

Draft Connexional Central Services Budget for three years commencing with 2021/22

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Status of Paper	Draft
Action Required	Decision
Resolutions	<p>48/1. The Council adopts the draft budget for 2021/22.</p> <p>48/2. The Council notes the impact of the 2021/22 budget on the subsequent two years. It recognises that work will commence this year to identify and propose areas of the budget to be reduced from 2022/23 in order to restore the Methodist Church Fund to its reserve level.</p> <p>48/3. The Council agrees that the remaining free reserve balance on the Epworth fund is used to contribute to the God For All Strategy.</p> <p>48/4. The Council approves the five year budget for the God For All strategy.</p> <p>48/5. The Council recommends to the Conference the district allocations of the assessment to the Methodist Church Fund (MCF) set out in the paper.</p>

Summary of Content

Subject and Aims	The paper proposes the Connexional Central Service Budget for 2021/22 and gives indicative figures for the two subsequent years.
Main Points	<ul style="list-style-type: none"> • Revision of the District Assessment • Inflationary increases • Reserves levels • Use of funds against reserves levels • Funding proposal for the God For All strategy
Background Context	MC/21/9 Connexional Central Services Budget Parameters
Consultations	District Treasurers have been consulted on the level of the District Assessment Draft papers reviewed by Finance Sub-Committee and Strategy and Resources Committee.

Summary of Impact

Financial	All parts of the Connexion are affected by the use of Connexional funds.
Wider Connexional	See financial

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1. Background

- 1.1 This is the second year in which the budget allocations have been set at the 'activity' level. Once approved by the Methodist Council these allocations will be used to set detailed departmental level budgets.
- 1.2 There has been some minor refinement of the activities during the last year and the current list and a high level description of them can be found at Appendix 1. It is important to remember that within any activity there can be significant differences whereby some will be almost exclusively staff, and others will contain costs such as events (eg the Conference).
- 1.3 At its last meeting the Council decided "that a small reduction is made to the District Assessment instead of the 1% increase" (MC/21/9). This paper proposes a 1% decrease in 2021/22 with subsequent decreases of 2% in 2022/23 and 3% in 2023/24.
- 1.4 This reduction in Assessment reflects a change from the position previously agreed by the Conference that there should be a 1% increase in 2021/22. It also reduces the amounts in the split of the assessment already agreed by the District Treasurers.

2. District Assessment

- 2.1 The 2019 Conference agreed that the District Assessment (DA) increase by 1% per annum for the three years commencing 2019/20. The 2020 Conference did not seek to amend this in the light of the pandemic and did not specifically ask for the DA to be reviewed. This was in part because the overwhelming majority of reserves held by the Church are under the control of local trustee bodies and not the Council.
- 2.2 Nevertheless, in the light of the financial impact of the pandemic on the wider church and the decline in church membership over a prolonged period, a reduction of 1% is now proposed for 2021/22.
- 2.3 The proposal to reduce the burden of the DA in the medium term sits alongside the broader considerations before the Council and the Conference about oversight and trusteeship. The Church needs to reimagine how it is organised to ensure it is fit for purpose in the present day.
- 2.4 This reduction in funding will be partly managed by running a deficit budget on the Methodist Church Fund (MCF) in 2021/22 and partly by holding down expenditure at pandemic levels wherever possible.
- 2.6 The indicative budgets for 2022/23 and 2023/24 include further reductions in the District Assessment of 2% and 3% respectively. It is recognised that these reductions are aspirations and that greater detail on the impact of these reductions will be required. It will not be possible to continue to run a deficit budget and these reductions will require cuts to expenditure including the Connexional Team.
- 2.7 Table 1 below shows how the reduction in DA will impact the budget compared with the 1% increase that is the current Conference approved position.

Table 1: Impact of changes in the District Assessment

		2021/22	2022/23	2023/24	Cumulative
Budget proposal DA reduction	% £'k	-1% -138	-2% -273	-3% -401	-812
Existing Conference position	% £'k	+1% +138	+1% +139	+1% +140	417
Difference between the new budget proposal and the 1% increase	£'k	276	412	541	1,229

2.8 The District Assessment is apportioned among the Districts using stationing and staffing numbers (with presbyters/deacons as equivalent to 1.5 times that of a lay worker), with the annual change per District being restricted to a maximum increase of 5% and a maximum decrease of 2%. The provisional figures based on a 1% increase were agreed at the District Treasurers Forum in October 2020. However, given the revised proposals the figures in Table 2 represent a reduction in the previously agreed amounts.

