

### 36A. Connexional Central Services Budget for three years commencing 2015/16

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<b>Status of Paper</b>	Final
<b>Action Required</b>	Decision
<b>Resolutions</b>	<p>36A/1. The Conference adopts the Connexional Central Services Budget for 2015/16.</p> <p>36A/2. The Conference agrees to the payment of £448k from the Pension Reserve Fund into the Pension and Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC) in September 2015.</p> <p>36A/3. The Conference agrees that the existing structure of management charges on the main restricted and designated funds be replaced from 2016/17 by a series of three bands and a fixed charge of 0.1% of capital values.</p>
<b>Alternative Options to Consider, if Any</b>	Any modifications decided by the Conference.

#### Summary of Content

<b>Subject and Aims</b>	Draft Connexional Central Services Budget for adoption by the Methodist Conference.
<b>Main Points</b>	<ul style="list-style-type: none"> <li>• Overall net reduction in connexional funds of £15.4m over three years as reserves policies take effect</li> <li>• MCF deficit of £42k in 2015/16, moving to break even thereafter</li> <li>• Increase of Fund for Training to cover DMLN costs</li> <li>• Proposed 3.0 FTE increase in the Connexional Team headcount for 2015/16</li> <li>• 1% lay and ordained pay increases assumed for three years</li> <li>• Assumed 1% increase to MCF assessment in 2017/18</li> </ul>
<b>Background Context and Relevant Documents</b>	The Council recommends this budget to the Conference.
<b>Consultations</b>	The Council, the Finance Sub-Committee of the Strategy and Resources Committee (SRC) and the SRC

#### Summary of Impact

<b>Financial</b>	New reserves policies reflected in draft budget.
<b>Personnel</b>	1% lay salary increase will be used by some other Methodist employers.
<b>Wider Connexional</b>	Assumption used for MCF assessment sends signal to Connexion.
<b>Risk</b>	The Council believes that the draft budget reflects the current priorities and work expected of the Team. Any changes could risk that being delivered.

## 36. Connexional Central Services Budget - Three years commencing 2015/16

### Introduction

1. The Connexional Central Services Budget (CCSB) for three years, commencing 2015/16, is set within a context of general stability, but with an eye towards the decision that the 2016 Conference will need to take regarding the future level of the Methodist Church Fund (MCF) assessment.
2. Although it is the largest part, the assessment does not constitute the entire income to the MCF and one of the challenges in preparing this budget is the continuing predicted decreases in property levy income and donations to restricted funds; together resulting in MCF income from management charges being £246k lower in 2015/16 than the 2014/15 budget. This almost cancels out the £260k increase in the assessment and means that overall MCF income rises only £112k year-on-year.
3. Although the level of assessment in 2017/18 will not be determined until the 2016 Conference, the Methodist Council decided at its meeting in January 2015 to assume an increase of 1% in the preparation of year three of this budget. The Council recognises that this should not be taken as any indication regarding the outcome of the discussion in 2016; indeed it is not part of the 2015/16 budget that the Conference is asked to adopt. However, it felt that this was the most appropriate value to utilise as a forecast for year three.
4. The SRC has previously decided that the lay pay increase for September 2015 should be 1%, mirroring the Connexional Allowances Committee's (CAC's) recommendation regarding ministerial stipends. Years two and three of the draft budget also assume 1% per annum increases for lay and ordained pay. No allowance has been made for any change in total staffing costs that may result from the review of Council remuneration scales.
5. The budget has been scrutinised in detail by the SRC Finance Sub-committee (FSC), and by the SRC prior to the Council adopting the budget as recommended by the SRC. The most significant change made by the FSC, and endorsed by the SRC and Council, was the addition of a proposed new post within Governance Support with the working title of 'Compliance Officer'. The Senior Leadership Group (SLG) had identified the need for this, but decided to withdraw it as part of the process of achieving a balanced budget on the MCF. However, given the level of reserves within the MCF and the perceived need for this additional capacity, the FSC asked that the post be added at an estimated cost of £55k per annum, including pension and NI. The result is a small deficit of £48k in 2015/16, moving to break even during the following two years [See Schedule 2].
6. Headcount within the draft budget by cluster (Full-time equivalents):

