

18. Unified Statement of Connexional Finances

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Resolution	18/1. 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 in Great Britain for 2013/14 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 in Great Britain 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 contact named at the head of this Report.</p> <p>Under SO 360 the Council has 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>

18. Unified Statement of Connexional Finances

1. 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 in Great Britain ("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.

2. 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.

3. Financial Review

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

At the end of the year, there was a net surplus before transfers and revaluations of £2.1 million (2013: £3.0 million deficit). Total incoming resources for the year were £41.5 million, a decrease of 12% compared to the previous year. Total resources expended fell by 21% to £39.5 million (£50.3 million in 2013).

4. Incoming resources

Total income fell by 12% due to two main reasons. First, legacy income was significantly less than what was received in 2013. Secondly, there were no property disposals (that is of property for which the Council has trustee responsibility) this year; last year, the Church disposed of the freehold properties at Wesley College, Bristol, resulting in gains of £4.5m. Fundraising trading income grew by 22%, a rise driven primarily by improved financial performance at both the Methodist International and Guy Chester Centres. During 2014 there was a decline in income from grants and property levies due to a reduction in sales of properties in Circuits and Districts.

Investment income and interest rose by 2% compared to the previous year and a real achievement in tough economic times. The value of the Church's investments appreciated in value by £12.4 million (2013: £9.7 million). Given the current economic environment, the expectation is that market volatility will continue. However, the Church is currently pursuing a total return policy which seeks growth in both income and capital in the long term rather than focusing on short term gains and losses.

Two entities – Southlands Methodist Trust and Methodist International Centre received £1.1m in compensation from HSBC Bank plc following two successful mis-selling complaints against the bank. This one-off receipt has been included in “other income”.

Table 1: Total Income 2014

	2014	2013	% Change
	£m	£m	
District Assessment	12.6	12.3	2%
Fundraising trading	8.2	6.7	22%
Voluntary income	7.4	10.8	-31%
Grants and property levies	5.6	5.7	-2%
Investment income and interest	5.0	4.9	2%
Other income	2.7	2.3	17%
Net gains on the disposal of tangible fixed assets	-	4.5	-100%
Total incoming resources	41.5	47.2	-12%

Voluntary income, which includes donations and legacy income, fell by 31%. This dramatic decrease is mainly due to legacy income which by its nature tends to be lumpy and non recurrent and was exceptionally high in 2013.

Table 2: Voluntary Income 2014

	2014	2013	% change
	£m	£m	
Donations	5.8	6.6	-12%
Legacies	1.6	4.2	-62%
Total voluntary income	7.4	10.8	-31%

The economic environment is still extremely challenging for many of the Church’s donors and so this year donations fell by 12%. In spite of this donors remain committed to giving to the core funds and in particular the Mission in Britain Fund. This level of giving could not be sustained without the generosity of these donors, the commitment and efforts of the Church’s local fundraisers and connexional fund treasurers.

5. Resources expended

During the year the Church spent £39.5 million to pursue its mission, a decrease of 21% compared to the previous year. Of this, £30.1 million was spent directly on charitable activities. This includes all amounts spent in furtherance of the Church’s mission including grants, direct programme activity and support costs and are summarised in Table 3 below.

Table 3: Charitable Expenditure

	2014	2013	% Change
	£m	£m	
Equipping the church to engage society	11.1	12.1	-8%
Formation, training development and resourcing	9.8	13.4	-27%
Empowering the ministry of overseas partners	7.8	15.1	-48%
Advocacy and education	1.4	1.3	+8%
Total expenditure on charitable activities	30.1	41.9	-28%

- During the year, the Church spent £11.1 million on “Equipping the Church to engage society”, a reduction of 8% compared to 2013. This reduction is due to the new grant making criteria which assess applications for both eligibility and impact.
- £9.8 million was spent on “Formation, training development and resourcing”, a decrease of 27% from 2013. 2013 saw the establishment of the Discipleship and Ministries Learning Network (DMLN). This decrease is largely due to two main reasons: first, there were reductions in grants to training institutions in line with expectations following the establishment of the DMLN; secondly, the network was not operating at full capacity during the first part of the year.
- £7.8 million was spent on “Empowering the ministry of overseas partners”, a decrease of 49% compared to 2013. This is largely due to a reduction of 55% in grant expenditure and is consistent with the changes in the overseas mission grant making policy whereby the Church moved from a one to a three year rolling grants system, and which was reported on last year. Direct expenditure fell by 49%, having accounted for the liabilities of the Superannuation Scheme for Lay Mission Partners for the first time in 2013. These are included in the prior year accounts at a cost of £2.3 million.
- Expenditure on Advocacy and Education increased by 8% to £1.4 million. During the year the Church ran a number of campaigns including the Mission in Britain Advent Appeal as well as the continual supply of key publications such as Mission Matters, World Mission Fund 2014, Mission in Britain Fund 2014 and the Methodist Prayer Handbook which are used locally for fundraising and worship purposes.
- As a grant making organisation, a significant proportion of the total expenditure budget is set aside for grants. Out of the aforementioned £30.1 million direct charitable expenditure, £12.5 million was either committed or paid during the year as grants.