Table 2: 2021/22 MCF Assessment by District

	District	£		District	£
1	Cymru	62,523	20	Newcastle	546,368
2	Wales	477,898	21	Lancashire	454,583
5	Birmingham	511,343	22	Nottingham and Derby	660,348
6	Bolton and Rochdale	280,951	23	Northampton	707,922
7	Bristol	587,054	24	Plymouth and Exeter	470,271
9	Cumbria	219,682	25	Sheffield	449,157
10	Channel Islands	108,945	26	Southampton	607,335
11	Chester and Stoke	462,306	27	Yorkshire West	769,080
12	Cornwall	382,614	28	Wolv. and Shrewsbury	538,881
13	Darlington	348,001	29	Yorkshire North & East	576,293
14	East Anglia	511,549	31	Scotland	145,015
15	Isle of Man	63,576	32	Shetland	19,391
17	Lincolnshire	285,988	34	Bedfordshire, Essex & Herts	499,731
18	Liverpool	338,237	35	London	1,317,396
19	Manchester & Stockport	521,836	36	South East	732,733
				TOTAL	13,657,007

3. Income

3.1 The budgeted income over the 3 year period 2021/22 to 2023/24 is broadly flat. The following are of particular note:

- The district assessment, representing approximately a third of income, reduces as outlined in section 2.
- Legacy income to the MCF has been budgeted at £0.1m, £0.2m and £0.3m in successive years which represents a very prudent view given how this is subject to such variation. Any excess giving would be allocated to the God For All strategy..

- Investment income is assumed to be broadly back at the rate of pre-COVID 19 levels, but declines in absolute terms due to the declining investment balances.
- There is a presumption that costs incurred on the Methodist Church House project will be reimbursed by 2022/23 should a sale complete.

3.2 Income from the 'revenue-generating centres' is expected to continue to recover with full rent payable by The Wesley and profits at approximately 50%, 70% and 80% in each of the three years.

3.3 Given the many pressures on income, it will remain vital to review the position in year and to adjust plans for future periods where income targets are not realised.

4. Expenditure

4.1 The underlying assumption for expenditure is that all costs will be charged to restricted and designated funds where this is possible, ahead of using the MCF. Good progress has been made in reviewing the use of funds and clarifying some fund purposes where these were unclear.

4.2 Pay costs are assumed to increase by 1% per annum (stipends 1.1% per annum). It is assumed that any deficit arising from the deficit on the Pension and Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC) will be covered from the Pension Reserve Fund and there will be no call on any other Connexional Funds.

4.3 Other costs increase significantly in 2021/22 due to the reversal of the non-recurrent savings made consequent of the pandemic. Whilst it is assumed that many meetings and events will remain online, some will not. When detailed budget setting takes place in the spring it will be a particular focus to ensure budgets are not automatically re-instated for physical events and managers will need to justify the mix between online and physical.

4.4 In order to restore the MCF reserve level across the three years of this budget the expenditure budgets have been reduced by £1.5m in 2022/23 and £3.1m in 2023/24. These reductions are currently applied against "other costs" simply because they are currently unidentified savings. Work will be required during the next year to identify how these savings will be delivered.

4.5 Apart from the agreed budget increases to salaries and stipends, the intention is not to budget speculatively for inflation within discretionary expenditure, given the difficulty of predicting it and the length of time between preparing the budget and its implementation. Nevertheless, the impact of this approach is to require budget holders to mitigate inflation through offsetting savings.

4.6 The Connexional Allowances Committee has agreed that it will use the Fund for the Support of Presbyters and Deacons to fund additional wellbeing support for ministers, ministerial stipends following 6 months' sickness, and recuperative breaks, taking some pressure off the MCF.

5. Net income/expenditure

5.1 Whilst the overall net deficit position appears to deteriorate from the current year to next, this is largely explained by the suspension of grant giving in 2020/21 followed by the resumption of spending in 2021/22 as the *God For All* strategy significantly increases in scale. The budgets by "activity" can be seen in table 3, with the Methodist Church Fund Budget in

table 4. The overall movements in the MCF funded budget from 2020/21 to 2021/22 can be seen in chart 1. The impact of the proposed budgets on each fund can be seen in appendix 2.

