At the heart of this lies the roles of treasurers who we need to be developed to show courage, insight and generosity in addition to the traditional financial values of prudence and conservatism.
- 2.3** As stewards of the financial resources, we must prepare and present a clear and consistent message to the people called Methodists about how we should use our financial resources to declare the gospel of Jesus Christ. We must be clear and open about the sheer scale of the financial riches available across the Connexion, whilst at the same time stressing individual responsibility to take action and not to wait for others to step in. With 4,500 church societies, each with their own reserves, compounded by circuit reserves and district reserves, the Church has accumulated hundreds of millions of pounds in cash reserves, even before investments and property values are taken into account.

- 2.4** The Church's history, the gradual release of capital from the sale of buildings that are no longer required (or able to be maintained), and a tradition of legacy income means that we have reserves in some places which are allowed to sit unspent, accumulating interest income (currently at historically low levels) for years on the rationale that the reserves are for the use of a particular society of the Church, rather than for the wider benefit of the wider Connexion and the kingdom of God. As our congregations age, there is a real possibility that legacy funds will increase, further fuelling individual societies' bank accounts. Already we have seen how sales of property have benefitted the Connexional Priority Fund through levies, and this is but a reflection of the bulk of proceeds of sales which remain in circuit accounts.
- 2.5** Alongside these riches we recognise that there are many more local societies that are struggling to keep on top of basic maintenance and bills, whilst wishing to also pay for ministry. None of this is to say that there are any simple solutions. It would not be right to simply use dormant surplus cash reserves to pay the bills for failing churches (however defined), however, connexional priorities should allow for proper evaluation of both circumstances and direct funds according to Our Calling and our priorities as a Church.



## Investment

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- 3.1** There is a real need at all levels within the Church to encourage trustees to invest their reserves more widely so that they may be more readily put to use in the places they are required. Encouraging trustees to implement a policy of investing half of their liquid reserves into alternative investments at the Central Finance Board would, for instance, potentially release significant resources for investment into new initiatives, provided the right vehicle is available which allows that very investment into projects. This is the rationale behind the proposed 21<sup>st</sup> Century Development Fund (see MC/18/71) – a fund that would release resources, not for grants (trustees would still have the right to 'cash-in' their investment) but for projects that could produce financial returns alongside mission objectives.
- 3.2** It is fundamental that investments made by Methodist trustees should adhere to the ethical philosophy of the Methodist Church. All investments should comply with the principles of the Joint Advisory Committee on the Ethics of Investment whether made through the Central Finance Board or otherwise.

# 4

## Priorities

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- 4.1** It is for others (including the Methodist Council, and the Connexional Grants Committee) to establish the priorities and judge the projects at a connexional level but our financial policies and procedures must ensure that all Districts, Circuits and churches are encouraged and enabled to do God's missionary work more effectively.
- 4.2** As a Church we do have time to get our policies right, but there is also a sense of urgency. Urgency from the need to coordinate our financial strategy with the rest of the work of the Council in determining a way forward for the Methodist Church, and also from the policies already determined and in the process of being carried out to reduce the Connexional Funds to lower levels by 2020/21, at which point the funds available for funding the Connexional Team and/or Connexional Grants will decline significantly.
- 4.3** In addition to the Connexional Team resourcing Our Calling through the direct use of resources under its control, all Methodist entities should establish priorities aligned with Our Calling. Effective mission plans need to be developed and implemented at district, circuit and church level to enable the clear prioritisation in the use of all resources, including finance, to support and facilitate mission and ministry.
- 4.4** The work and priorities are considered under three headings below – Connexional Funds, Districts, Circuits, Churches and Members, and Other Connexional Assets. The role of the treasurers at connexional, district and circuit level is fundamental to the successful application of this strategy. (Work will be undertaken to clarify the standards for these posts to be agreed. In some cases it may be necessary for volunteer posts to be supplemented or replaced by paid personnel.)
- 4.5** Specific aims, considerations and suggested work are contained in the following sections:

**Section 1 – Connexional Funds,**

**Section 2 – Districts, Circuits, Churches and Members, and**

**Section 3 – Other Connexional Assets**

This is not to suggest that these ideas are not already being carried out across some parts of the Connexion, but rather to encourage all to engage with an agenda of ensuring that best use is made of the financial resources entrusted to the care of the Church by God.