	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
Discipleship and Ministries	77	75.6	75.6	74.6
Governance Support	7.8	8.3	8.3	8.3
Mission and Advocacy	27.8	28.2	28.2	28.2
Senior Leadership Group	6	6	6	6
Support Services	73.7	77.7	74.2	73.7
Total	192.3	195.8	192.3	190.8

## SCHEDULE 1 - OVERALL INCOME AND EXPENDITURE

Account Type	Nominal Category	2013/14 (ACT) £000	2014/15 (BUD) £000	2015/16 (BUD) £000	2016/17 (BUD) £000	2017/18 (BUD) £000
<b>Income</b>	MCF Assessment	12,582	12,810	13,067	13,334	13,469
	Property Levies	4,882	6,074	4,885	4,885	4,885
	Donations	4,085	5,109	4,267	4,162	4,079
	Investment Income	4,018	3,973	3,681	3,716	3,698
	Miscellaneous Income	1,478	538	1,390	1,492	1,494
	Legacies	779	904	825	824	823
	Trading Income	567	441	438	438	438
	Rental income	345	362	382	385	388
	Grants	109	167	157	157	157
<b>Total income</b>		<b>28,846</b>	<b>30,377</b>	<b>29,092</b>	<b>29,392</b>	<b>29,430</b>
<b>Expenditure</b>	Grants Payable	10,700	12,356	15,344	14,271	12,611
	Established Staff Costs	7,277	7,938	8,320	8,252	8,301
	Other Costs	4,244	5,994	4,709	4,075	4,398
	Connexional Ministers - Stipends	3,259	3,063	3,811	3,387	3,412
	Mission Partners	1,250	1,622	1,614	1,680	1,701
	Committee Costs	1,310	1,272	1,299	1,249	1,275
	Facilities	496	553	534	552	575
	Cost of Sales	180	310	371	371	373
	Insurance	118	105	154	155	156
	Other Staff Costs	426	312	94	72	72
	Ministers –Connexional Appointments Other Costs	19	27	33	33	34
<b>Total expenditure</b>		<b>29,278</b>	<b>33,553</b>	<b>36,284</b>	<b>34,098</b>	<b>32,906</b>
<b>Net expenditure</b>		<b>(432)</b>	<b>(3,175)</b>	<b>(7,192)</b>	<b>(4,706)</b>	<b>(3,476)</b>

## SCHEDULE 2 - THE METHODIST CHURCH FUND ONLY

### INCOME AND EXPENDITURE

Account Type	Nominal Category	2013/14 (ACT) £000	2014/15 (BUD) £000	2015/16 (BUD) £000	2016/17 (BUD) £000	2017/18 (BUD) £000
<b>Income</b>	MCF Assessment	12,349	12,596	12,856	13,120	13,252
	MCF Administration Charge	1,116	1,411	1,165	1,154	1,144
	Donations	584	617	617	586	574
	Miscellaneous Income	765	534	537	537	537
	Trading Income	567	441	438	438	438
	Rental income	113	116	127	127	127
	Investment Income	161	81	109	108	108
	Legacies	93	50	120	120	120
	Grants	9	17	7	7	7
<b>Total income</b>		<b>15,756</b>	<b>15,863</b>	<b>15,975</b>	<b>16,197</b>	<b>16,307</b>
<b>Expenditure</b>	Established Staff Costs	6,673	7,372	7,859	7,850	7,929
	Other Costs	2,931	3,804	3,168	3,095	3,107
	Ministers (Connexional appt) - Stipends	1,931	1,809	2,197	2,219	2,241
	Committee Costs	1,081	1,116	1,057	1,004	1,028
	Grants Payable	1,494	747	556	840	789
	Facilities	458	537	471	491	513
	Cost of Sales	180	310	371	371	373
	Insurance	83	78	127	128	129
	Internal Transfer	0	0	100	100	100
	Other Staff Costs	315	94	89	70	70
	Other Ministers (Connexional Appt) Costs	14	26	29	29	30
<b>Total Expenditure</b>		<b>15,158</b>	<b>15,893</b>	<b>16,023</b>	<b>16,197</b>	<b>16,307</b>
<b>Net surplus / (deficit)</b>		<b>598</b>	<b>(30)</b>	<b>(48)</b>	<b>0</b>	<b>(0)</b>

