

23. Connexional Central Services Budget 2025/26

Contact name and details	Matt Tattersall – Executive Director of Finance and Resources tattersallm@methodistchurch.org.uk
Action required	Decision
Resolutions	23/1. The Conference received the Report. 23/2. The Conference approved the use of the Connexional Priority Fund to cover TMCP's costs of property sales work for 2025/26 to 2027/28. 23/3. The Conference approved the budget for 2025/26 including an amendment to increase the MAPJ to £300k. 23/4. The Conference approved the district allocations of the Methodist Church Fund Assessment for 2025/26 as set out in the Report.

Summary of impact

Financial	All parts of the Connexion are affected by the use of Connexional Funds.
Potential impact on local churches, circuits and districts	Allocation of funds to Action for Hope and God For All support local mission.
Carbon/environmental impact	The allocation of funds to support Action for Hope will help reduce the Church's environmental impact.
Risk	Budget assumptions contain inherent risk which is mitigated by taking a balanced approach to setting of both income and expenditure budgets. The allocation of the budget should address the key risks identified in the risk register. The overall level of reserve in the key funds protects the Church against unexpected financial shocks.

Background

- 1 The context for the 2025/26 Connexional Central Services Budget (CCSB) is a continuation of the strategy set by the Conference in 2023. The plan responds to the growing affordability challenge with the District Assessment and the need to 'right size' the Connexional Team in the light of the available resources. Another key component is the use of resources from the Connexional Priority Fund following the reduction in risks associated with the pension schemes.
- 2 In recommending this budget to the Council, the Resourcing Committee recognised the need to allocate monies from reserves to support the Church at this time of transition. However, it was also aware that the Church is not always able to make use of the monies made available (for example, the slow uptake of God For All and Action For Hope monies by Districts). This particularly reflects the lack of people in the Church to plan and take forward new initiatives. The Resourcing Committee and Council were also mindful of the need to be a good and effective steward of the resources available, which meant planning the release of reserves over a number of years as new strategic objectives emerge and plans for the Church develop.
- 3 The Council gave particular support for the use of the Digital Church allocation to invest in IT transformation. Whilst 'Digital Church' is more than just IT (and indeed more than just online worship), there are numerous IT system implementations (eg Supervision Records; Complaints & Discipline) that are beyond the capacity of the current Connexional IT Team, and significant investment will be required as the digital agenda develops.

Scenario Planning

- 4 The wider context in which this budget is proposed reflects the work undertaken by the former Strategy and Resources Committee on the range of scenarios that could face the Church in the run up to the centenary of Methodist Union in 2032. These scenarios will continue to be refined by the Connexional Council as it reflects on how to respond to Our Calling.

- 5 In line with previous budgets, the longer-term objective is to ensure that the core work of the Connexional Team can be appropriately funded through the District Assessment. Additional strategies and initiatives would need to be funded from other sources such as the Mission in Britain Fund and the Connexional Priority Fund (CPF).
- 6 The improved funding position of the pension schemes means that for at least the next three years the Connexional Priority Fund has additional funding available to cover the key workstreams already approved by the Conference. Whilst this funding is non-recurrent (as it comes from a levy on the sale of Methodist property) it does provide significant funds in the short term.

Reserves Policy

- 7 Having undertaken a detailed analysis of the Methodist Church Fund reserve policy in 2023, no changes are proposed in 2025.
- 8 It is noted that positive investment performance contributed to increases in many fund balances last year. These increases give greater confidence that the extension to the God For All strategy and other priorities agreed by the Conference can be funded over the medium term.