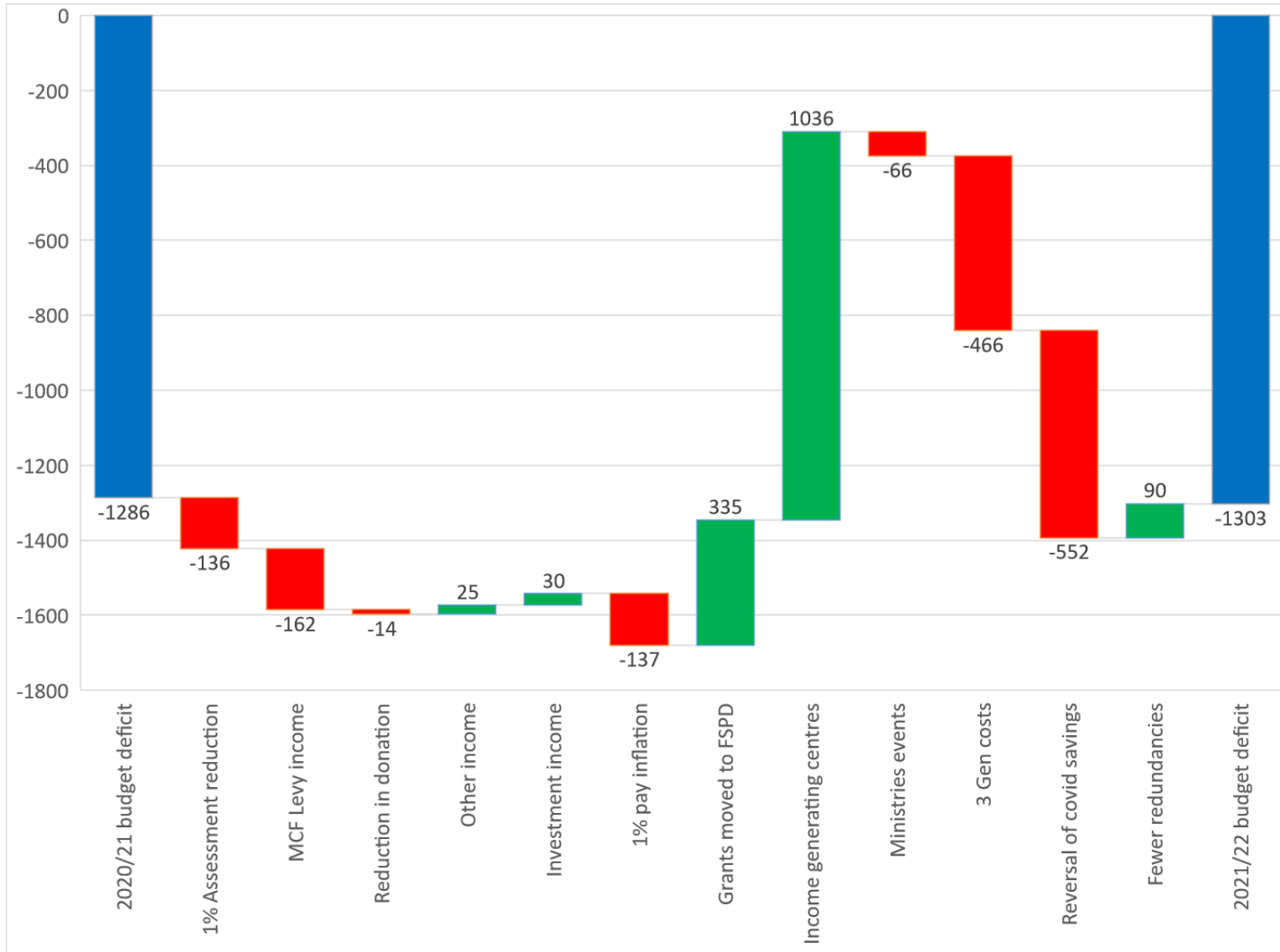
Table 3 Connexional Central Services Budget: overall income and expenditure