### Use of restricted/designated funds

- In response to the fall in MCF income from other sources and the desire to minimise ongoing increases in the level of the assessment, the Council agreed that part of the free reserves of the restricted Fund for Training (FfT) should be used to cover more of the costs of the Learning Network, keeping within the Fund's purposes as defined in SO 362(4). This alters only the sources of funding for the Network whilst keeping the overall spend at the Conference-agreed level. This will be capped at a maximum of £500k per annum and the draft budget includes a drawdown of £500k in 2015/16, £228k in 2016/17 and £286k in 2017/18. If the Conference is not minded to approve this proposal, then decisions will need to be taken by the Council and the SRC about which work within the Team can be reduced in order to produce cost savings.
- Given the other commitments that have been made against the Fund for Training; primarily relating to capital works to support the two Learning Network centres at Cliff College and the Queen's Foundation, this will result in the free reserves of the FfT being significantly reduced by the end of the 2017/18 year. The SRC acknowledged that there was no further scope for

any additional capital or maintenance spending from that fund over the next three years unless the income generating sites significantly outperform their targets. Given that these sites will have had an additional year of operation with their new focus, it is anticipated that a more effective review of the standing of this fund will be possible as part of the budget process next year.

9. In 2014 a property, 24 Somerset Road, Birmingham was acquired for redevelopment for use as student accommodation for those in ministerial training at the Queen's Foundation. The Council agreed that £1.9m (inc VAT) be committed from the Fund for Training to cover the redevelopment costs. This is reflected in years one and two of the budget. It is anticipated that this property will be available for use by September 2016, with the cost benefit of this informing the review of the FFT.
10. The draft budget incorporates planned progress towards agreed levels of reserves. The Mission in Britain Fund (MiBF) and Fund for Property (FfP) are both budgeted to reach their agreed levels of reserves at the end of the 2017/18 year. The draft budget shows the Connexional Priority Fund (CPF) balance reducing to its agreed level of £5m by the end of the 2018/19 year, with the Council having taken decisions in principle about the use of the freed reserves.
11. The Conference has previously agreed that the Epworth Fund be used to cover the costs of the Safeguarding Past Cases Review. The exact timing of the end of that work is not entirely known as there is significant case work still to complete. The amount of £120k in 2015/16 should ensure that case reviews and the resultant actions can all be completed, and also includes an amount of £33k for a half-time caseworker that is repeated in 2016/17. This is not intended to complete work on case reviews, but rather to undertake any implementation work that the Conference may decide to initiate.
12. The 2013 Conference approved a spend of £260k over three years on the development of web-based systems that were specifically for the benefit of the Connexion; not for internal use by the Connexional Team. This work continues and remains within the original budget. The Council now recommends that this be extended by an additional £70k over two years. £50k of this would fund an upgrade of the main Church website in 2015/16 and £20k web-based Methodist Heritage work. In response to memorials M15, 16, 17 to the 2013 Conference, the Council established a Working Party regarding the releasing of locally held funds for mission (see the Council report to the Conference, part 1, section C). As a result of the Working Party's report, the Council agreed at its meeting in January 2015 to make three recommendations to the 2015 Conference. One of these involves commissioning work relating to unlocking some trust funds held by TMCP. The budgeted cost of £60k spread over two years is also included within Support Services from the Epworth Fund. All of these proposals still maintain the agreed reserves level of £5m within that fund, with a forecast level of £5.06m at 31 August 2018.
13. The Pension Reserve Fund (PRF) was established by the Conference (SO 974(1)(iA)) in order to support potential shortfalls in both the Methodist Ministers Pension Scheme (MMPS) and the Pension and Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC). The 2012 Conference agreed that it would contribute £1m per annum for 10 years towards the shortfall in the MMPS and the outcome of the 2014 valuation is that the payments being made are sufficient to meet both the past service deficit and future pension costs. The outcome of the PASLEMC valuation is that although the past service deficit has reduced significantly, future service costs have risen. At its meeting in April the Council resolved to undertake a consultation with members to alter the scheme benefits in order to reduce future