District Assessment

- 9 The District Assessment continues to fall in real terms by 3% each year. This is to respond to the affordability issues experienced by many churches and circuits. With CPI inflation at 2.6% at the time the budget parameters were set, this means the net reduction to the Assessment has been set at 0.4%.
- 10 However, in 2024 the Conference agreed that the District Safeguarding Officers (DSOs) were to be transferred to the employment of the Connexional Team. This requires a shift in funding from Districts to the CCSB of £1m plus inflation of c£0.1m. This additional inflation (to pay for pay increases and the increase in NI contributions) adds 0.4% to the Assessment. Therefore, the net change in the Assessment is amended to 0%.
- 11 The District Assessment is apportioned among the Districts using stationing and staffing numbers (with presbyters/deacons equivalent to 1.5 times that of a lay worker), with the annual change per District being restricted to a maximum increase of 3% above and 4% below the average uplift. The provisional figures based on the 0% average change were agreed by the District Treasurers in January 2025.
- 12 These figures are as set out in the tables below:

Table 1: Calculation of the MCF Assessment

£'m	2024/25	Inflation	2025/26
District Assessment	14.7	- 0.1	14.6
DSO funding	1.0	+0.1	1.1
Total	15.7	0.0	15.7

Table 2: 2025/26 MCF Assessment by District

	District	£		District	£
1	North West England	1,958,818	25	Sheffield	517,362
2	Wales Synod Cymru	570,768	26	Southampton	677,454
3	West Midlands	1,259,898	27	Yorkshire West	851,930
7	Bristol	687,649	29	Yorkshire North & East	681,146
10	Channel Islands	109,373	31	Scotland	178,960
11	Chester and Stoke	583,791	32	Shetland	20,780

13	Darlington	396,519	34	Bedfordshire, Essex & Herts	628,688
14	East Anglia	574,510	35	London	1,575,558
15	Isle of Man	72,673	36	South East	821,283
17	Lincolnshire	319,594	37	South West Peninsula	1,013,699
20	Newcastle	605,820		TOTAL	15,682,314
22	Nottingham and Derby	683,270			
23	Northampton	892,771			

Financial Balance

- 13** It is necessary for the Methodist Church Fund (MCF) budget to achieve financial balance in the medium term. The use of reserves will allow a deficit budget to be set over the next 3 years. However, significant expenditure reductions will need to be implemented prior to the start of 2028/29 unless additional funding can be allocated (such as an increase in the Assessment).
- 14** Consultation is underway with districts to establish those core functions that can be best provided connexionally, what functions will need to be provided elsewhere, which functions will need to cease, and what new work may be needed from the Connexional Team. This will feed into the budget process for 2026/27 and be reported to the 2026 Conference.
- 15** In the short term, the MCF deficit has increased from what was projected last year. This is as a result of a fall in donations, less MCF management levy and increases in National Insurance costs. Despite this growing deficit, the MCF does not fall below its reserve level over the three-year period to 2027/28.
- 16** However, it has meant that expenditure that was previously funded from the core MCF budget is now being funded from restricted funds. This represents good stewardship of resources but further highlights the pressure on core funding and what can be afforded over the longer term.

Inflationary Pressures

- 17** The inflation to be used in the 2025/26 budget is based on the September 2024 CPI/(H) figures published in October 2024:
- Pay inflation: $(50\% \times \text{Average earnings } 4.43\%) + (50\% \times \text{CPIH } 2.6\%) = 3.51\%$
 - Stipend inflation: $(50\% \times \text{Average earnings } 4.43\%) + (50\% \times \text{CPI } 1.7\%) = 3.06\%$
- 18** In addition to the cost of pay awards, the changes to National Insurance have added £0.3m to the budget. It is unclear what the impact might be on the costs charged by suppliers as a result of their increased costs. However, it is anticipated these will be covered by an allowance for other inflation of 2%.

Methodist Church House (MCH)

- 19** Following the successful completion of the refurbishment of the new MCH, a small surplus of c£0.4m was generated. The Council has allocated these monies to reserves for future expenditure on the property.
- 20** The proposed CCSB includes the reinstatement of budgets that had been removed during the period when the Connexional Team were renting space at Church House Westminster (such as a Facilities Manager). There may be further adjustments to the budget next year once a full 12 months of operation at MCH have been completed.