6. Investments

As at 31 August 2014, the Church held fixed asset investments with a market value of £160 million (2013: £142 million). The investments reported net gains of £12.4 million in 2014. The Council’s Investment Committee regularly reviews our investment portfolio and performs an annual review of our investment policy. The 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.

Consolidated Statement of Financial Activities for the year ended 31 August 2014

	Unrestricted	Restricted	Endowment	2014	2013
	Funds	Funds	Funds	Total	Total
	£000	£000	£000	£000	£000
Incoming resources					
Incoming resources from generated funds					
District Assessment	12,582	-	-	12,582	12,340
Voluntary income	678	6,796	-	7,474	10,806
Investment income and interest	1,325	3,650	-	4,975	4,932
Activities for generating funds					
Fundraising trading	679	7,544	-	8,223	6,749
Incoming resources from charitable activities					
Capital levies and grants	4,891	697	-	5,588	5,676
Other income	791	1,914	-	2,705	2,304
Other incoming resources					
Gain on the disposal of tangible fixed assets	-	-	-	-	4,470
Total incoming resources	20,946	20,601	-	41,547	47,277
Resources expended					
Costs of generating funds					
Costs of generating voluntary income	304	23	-	327	309
Fundraising trading	363	5,111	-	5,474	4,049
Investment management	101	196	12	309	262
Total costs of generating funds	768	5,330	12	6,110	4,620
Charitable activities					
Equipping the church to engage society	7,624	3,506	-	11,130	12,066
Formation, training development and resourcing	4,887	4,860	-	9,747	13,450
Empowering the ministry of overseas partners	1,248	6,584	-	7,832	15,076
Advocacy and education	1,287	117	-	1,404	1,298
Total charitable activities	15,046	15,067	-	30,113	41,890
Governance costs	3,018	199	-	3,217	2,938
Loss on the disposal of tangible fixed assets	33	-	-	33	835
Total resources expended	18,865	20,596	12	39,473	50,283
Net incoming / (outgoing) resources before transfers	2,081	5	(12)	2,074	(3,006)
Gross transfers between funds	-	37	(37)	-	-
Net incoming / (outgoing) resources after transfers	2,081	42	(49)	2,074	(3,006)
and before other recognised gains and losses	2,081	42	(49)	2,074	(3,006)
Gains on revaluations and disposals of investment assets	2,521	9,277	643	12,441	9,737
Actuarial losses on defined benefit pension schemes	-	(44)	-	(44)	-
Net movement in funds	4,602	9,275	594	14,471	6,731
Total funds brought forward as at 1 September	45,682	100,054	15,011	160,747	154,016
Total funds carried forward as at 31 August	50,284	109,329	15,605	175,218	160,747

The Methodist Church in Great Britain Balance Sheet as at 31 August 2014

	2014	2013
	£000	£000
Fixed assets		
Tangible assets	21,038	24,429
Investments	<u>159,674</u>	<u>141,535</u>
	<u>180,712</u>	<u>165,964</u>
Current assets		
Stocks	210	128
Asset held for sale	220	-
Debtors	4,878	5,475
Short term deposits	7,399	12,459
Cash at bank and in hand	<u>3,718</u>	<u>2,644</u>
Total current assets	<u>16,425</u>	<u>20,706</u>
Creditors		
Amounts falling due within 1 year	(12,049)	(13,195)
	<u>4,376</u>	<u>7,511</u>
Net current assets	<u>4,376</u>	<u>7,511</u>
Total assets less current liabilities	<u>185,088</u>	<u>173,475</u>
Creditors		
Amounts falling due after more than 1 year	(7,674)	(10,468)
Net assets excluding pension liability	<u>177,414</u>	<u>163,007</u>
Defined benefit pension scheme liability	(2,196)	(2,260)
Net assets including pension liability	<u>175,218</u>	<u>160,747</u>
Funds		
Unrestricted funds	50,284	45,682
Restricted funds	109,329	100,054
Endowment funds	<u>15,605</u>	<u>15,011</u>
Total funds	<u>175,218</u>	<u>160,747</u>

Please follow this link to view the accounts online: www.methodist.org.uk/ministers-and-office-holders/finance-and-treasurers/financial-accounts-trustees-report

7. Provision of information to the auditor

So far as the Trustees are aware, there is no relevant audit information of which the Charity's auditor is unaware. The Trustees have taken all the steps that we ought to have taken as Trustees in order to make ourselves aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

8. Statement of trustees' responsibilities

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 incoming resources and application of resources 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 judgments 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.

9. Auditor

A resolution proposing the re-appointment of Baker Tilly UK Audit LLP as auditor to the charity will be put to the Methodist Council.

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

The Reverend David Gamble

Chair of the Council

11 April 2015

*****RESOLUTION**

18/1. The Conference received 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

We have audited the financial statements of The Methodist Church in Great Britain for the year ended 31 August 2014. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' responsibilities set out on page 34 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on financial statements

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 2014 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.

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
- the parent charity has not kept sufficient accounting records; 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.

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Hartwell House
55 – 61 Victoria Street
Bristol, BS1 6AD

Date:

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