service costs. It also adopted a recommendation from the SRC that the reduced past service deficit now be paid off with a single payment of £448k from the PRF on 1 September 2015.

14. The budget for grants from the World Mission Fund (WMF) remains largely unchanged, pending consideration of the strategic use of that fund in supporting the Church's work with partners overseas. However, in the light of this review it was not felt appropriate by either the SRC or Connexional Grants Committee (CGC) that a further round of three-year rolling grants be made in 2015/16. As a result, this budget has been smoothed over the three years of the draft budget, but retained at the same overall level. Given the gradual decline in income to the fund, this assumption of an unchanged pattern of spending will mean a reduction in its balance of over £5.7m over the three years of the budget. It is anticipated that the ongoing work, in collaboration with the Methodist Church in Ireland, on the strategic use of the WMF and of a resultant reserves policy will enable more detailed proposals on this to be incorporated into the 2016 budget round.

### **Changes to the calculation of management charges on main restricted and designated funds**

15. Charity financial law enables the costs involved in managing restricted and designated funds to be recovered by the unrestricted funds that bear those costs. The existing practice is that the MCF is reimbursed by flat management charges of 11% of income to the Connexional Priority Fund (CPF), Mission in Britain Fund (MiBF) and Fund for Property (FfP) and of 18% on the WMF. Last year the SRC commissioned work to evaluate the appropriateness of this arrangement and received a report at its meeting in February 2015. This evaluated the work that is undertaken by various parts of the Team relating to each of the funds, including the proportion of various categories of role and of the appropriate overhead costs.
16. As a result it is recommending that these arrangements be replaced by three bands of charge on income that are applied to a wider range of funds. The bands will be 18%, 10% and 6%. In addition, a small charge of 0.1% will be made on the year-end capital balance of each fund. This will ensure that large funds that receive very little annual income will now contribute towards their administration costs.
17. The draft budget is based on the existing management charges. The Conference is asked to agree to the Council's recommendation that the new arrangements be introduced from 1 September 2016. The intention of the new methodology will not be to increase the overall income from management charges, but rather to ensure that it is drawn more equitably from a wider range of connexionally-held funds.

### **Overview of main changes by Cluster**

#### **Mission and Advocacy**

18. **300 Mission and Advocacy General:** Increase in costs results from appointment of Martin Ashford in succession to the Revd Gareth Hill as Head of Cluster, with corresponding replacement of stipend cost with salary.
19. **305 Communications / 310 Heritage:** A refresh ('look and feel') of the Methodist Church website was previously included in the budget for 2016/17. This has been brought forward to 2015/16 as it is felt that work on the site is needed in a shorter timescale. The cost for this work has now been allocated to the Epworth Fund, as has work to refresh the Heritage website and link the front end to a live database of information about each historical site.