Connexional Priority Fund (CPF)

- 21** Funding for the CPF is largely from the receipt of property levies. Whilst this money can only be spent

once, it does provide significant resources to fund the Conference's key priorities. The various commitments made in relation to the use of the CPF are to:

- support the ongoing real terms reduction in the District Assessment;
- fund the next phase of the God For All strategy;
- support delivery of the Justice Dignity & Solidarity (JDS) strategy;
- support the Church's ambition to achieve net zero carbon by 2030;
- support Heritage work;
- fund ministerial training;
- fund the additional costs of the District Safeguarding changes for three years;
- support the development of a digitally enabled Church (the scope of this requiring further work but recognising that 'digital' will become a more significant tool for delivering Our Calling in the years ahead);
- fund the additional resources needed for the Church to effectively divest itself of surplus buildings;
- fund the costs associated with developing a transformation plan eg, project management; and
- fund the consequences of any such plan (eg redundancies).

22 Allocations against each area above are outlined in table 2 below:

Table 3: CPF Allocations

Priority area	Comments	24/25 £'m	25/26 £'m	26/27 £'m	27/28 £'m
Net zero	There remains £3.1m unspent from the 23/24 & 24/25 allocations	1.0	1.1	1.1	1.1
Subsidising the assessment	This has been agreed until the end of 27/28	2.5	2.5	2.5	2.5
God For All	The figures reflect what Conference approved in 2024.	2.6	4.6	5.1	5.2
JDS		0.3	0.3	0.3	0.3
Heritage	This is a long-standing commitment to the four heritage sites	0.2	0.2	0.2	0.2
Ministerial Training		1.4	1.4	1.4	1.4
District Safeguarding		0.1	0.3	0.3	0.3
Digital Church	This work stream has not yet been developed and there is unlikely to be any spend in 24/25	0.5	1.0	1.0	1.0
Property sales support	Additional Property Team support is currently funded from the Property Fund	-	-	-	-
District transformation		0.3	0.3	0.3	0.3
Transformation		0.5	0.5	0.5	0.5
TOTAL		9.2	11.9	12.4	12.5

Trustees for Methodist Church Purposes (TMCP) funding

- 23 The TMCP approached the Council with a proposal to address its long-standing concern about its funding model. It is currently funded through a management charge on the Model Trust Funds (MTFs), despite most of its work being on legal and property matters unrelated to the balances held in the MTFs. The disparity between the work undertaken and the income earned means TMCP struggles to meet the growth in property sales work. The funding mechanism is also poorly understood within the Church which causes difficulties for TMCP.
- 24 In order to allow a fuller review of the way in which TMCP supports the Connexion, and the opportunity for further streamlining connexional processes, it is proposed that a new funding mechanism is established for the next three years (2025/26 – 2027/28). Whilst TMCP's work to support the MTFs and its other legal and governance work will continue to be funded by the management charge, the property sales work (£332k) will be funded from the CPF. This will allow a reduction in the management charge whilst allowing the Council to respond to TMCP's budget pressures linked to additional property sales activity. Using the CPF for this purpose is particularly appropriate given the funding for the CPF comes from the levy on property sales.

Mission in Britain Fund (MIB)

- 25 The original God For All strategy included £7.5m of funding from MIB. The slower than anticipated take up of grants means that there is approximately £5.4m still to be allocated in 2025/26 and 2026/27. This is in addition to the new tranche of funding from the CPF for God For All agreed by the 2024 Conference (covering 2025/26 – 2031/32).
- 26 The MIB already funds Methodist Action on Poverty & Justice and the Conference previously approved its use for Justice Dignity and Solidarity and Action for Hope (the Church's commitment to zero carbon by 2030). It is now proposed that the fund also be used to meet the costs of the Justice Seeking Church work and also the Methodist Modern Art Collection. Both of these are areas of mission, and this cost transfer relieves some of the pressure on the core MCF budget.