Activity	2020-21	2021-22	2022-23	2023-24
	£'000	£'000	£'000	£'000
Income				
Central Income	16,871	16,631	17,109	16,027
Children & Youth	104	156	156	157
Evangelism & Growth	7,425	9,125	9,078	9,034
Global relations	2,972	3,050	2,970	2,769
Learning Network	3	5	5	5
Methodist Council & Governance	1,287	2,036	2,054	2,039
Ministries	122	120	120	120
Property	3,204	3,441	3,441	3,442
Income Generating Centre	314	1,248	1,573	2,198
Total	32,303	35,814	36,507	35,791
Expenditure				
Building communities	1,635	1,722	1,630	1,531
Children & Youth	1,318	1,823	1,674	1,518
Evangelism & Growth	7,940	12,030	11,775	12,344
Global relations	6,713	5,461	5,415	6,108
Learning Network	3,359	3,589	3,321	2,935
Methodist Council & Governance	5,594	6,120	5,680	5,205
Ministries	5,939	6,932	7,120	7,601
Property	953	1,016	948	878
Others - Pensions	1,139	1,145	1,146	1,147
Total	34,590	39,838	38,709	39,267
Net Deficit	(2,287)	(4,024)	(2,201)	(3,477)

Table 4 Methodist Church Fund Budget: income and expenditure

Activity	2020-21	2021-22	2022-23	2023-24
	£'000	£'000	£'000	£'000
Income				
Central Income	16,461	16,144	16,697	15,590
Children & Youth	104	156	156	157
Evangelism & Growth	23	48	48	48
Global relations	7	1	1	1
Methodist Council & Governanc	148	134	132	129
Property	207	209	209	209
Total	16,951	16,692	17,242	16,134
Expenditure				
Building communities	1,164	1,296	1,199	1,095
Children & Youth	1,118	1,818	1,669	1,513
Evangelism & Growth	2,712	2,081	1,861	1,701
Global relations	518	481	445	406
Learning Network	3,359	3,589	3,321	2,935
Methodist Council & Governanc	5,392	5,918	5,478	5,003
Ministries	3,164	1,942	1,795	1,637
Property	808	871	803	733
	0	0	0	0
Total	18,236	17,996	16,572	15,024
Net Deficit	(1,286)	(1,304)	670	1,110

Chart 1: Change in the MCF Budgeted Deficit from 2020/21 to 2021/22



6. Reserves

6.1 The Council approved changes to the reserve levels of the key funds as per Table 5 below:

Table 5: Funds with reserve levels

FUND	Previous reserve policy	Revised reserve level
Methodist Church Fund	£7.5m	£7.5m
World Mission Fund	£3.5m	£3.5m
Connexional Priority Fund	£5m	£1.5m
Mission in Britain	£1m	-
Epworth Fund	£5m	£1m
Fund for Property	£1m	-

6.2 In finalising the accounts for 2019/20, it was necessary to 'write off' the project costs of Oxford Place Leeds and the Methodist Church House redevelopment. Having already planned for a deficit budget in 2020/21 as a result of the pandemic, these 'write offs' mean the Methodist Church Fund will fall below its reserve level in 2020/21. Setting another deficit budget in 2021/22 will further reduce reserves in MCF. It is entirely appropriate to use reserves in this way during the pandemic, however, it is essential that a plan is put in place to restore reserve levels in the medium term. Consequently, the 2022/23 and 2023/24 budgets contain unidentified savings targets of £1.5m and £3.1m respectively to bring the MCF back to reserve level at the end of 2023/24. Further work will be required during the coming year to identify what savings will be delivered and the pace at which these can be implemented.

7. Use of Connexional Priority Fund (CPF)

- 7.1 45% of the income to the CPF remains allocated to the Pension Reserve Fund and any change to this will only follow the conclusion of the current triennial evaluation and would require a resolution of the Conference.
- 7.2 An allocation to ministerial training of c£1m has been made in previous years but can be reduced in light of current expenditure forecasts.
- 7.3 The previous commitment from the CPF to fund small speculative grants for property development is now being funded by the Fund for Property.
- 7.4 Other costs covered by the CPF are: the remaining costs of Venture FX (£70k for one final year) and the costs of the Methodist Intern programme. It is assumed that 2020/21 will be the final year of the intern programme and it will not be included in the budget from 2021/22.
- 7.5 The balance of the CPF above reserve level will be allocated to reaffirming *Our Calling* and work in the area of Evangelism and Growth in line with resolution 21/3 in the 2019 Conference budget paper.

8. Mission in Britain Fund

- 8.1 This fund will be used to support Methodist Action on Poverty and Justice and the *God For All* strategy.