CC	Cost Centre	2013/14 (ACT)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)	2017/18 (BUD)
	Income	£000	£000	£000	£000	£000
305	Communications and Campaigns	5	4	6	6	6
310	Methodist Heritage	15	58	21	23	25
311	Publications	573	475	514	514	514
315	Modern Christian Art	13	2	2	2	2
325	Mission Work Overseas	3	0	0	0	0
330	Public Issues	6	5	5	6	6
	<b>Total income</b>	<b>614</b>	<b>544</b>	<b>548</b>	<b>550</b>	<b>552</b>
	<b>Expenditure</b>					
300	Mission and Advocacy	46	58	94	94	95
305	Communications and Campaigns	413	463	515	474	477
310	Methodist Heritage	135	192	211	203	201
311	Publications	687	789	893	897	901
315	Modern Christian Art	6	18	14	6	6
320	Fundraising	149	221	211	212	213
326	World Church Relationships	505	563	606	606	614
330	Public Issues	242	270	300	305	307
370	Interfaith Relations	13	15	15	15	15
	<b>Total expenditure</b>	<b>2,195</b>	<b>2,588</b>	<b>2,859</b>	<b>2,811</b>	<b>2,830</b>
	<b>Net expenditure</b>	<b>(1,581)</b>	<b>(2,044)</b>	<b>(2,311)</b>	<b>(2,262)</b>	<b>(2,278)</b>

20. There is a backlog of work required around archiving, storage and digitisation. A small sum has been included in the budget for archiving and digitisation of the most urgent cases but there is a great deal that potentially needs attention and has not been provided for.
21. Income lines (donations, grants, etc) under both MCF General and Methodist Heritage Funds have been reduced compared to this year's budget as the figures shown for 2014/15 are most unlikely to be achieved. While there is potential for raising funds, current resourcing in the Methodist Heritage area is insufficient to allow a focus on this. Support for heritage fundraising will be taken into account as we seek to create a more effective fundraising activity across all areas.
22. **311 Publications / 320 Fundraising:** Increased cost in Publishing reflects continuing to produce *the connexion* on a thrice-yearly basis. The annual cost of producing and mailing the magazine is expected to be approximately £80k: in 2014/15 this was covered elsewhere but for 2015/16 it has been brought into the Publications budget. We have partially offset this by budgeting to reduce the cost of other work by £30k through efficiency savings. While we have no plans at the moment to close specific publications, all projects will be kept under scrutiny. It should be noted that, while some products (such as the prayer handbook) bring in revenue amounting to several times their direct cost, the majority of expense is incurred on 'free' (non-trading) items of which *the connexion* is one, or in support of fundraising (*Mission Matters*, *Easter Offering*). Work is underway based on the review performed by an external consultant on the activities covered by these cost centres. However, no specific plans have yet been agreed, so the budget assumes a steady state.
23. **326 World Church Relationships (WCR):** A strategy paper for the Church's work with overseas partners, and use of the WMF was considered in small discussion groups by the Council during its meeting in April. Very limited provision has been made in the budget for supporting new work in 2015/16, such as a short term volunteer programme, but other projects will need to

be held back. Opportunities will also be sought to rebalance resources between existing and new work.

24. Some additional cost has also been provided to support Missional fundraising, particularly in the context of the One Mission initiative and in order to stem the reduction in donations over recent years.
25. The budget for overseas travel has been reduced by £15k from the 2014/15 level and this will have implications beyond the Team as this budget supports a variety of connexional overseas visits.
26. **330 Joint Public Issues (JPIT):** While it may appear that staff costs are increasing, this is more apparent than real. A number of staff have been on reduced hours due to illness and, as they have the right to return to full-time working, that has been provided for in the budget.

### Discipleship and Ministries (D and M)

27. The D and M budget is divided into two; the Learning Network and the general D and M budget.
28. **Learning Network:** Although it is an integral part of Discipleship and Ministries, the budget for the Learning Network is shown separately below in order to provide transparency regarding the decisions that the 2012 Conference took in response to the Fruitful Field report.