World Mission Fund (WMF)

- 27 The Global Relationships Committee continue to spend down to reserve levels and future ongoing expenditure will be restricted to the level of ongoing income. The sale of WMF properties remains a complex process and until these are complete, the availability of the resulting funds is uncertain.

Epworth Fund

- 28 The Epworth Fund still has a sufficient balance to meet the cost of One Programme Participants (OPPs) and to fund the costs of the Connexional IT strategy.

Pension Reserve Fund (PRF)

- 29 Payments into the PRF from the CPF have been suspended due to the improved funding position of both pension schemes. The remaining fund balance will be used:
- to fund the insurance buy-out of the PASLEMC,
 - to provide security to the MMPS trustee,
 - to fund future deficit recovery plans (if required), and
 - to fund any professional advice that may be required to support the Conference in fulfilling its responsibilities.
- 30 In addition to these purposes, payments into the fund are being made by circuits at 4.4% of stipend to build a reserve to mitigate against future increases in pension contribution levels. These payments are ring fenced for this purpose.

Budget Proposal

- 31 The total budget can be seen in the table below:

Table 4 Connexional Central Services Budget: overall income and expenditure

Activity	2024/25 Forecast £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000
Income				
Central Income				
Income Generating	30,157	30,076	30,118	30,086
Centre	2,008	2,100	2,100	2,100
Others - Pensions	2,377	2,348	2,245	2,153
Evangelism & Growth	1,350	1,918	1,769	1,640
Activity	2024/25 Forecast £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000

Global relations	1,762	1,914	1,781	1,685
Governance	146	1,227	1,227	1,226
Ministries	833	1,168	1,135	1,116
Central Functions	795	826	778	760
Property	529	581	572	564
Children & Youth	164	186	196	206
Learning Network	5	7	7	6
	40,126	42,351	41,928	41,542
Expenditure	10,954	18,308	15,421	13,955
Evangelism & Growth	8,825	8,588	8,439	8,546
Central Functions	6,029	6,771	6,869	6,968
Ministries	4,773	6,301	6,337	6,454
Governance	2,199	2,752	2,936	3,058
Children & Youth	2,515	2,537	2,581	2,625
Learning Network	2,426	2,421	2,344	2,238
Global relations	2,210	1,810	210	210
Others - Pensions	1,590	1,642	1,787	1,824
Building communities	985	1,113	1,126	1,152
Property	42,506	52,243	48,050	47,030
Total	(2,380)	(9,892)	(6,122)	(5,488)
Net deficit				

* "Activity" descriptions can be found in appendix 1

32 The increase in income in 2025/26 reflects the transfer of the DSOs into the Connexional Team and additional investment income.

33 The increases in expenditure in 2025/26 are largely attributable to the second phase of the God For All programme starting whilst significant allocations from phase one are still to be made. It also reflects the impact of inflation partly offset by reduced costs associated with the pension schemes.

34 The deficit in each year largely reflects the decision of previous Conferences to reduce the reserve levels of the main Connexional Funds and thereby demonstrate the effective use of resources.

35 The Methodist Church Fund (MCF) budget can be seen in the table below:

Table 5 Methodist Church Fund Budget: income and expenditure

Activity	2024/25 Forecast £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000
Income	18,941	19,073	19,003	18,937
Central Income	146	1,227	1,227	1,226
Governance	682	672	627	611
Central Functions	185	209	205	201
Property	164	186	196	206
Children & Youth	6	18	13	14
Evangelism & Growth	2	2	2	2
Ministries	20,126	21,387	21,273	21,197