## Section 1 Connexional Funds

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Key aims:

- a. Prioritise use of funds based on Our Calling and the priorities of the Methodist Church.
- b. Reduce the MCF assessment to enable Circuits and Districts to focus on local priorities.

Ensuring that resources that are administered directly by the Connexional Team on behalf of the Methodist Council are focused on the priorities of Our Calling.

### Consideration/Aim

- a. Consideration of how all aspects of the work of the Connexional Team might be evaluated against the four callings – Worship, Learning and Caring, Service and Evangelism – and determining priorities for financial resources based upon that evaluation.

### Work to be undertaken

Ensure that all current work and future proposals be rigorously evaluated against the criteria of Our Calling.

In addition, income raised for the Central Services Budget to be balanced between assessments, levies on capital transactions and returns from entrepreneurial activities (see d. below).

### Consideration/Aim

- b. Further to a. above, consideration of the proportion of financial resources being allocated to each of the callings, and the appropriateness of that balance.

In reality such categorisation is recognised to be problematical in strictly discrete terms, however the principle of prioritisation based on the contribution to the calling of the Church should be part of our basic policies.

### Work to be undertaken

The Central Services Budget to analyse all work, identifying contribution to Church priorities.

## Consideration/Aim

- c. An evaluation of reserves policies and purposes, which might directly release funds for other work, or alternatively result in different reserve investment policies increasing the productivity of reserves by diverting funds from low-performing investment into new areas. This might include social investment.

## Work to be undertaken

Identify opportunities to rationalise and combine funds wherever possible. Work has already been done on reducing the number of funds, in particular by consolidating smaller funds. Combining funds does not prevent monies being used for the intended projects but does provide additional flexibility and reduces administration. The aim should be to combine funds unless there are persuasive reasons to keep them separate.

Review policies and procedures for grant-making to clarify focus on grants which further, holistically, the work of the Church in pursuing Our Calling.

Identify a fund for investment, investment criteria, and priorities. Work with the Central Finance Board to establish such a fund under the working title of the 21<sup>st</sup> Century Development Fund.

Determine minimum reserve policy by continuing regular review of reserve policies and reducing reserves wherever feasible.

Identify levels of expenditure available to achieve minimum reserve policies.

## Consideration/Aim

- d. Actively encouraging, through the allocation of financial resources, the role of 'entrepreneurship', not simply defined in financial entrepreneurial terms, but rather more widely, investing into people and projects who, in partnership with God, are challenging the status quo and innovating to create and invent, shaping something new, and of kingdom value<sup>1</sup>. Looked at another way, this might be thought of as looking at the Church's willingness to accept risk.

<sup>1</sup>. Definition adapted from the work of Michael Volland, *The Minister as Entrepreneur: Leading and Growing the Church in an Age of Rapid Change* (SPCK Publishing, 2015).

## Work to be undertaken

Reallocate resources to entrepreneurial activity to reduce dependence on the MCF assessments:

- i. enabling existing facilities to remain available
- ii. financing new initiatives
- iii. using existing facilities to finance something new.

Establish targets for income to Connexional Funds, and the proportion of that income derived from the MCF assessments. Based on a challenge to (say) increase total income in line with inflation and reduce the assessment in line with membership numbers, establish a funding gap to be bridged by alternative, entrepreneurial sources. In the short term the gap could be funded by reducing reserves, but in the medium to long term this would have to be filled by the application of funds to projects which produced a commercial rate of return.

Direct or indirect investment into connexional projects, and loans to district/circuit projects, potentially by a re-evaluation of the grants process to encourage entrepreneurial activity, plus the use of commercial funding available from banking partners.

Set and establish the required work in redeveloping Methodist Church House into the context of this larger strategy, providing an opportunity to demonstrate the potential of such a policy, and to be a significant step in developing a substantial alternative income stream to fund the work of the Connexional Team.

### **Consideration/Aim**

- e. Consideration of how financial resources are allocated in response to the Corporate Risk Register.

### **Work to be undertaken**

Building upon the work of assessing expenditure against the priorities of Our Calling, undertake an assessment of how this pattern of expenditure affects the evaluated Corporate Risks.