CC	Cost Centre	2013/14 (ACT £k)	2014/15 (BUD £k)	2015/16 (BUD £k)	2016/17 (BUD £k)	2017/18 (BUD £k)
200	Discipleship and Ministries	9	0	0	0	0
201	D and M – Cliff	0	0	208	212	212
220	Children and Youth	16	0	0	0	0
225	Church and Community (general)	17	0	0	0	0
226	Programmes	18	0	0	0	0
230	Regions / General	6	467	3	3	3
233	Initial Ministerial Learning	15	0	150	150	150
234	Further Ministerial Development	3	0	295	301	301
235	Ministry Development	13	0	0	85	85
238	SRI General	0	0	198	202	202
	<b>Total Income</b>	<b>99</b>	<b>467</b>	<b>854</b>	<b>953</b>	<b>953</b>
	<b>Expenditure</b>					
201	D&M – Cliff	471	204	208	212	212
202	D&M – London	194	198	184	187	189
203	D&M – Scotland	181	177	121	123	124
204	D&M - North East	141	174	170	172	174
205	D&M - South West	80	168	166	168	170
206	D&M - East Central	204	253	249	252	255
207	D&M - East of England	142	190	192	194	197
208	D&M - Cymru/ Wales	175	198	182	184	186
209	D&M - Yorkshire Plus	189	268	255	258	261
211	D&M - Southern and Islands	199	262	250	252	255
212	D&M - Bristol and W Midlands	169	233	237	239	242
213	D&M - North West and Mann	344	401	422	427	431
220	Children and Youth	49	50	49	50	51



CC	Cost Centre	2013/14 (ACT £k)	2014/15 (BUD £k)	2015/16 (BUD £k)	2016/17 (BUD £k)	2017/18 (BUD £k)
225	Church and Community (general)	348	282	232	234	237
226	Programmes	71	110	160	163	166
230	Regions / General	291	153	176	158	161
232	Pathways General	787	830	907	869	850
233	Initial Ministerial Learning	855	1,157	1,150	1,150	1,150
234	Further Ministerial Development	247	343	295	301	301
235	Ministry Development	192	266	155	242	245
238	SRI General	10	264	266	271	272
240	Discipleship	261	126	176	178	181
260	Mapping A Way Forward (DDE)	7	0	0	0	0
356	Education Commission	1	0	0	0	0
<b>Total expenditure</b>		<b>5,610</b>	<b>6,306</b>	<b>6,202</b>	<b>6,286</b>	<b>6,310</b>
<b>Net expenditure</b>		<b>(5,511)</b>	<b>(5,838)</b>	<b>(5,349)</b>	<b>(5,332)</b>	<b>(5,357)</b>

29. In the Learning Network there are two particular issues that need noting: the salary protection offered for first two years to transitioning staff comes to an end in August 2015 and the appropriate adjusted salaries have been included in these figures; in order to be prudent, the costing assumption has been made that vacant posts will be filled by lay people.
30. The funding of pathways at the two centres of the Network; the Queen's Foundation an ecumenical body, and Cliff College a self-accounting entity of the Council is subject to annual negotiation. The relationship of both centres is with the Council and responsibility for the review and monitoring of any agreements reached delegated to the Network Committee.
31. In line with the three year agreement between the Methodist Council and the Queen's Foundation, a figure of £762k has been allocated to support Queen's as a centre in 2015-16. It should be noted that 2015/16 is the last year of the current cycle and new financial arrangements will need to be negotiated for 2016/17 and beyond.
32. **232 Pathways General:** includes £200k from the World Mission Fund which reflects the allocation of funding agreed at the 2012 Conference in the *Fruitful Field* report. In practice, the terms of the fund make it difficult to allocate for the purposes of the Learning Network, creating pressure on other parts of the budget and other learning pathways. Work is ongoing with the Network Committee to ensure that the intention contained within the *Fruitful Field* report - that £200k went into the Network budget to enable work that had been done through SOCMS to continue world church engagement as part of the learning of the whole people of God - is honoured in a measurable manner.
33. A figure of £36,500 has been allocated to support the underpinning costs of the Common Awards (a validation arrangement between the Archbishop's Council and the University of Durham in which the Methodist Church is a partner). The participation of the Methodist Church in the Common Awards provides significant financial stability in relation to validation costs. The current contract runs until 31 August 2018 and the annualised cost to the Methodist Church will remain consistent throughout that period.
34. The annual contribution from the Learning Network towards the ongoing work of Cliff College is mainly allocated in two areas; half provides a bursary scheme to encourage and enable the wider participation of those who would not automatically consider a course at Cliff, ranging from a short weekend course to an MA, requiring some payback to the Learning Network through the involvement in the delivery of learning and development locally; the other half