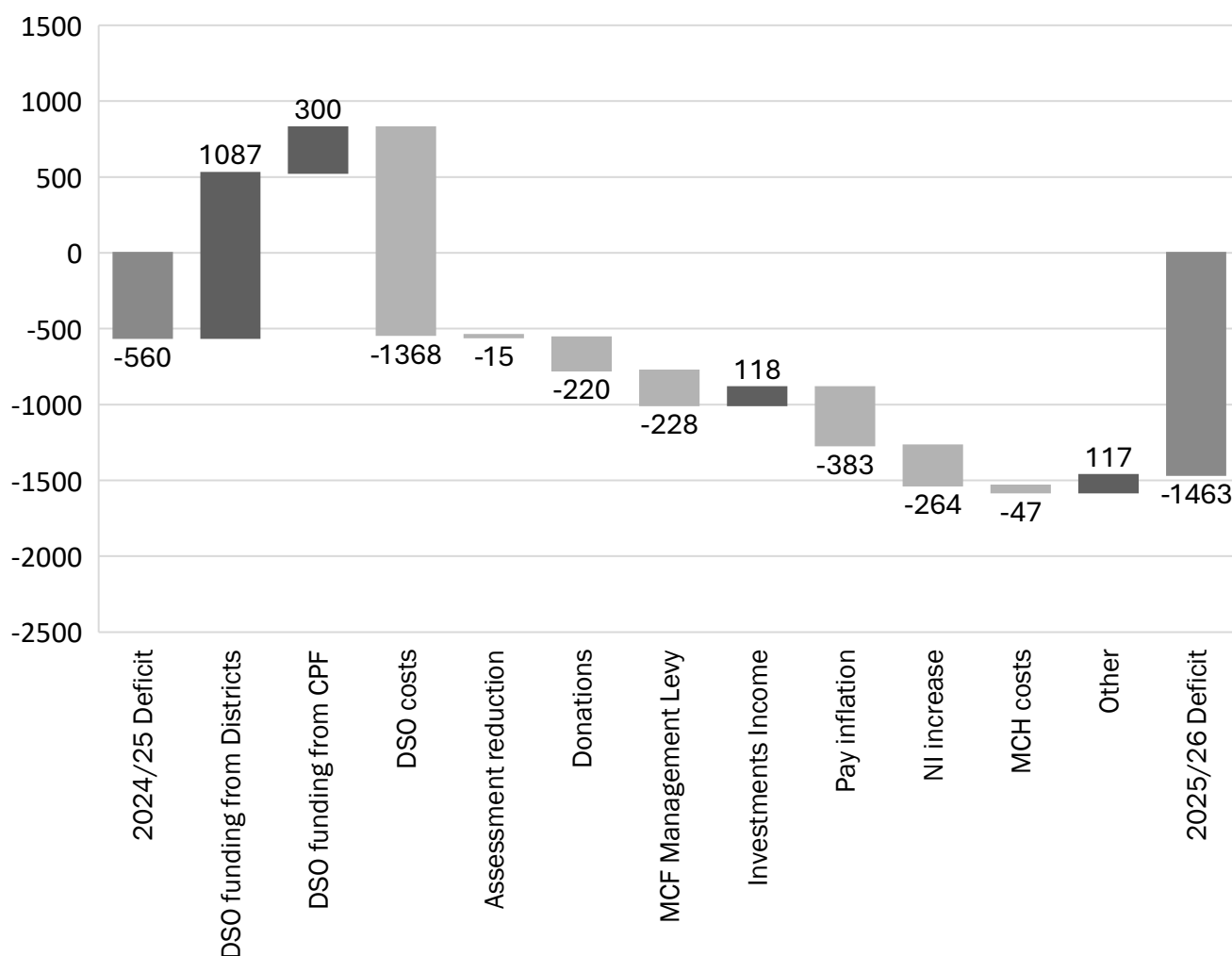
Expenditure	6,065	6,259	6,331	6,427
Central Functions	4,553	6,075	6,105	6,216
Governance	2,515	2,537	2,581	2,625
Learning Network	2,033	2,340	2,524	2,645
Children & Youth	1,732	1,963	2,029	2,100
Ministries	1,360	1,248	1,261	1,278
Evangelism &	1,239	1,144	1,162	1,187
Growth	697	752	766	792
Building	492	532	542	552
communities	20,686	22,850	23,301	23,822
Property				
Global relations				
Total				
Net deficit	(560)	(1,463)	(2,028)	(2,625)