9. The Epworth Fund

- 9.1 The 2013 Conference resolved (24/6) to fund the cost (£100k plus annual inflation) of the One Programme Participants from the Epworth Fund for a period of five years, commencing 2013/14. Subsequent budgets have included these costs for a further 5 years to 2022/23. It is assumed this programme will continue for the 3 years covered by this budget paper.
- 9.2 The 2019 Conference resolved (21/4) to use the fund to meet the costs of the Vocations strategy.
- 9.3 Whilst the IT systems review is already underway in 2020/21, it is likely there will be further costs in subsequent years. It is proposed that the Epworth Fund is used for this purpose.
- 9.4 It is proposed that the remaining free reserve balance on the fund is used to contribute to the God For All Strategy.

10. God For All

- 10.1 Following approval of the God For All strategy at the 2020 Conference, much work has been undertaken to identify how the different strands of funding can be brought together to meet the costs. These revisions allow for the impact of the delayed roll out of aspects of the strategy caused by the pandemic. The proposed expenditure budget and source of funding is as per Table 6 below:

Table 6: God For All Expenditure Budget and Funding

Revised budget	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure:	959	4,429	4,401	5,129	5,330	20,248
Funding:						
Mission in Britain	0	1,500	1,500	1,500	1,500	6,000
Connexional Priority Fund	360	1,566	1,529	2,248	2,440	8,143
Epworth Fund	0	750	750	750	750	3,000
Existing budgets	529	543	552	561	570	2,755
Cliff grant	70	70	70	70	70	350
Total funding	959	4,429	4,401	5,129	5,330	20,248

11. Connexional property projects

- 11.1 The financial impact of the redevelopment of Camden Town Methodist Church as a Connexional property has been factored in to the budget projections. The project to re-provide Methodist Church House is not factored in to these budget projections, but it remains the assumption that the project must be self-financing.
- 11.2 As there is a moratorium on further major property developments at this time there are no further budgetary considerations requiring inclusion in this three year horizon.

12. Conclusion

- 12.1 This draft budget is presented at a time of considerable financial uncertainty. In setting a deficit budget for 2021/22, it needs to be clearly understood that significant expenditure reductions will be required in subsequent years. The extent to which detailed budgets for 2021/22 can be set lower than the allocations outlined in this paper will help limit the extent of some of those cuts.

*****RESOLUTIONS**

- 48/1. The Council adopts the draft budget for 2021/22.**
- 48/2. The Council notes the impact of the 2021/22 budget on the subsequent two years. It recognises that work will commence this year to identify and propose areas of the budget to be reduced from 2022/23 in order to restore the Methodist Church Fund to its reserve level.**
- 48/3. The Council agrees that the remaining free reserve balance on the Epworth fund is used to contribute to the God For All Strategy.**
- 48/4. The Council approves the five year budget for the God For All strategy.**
- 48/5. The Council recommends to the Conference the district allocations of the assessment to the Methodist Church Fund (MCF) set out in the paper.**

Appendix 1 : Resource Activities

Activity	Areas covered
Building communities	Ecumenical, Interfaith, Joint Public Issues Team, Forces Board, Communications
Children, youth and families	Children, youth, families, education, 3Generate
Evangelism and Growth	Evangelism and Growth, Venture FX, Heritage
Global relations	World Church, World Methodist Council; Mission Partners
Learning network	Learning network
The Conference, the Council and Governance	The Conference, the Presidency, the Secretary of the Conference, the Council, the Faith and Order Committee, the District Chairs, the Law and Polity Committee, Legal, Safeguarding
Ministries	Initial ministerial training, ministerial development, ministerial oversight, ministerial grants, Diaconal order
Property	Property team, Connexional manses, property projects, property grants