supports partnership work between the Learning Network and Cliff, in particular a contribution to the cost of Festival, the development of a second Summer School week, the connexional delivery of the new Local Preachers and Worship Leaders (LPWL) pathway, certification of ONE programme training and support for the pioneering pathway.

35. Changes to SO 362(4) were adopted by the 2014 Conference that allow for the use of the Fund for Training (FfT) for both centres. The Fruitful Field report clearly indicated the anticipated level of income to the FfT, the relevant section of the report being,

*268 The Committee recommends as illustrated in table F, that an additional funding stream is established using the funds and assets of the Discipleship and Ministries Learning Network, providing an income of £927k per annum. Based on the recommendations made by the Committee in section J, the Committee anticipates that the Network's funds and assets will include Cliff College, the Guy Chester Centre (the North Bank Estate), the Methodist Diaconal Order Centre, Methodist International Centre, the Southlands Methodist Trust, the Network's interest in the Queen's Foundation, and, as a permanent endowment, the Trusts associated with Wesley House, Cambridge.*

36. As can be seen the report envisaged that the income into the FfT be derived from some sources that with subsequent developments have become inaccessible to that fund. Changes to The Southlands Methodist Trust deed and the creation of the Susanna Wesley Foundation have led to useful partnership and collaborative activities with the Learning Network but no transfer of funds. The Methodist Diaconal Order Centre in Birmingham has now been sold but the proceeds of that sale were agreed by the Council to be placed more properly into funds exclusively associated with the Diaconal Order. Wesley House Cambridge (WHC) Trustees have rebranded WHC as Wesley House Methodist College with funds from the sale of property being directed into that venture rather than to the FfT.
37. It is therefore unsurprising that the anticipated £927k annual income is not yet at that level. The Network Committee are predicting that an income approximating this level should be achievable by 2016/17. Given that the income from the FfT is less than anticipated, the budget is shown as assuming that the reserves in the FfT make up this shortfall, as indicated earlier in the report.
38. A provisional budget for 'Positive Working Together' has been included under 232 to mirror the outline recommendations of the working party which will be brought to the 2015 Conference. It is suggested that this is funded through an additional call upon the Fund for Training.
39. **226 Programmes:** £85k has been budgeted for 3Generate. This includes a larger venue than previously and associated larger production costs to enable a larger event to address the increased need. The event sold out in four days last year and in a matter of weeks the year before. Building on success to allow an increased number of children and young people to attend and allowing an increased amount for the further development of the programme to include those with additional needs requires an additional spend. Account has been taken of potential increased income from increased ticket sales.

## Discipleship and Ministries (non-Learning Network)

CC	Cost Centre	2013/14 (ACT)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)	2017/18 (BUD)
<b>Income</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
200	Discipleship and Ministries	1,119	350	337	333	328
210	Chaplaincy	136	179	178	176	176
228	Chaplaincy Project	0	0	0	0	0
231	Transitional	7	0	0	0	0
261	Venture Fx	10	0	0	0	0
<b>Total income</b>		<b>1,272</b>	<b>529</b>	<b>516</b>	<b>509</b>	<b>504</b>
<b>Expenditure</b>						
200	Discipleship and Ministries	518	506	1,526	448	451
210	Chaplaincy	132	197	200	203	206
227	Family Ministry	54	83	66	67	68
228	Chaplaincy Project	72	0	17	0	0
231	Transitional	1,588	643	0	0	0
261	Venture Fx	454	472	416	362	355
356	Education Commission	121	79	81	82	83
365	Inspire Project	151	0	0	0	0
<b>Total expenditure</b>		<b>3,091</b>	<b>1,980</b>	<b>2,307</b>	<b>1,162</b>	<b>1,162</b>
<b>Net expenditure</b>		<b>(1,818)</b>	<b>(1,451)</b>	<b>(1,791)</b>	<b>(653)</b>	<b>(658)</b>