36 The growing deficit from 2025/26 is largely consequent of the transitional support provided from the Connexional Priority Fund (CPF) being insufficient to fully cover the impact of inflation. A fall in donations and increase in National insurance is also impacting the deficit.

37 The main movements in the MCF from 2024/25 to 2025/26 can be seen in the waterfall chart below:

Chart 1: Change in the MCF Deficit from 2024/25 to 2025/26 (see below)

Chart 1: Change in the MCF Deficit from 2024/25 to 2025/26



Funds

- 38** The budgeted fund balances can be found at appendix 2. It remains the aim to reduce balances in restricted funds where possible before allocating budgets against unrestricted funds. Progress has been made with identifying how some historic funds can be used and work continues to free up further resources in future.

***RESOLUTIONS

- 23/1.** The Conference received the Report.
- 23/2.** The Conference approved the use of the Connexional Priority Fund to cover TMCP's costs of property sales work for 2025/26 to 2027/28.
- 23/3.** The Conference approved the budget for 2025/26 including an amendment to increase the MAPJ to £300k.
- 23/4.** The Conference approved the district allocations of the Methodist Church Fund Assessment for 2025/26 as set out in the report.

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, Heritage, Action for Hope
Global relations	World Church, World Meth Council; Mission Partners
Learning Network	The work of the Learning Network regions across the Connexion
Governance	The Conference, Presidency, Secretary of Conference, Council, Faith & Order, District Chairs, Law & Polity, Legal, Safeguarding, Justice, Dignity and Solidarity
Ministries	Initial ministerial training, ministerial development, ministerial oversight, ministerial grants, Diaconal order
Central Functions	Finance; IT; Procurement; Human Resources; Facilities/Front of House; Corporate; Connexional Secretary
Property	Property team, Connexional manses, property projects, property grants

Appendix 2: Fund Balances (see below)

Fund	Opening balance Sep 2024 £'000	2024/25 Forecast £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	Closing balance Aug 2028 £'000
Forces Chaplaincy Revenue	489	(188)	(89)	(102)	(92)	18
Methodist Heritage	2	0	0	0	0	2
Mission in Britain Fund	6,885	(834)	(4,951)	(65)	(94)	941
Mission in Business Industries and Commerce	503	9	16	15	13	556
Lay Mission Superannuation	348	(22)	(18)	(24)	(29)	255
Sabbatical Fund	94	2	12	12	12	132
Fund for the Support of Presbyters & Deacons	8,163	1,815	(1,086)	(1,107)	(1,128)	6,657
Medical Benevolent Fund	2,491	8	24	12	12	2,547
Listed Buildings	23	0	1	1	1	26
Fund for Property	1,270	630	587	581	579	3,647
Special Extension Fund	2,598	78	100	94	88	2,958
Fund for Training	2,779	(77)	142	125	133	3,102
Long Term Renewal Fund	466	112	18	16	15	627
Overseas Student Work	371	7	11	9	8	406
Centenary Hall Trust	28,126	0	131	131	131	28,519
World Mission Fund	7,436	(830)	(511)	(578)	(533)	4,984
Benevolent Fund	442	8	14	12	11	487
MIC Trust	21,848	(649)	(186)	(197)	(132)	20,684
Oxford Institute	59	0	(15)	(20)	(24)	0
Designated Training Fund	43	0	(14)	20	(49)	0
Langley House Trust	96	2	3	3	3	107
Total	210,557	(2,380)	(9,892)	(6,122)	(5,488)	186,675