## Section 2 Districts, Circuits, Churches and Members

Key aims:

- a. Ensure available funds are focused on enabling local mission initiatives.
- b. Enable district priorities to identify local priorities in line with Our Calling.

Enabling financial assets of the wider Connexion, held through Districts, Circuits and Churches in particular, to be released to resource the work of the whole Church in what might be deemed by the Conference to be priority areas.

### Consideration/Aim

- a. Ensuring greater accountability for resources by managing trustees at all levels of the Church, encouraging the diversion of 'idle' finances to areas of need. Eg Circuits and their member churches may be forced to consider their individual reserves as a single pool, sharing risk and reducing the level required per Circuit.

Encourage investment of legitimately required reserves into Central Finance Board funds designed to facilitate productive investment into entrepreneurial activities across the Connexion (for example the proposed 21<sup>st</sup> Century Development Fund).

### Work to be undertaken

Review reserve policies and mechanisms for redistribution of funds:

- i. Develop and promote recommended reserve policies for churches, Circuits and Districts, including pooling of risks and reserves at circuit level, reducing reserves in individual churches. Consider the implications for trusteeship at church and circuit levels.
- ii. Ensure that trustees are educated about their responsibilities, what the Charity Commission requires or recommends, and what they are free to do with the resources at their disposal. This could be encouraged with a short fact sheet, or FAQ, and promoted through the District Treasurers.
- iii. Develop and promote District Finance and Resource strategies, pooling risk, increasing use of the District Advance Funds and considering alternative bases for circuit assessments based on investments, cash balances and total reserves of Circuit and constituent churches.

- iv. Review the structure of Model Trust Fund levies to ensure that they both encourage investment into appropriate initiatives, and also remove any disincentives to pooling funds. Combine both ‘carrot’ and ‘stick’ measures to direct funds to where they are judged to be needed.

### **Consideration/Aim**

- b. Reviewing the comparative benefits of grants and of loans for different projects, including the legitimate use of commercial banking facilities where returns justify it.

### **Work to be undertaken**

Allow acceleration of expenditure on projects which have been identified as priorities, but also balancing local commitment.

### **Consideration/Aim**

- c. Developing and promoting centres of excellence for stewardship of resources around the Connexion.

Encourage theological reflection on money, generosity and giving.

### **Work to be undertaken**

Enable centres of excellence to provide:

- i. expertise and consultancy advice;
- ii. case studies;
- iii. sharing of skills;
- iv. training.

Share experience and develop ‘consultancy’ culture where those who have been successful help others to develop and share in the success.

### **Consideration/Aim**

- d. Developing and promoting a ‘workbook’ containing case studies of ideas from around the Connexion that others have developed and succeeded with.

### **Work to be undertaken**

Engender a spirit of trying new ideas, particularly ones that are self-financing in the medium term and entrepreneurial in nature if helpful and beneficial for mission and evangelism.

Encourage those with experience of both successful and not-so-successful projects to share their experience with others around the Connexion, so that more groups might be encouraged to try something new.



## Section 3 Other Connexional Assets

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Key Aims:

- a. Ensure alignment of goals and priorities across all entities where the Methodist Church has governance responsibilities.
- b. Ensure the Church's mission and vision is prioritised and influence maximised.

Ensuring that resources connected with the wider Methodist Church are focused on the priorities of Our Calling.

### Consideration/Aim

- a. Other entities within the Methodist Church, including those consolidated into the Methodist Council Accounts such as MIC, All We Can, Westminster College Oxford Trust and Southlands Methodist Trust, and others that the Church may have an element of influence over such as the Methodist Ministers' Housing Society and the Methodist Independent Schools Trust, should be reviewed.

### Work to be undertaken

Review outcomes of annual Governance Scrutiny process and determine how the Church wishes to use its influence and governing powers in each individual circumstance recognising the historic Methodist foundation of many of these entities:

- i. Develop and promote links as appropriate ensuring that the priorities expressed in Our Calling are reflected in the life and work of the entity.
- ii. Ensure that the financial and reserve policies are reflective of both best practice and the requirements of the wider Methodist Church, having regard to the foundation of the entity.

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