Appendix 2: Fund Balances

Fund	Fund Name	Opening	Net	Net	Net	Net	Closing	Net (excl)	
		Balance	2020/21	2021/22	2022/23	2023/24	Balance	Property	Property)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
700	MCF General	24,291	(1,286)	(1,304)	670	1,110	23,480	(15,980)	7,500
702	Defined Pension Liability	(13,890)	0	0	0	0	(13,890)	0	(13,890)
704	Auxiliary Special Purposes	571	(45)	(42)	(42)	(43)	399	0	399
705	Trinity Hall Trust	946	1	8	8	8	971	0	971
706	Lefroy Yorke Trust - Endowment Fund	747	0	0	0	0	747	0	747
707	Barratt Memorial	1,102	0	0	0	0	1,102	0	1,102
708	Opportunities for the Disabled - Endowment Fund	1	0	0	0	0	1	0	1
709	Rank - Endowment Fund	6,186	0	0	0	0	6,186	0	6,186
714	Marshall Scholarship - Endowment Fund	1	0	0	0	0	1	0	1
715	Necessitous Local Preachers - Endowment Fund	177	0	0	0	0	177	0	177
716	Strawson Gift - Endowment Fund	7	0	0	0	0	7	0	7
717	William Leech Charities -EF	11,235	220	220	220	220	12,115	0	12,115
719	Aspinall Robinson Trust (MDO Holiday Fund)	722	2	5	5	4	738	0	738
720	MDO Surplus Funds	429	5	2	11	10	457	0	457
722	Education and Youth	0	0	0	0	0	0	0	0
724	Archives Revenue Fund	18	0	0	0	0	18	0	18
725	WG Barratt - Income	464	21	30	30	30	575	0	575
727	Connexional Priority Fund	9,145	(191)	(1,298)	(1,257)	(1,981)	4,419	(1,000)	3,419
728	Epworth Fund	6,626	(330)	(709)	(708)	(709)	4,170	0	4,170
729	Pension Reserves Fund	35,077	1,858	2,087	2,086	2,086	43,195	(878)	42,317
731	Beckley Trust	3	0	0	0	0	3	0	3
732	Connexional Team Benevolent Fund	8	(0)	(0)	(0)	(0)	8	0	8
733	Computers for Ministry	0	0	0	0	0	0	0	0
734	Necessitous Local Preachers - Income	16	3	5	5	5	35	0	35
735	Southdown Project Fund (Tolpuddle)	16	0	0	0	0	16	0	16

736	Borries Bequest - Endowment	26	0	0	0	0	26	0	26
738	Modern Christian Art- Development	19	(7)	(3)	(3)	(3)	2	0	2
739	Forces Chaplaincy Revenue	571	(202)	(73)	(151)	(130)	15	0	15
741	Methodist Heritage	8	1	(0)	(0)	(0)	9	0	9
743	Mission in Britain Fund	5,153	712	(776)	(805)	(833)	3,450	(2,224)	1,227
744	Mission in Business Industries and Commerce	391	4	7	7	7	416	0	416
746	Lay Mission Superannuation	216	7	11	10	10	254	0	254
747	Connexional Travel Fund	244	(11)	(10)	(10)	(10)	203	0	203
748	Sabbatical Fund	34	(0)	(3)	(5)	(9)	18	0	18
750	Fund for the Support of Presbyters & Deacons(FSPD)	9,715	(340)	(746)	(763)	(781)	7,085	(1,125)	5,960
752	Medical Benevolent Fund	2,203	(22)	(5)	(6)	(6)	2,164	0	2,164
753	Ministers Children's Relief Association	23	(3)	(3)	(3)	(3)	10	0	10
755	Listed Buildings	16	0	0	0	0	16	0	16
757	Fund for Property	700	323	463	448	435	2,369	0	2,369
758	Special Extension Fund	1,985	24	40	40	40	2,130	0	2,130
762	Fund for Training	6,777	119	95	84	73	7,149	(6,875)	273
763	Long Term Renewal Fund	215	100	99	99	(201)	312	0	312
764	Overseas Student Work	285	2	5	5	5	302	0	302
765	Centenary Hall Trust	25,537	(12)	0	(1)	298	25,822	(25,802)	20
766	World Mission Fund	17,917	(3,487)	(2,232)	(2,303)	(3,237)	6,659	(3,158)	3,500
767	Benevolent Fund	342	4	6	6	6	364	0	364
770	MIC Trust	26,259	120	(26)	0	0	26,353	0	26,353
851	Benevolent Fund - Deaconesses	48	1	1	1	1	51	0	51
854	Oxford Institute	109	120	120	120	120	589	0	589
856	Designated Training Fund	5	0	(0)	1	0	6	0	6
869	Langley House Trust	88	0	0	0	0	89	0	89
	Grand Total	182,782	(2,287)	(4,024)	(2,201)	(3,477)	170,794	(57,043)	113,751