40. **228 Chaplaincy Project:** contains provision for the final four months plus redundancy of a chaplaincy officer in Cumbria employed in relation to the Chaplaincy Everywhere project. The funding for this role represents a carry-over of the final portion of a grant from the Mission in Britain fund.
41. The salaries and costs for some posts have moved cost centre to more properly reflect their line management and place within the organisation. The following posts have moved from the Learning Network into D and M general. The Youth President, The Development Support Officer, The Fresh Expressions post and associated grant from CPF and the Rural Officer post (joint appointment with the URC).
42. **227 Family Ministry:** The Family Ministry worker post finishes in June 2016, we have however budgeted for the full cost of this post for years 2016/17 and 2017/18 from the Education and Youth Fund due to the successful outcomes of the initial three years of this post and increasing demand from the Connexion for support with this critical area of ministry.

## Governance Support

CC	Cost Centre	2013/14 (ACT)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)	2017/18 (BUD)
Income		£000	£000	£000	£000	£000
610	Law and Polity	233	0	0	0	0
630	Conference and Council	0	0	0	0	0
631	Conference	29	18	9	9	9
640	Ecumenical	1	0	0	0	0
<b>Total income</b>		<b>264</b>	<b>18</b>	<b>9</b>	<b>9</b>	<b>9</b>
Expenditure						
600	Governance Support	441	437	519	526	532
610	Law and Polity	167	306	313	323	328
620	Faith and Order	35	16	33	34	35
625	Ministerial Oversight	61	134	82	84	85
630	Conference and Council	113	202	135	138	142
631	Conference	470	617	481	469	490
634	President and Vice President	23	71	71	71	72
635	Chairs of District	1,076	859	1,180	1,191	1,203
640	Ecumenical	326	292	268	270	265
641	Methodist Ecumenical Office Rome	0	0	2	2	2
<b>Total expenditure</b>		<b>2,712</b>	<b>2,935</b>	<b>3,083</b>	<b>3,109</b>	<b>3,155</b>
<b>Net expenditure</b>		<b>(2,448)</b>	<b>(2,916)</b>	<b>(3,074)</b>	<b>(3,100)</b>	<b>(3,146)</b>

43. **600 Governance Support - Salary and Stipend Costs:** With the exception of the Ecumenical Officer, all other staff in the office are now included in the Governance Support budget line. The figures include both 0.5fte of a lay Complaints and Safeguarding Worker and 0.5fte ordained Complaints Worker. Retaining the 0.5fte lay part of the post, with the addition of the existing ordained post will result in a return to the pre-2013 staffing level, the office having carried a 0.5fte vacancy since the retirement of David Gamble. The Council endorsed the SLG's view that the level of Complaints and Discipline work requires a full-time equivalent post, irrespective of the potential staff moves between Complaints and Discipline and Safeguarding.
44. The post of Secretary of the Faith and Order Committee is increased from half time to 2/3rds on the basis that the last year has seen an increase in the amount of work required of the Committee. This is one of the consequences of an apparent decline of available volunteers and the need for more work to be carried out by the Secretary of the Committee. The Committee, and the Secretary, are keen to undertake a number of pieces of work that have been awaiting attention for some time, in particular it is vital that adequate resource is given to the work on ministry.
45. As outlined in the introduction, increasing requirements in the areas of risk management, internal audit and data protection meant that the SLG has identified the requirement to add a new Compliance Officer post. Although this was not felt to be affordable within the current budget, with additions in other areas felt to be more vital, the FSC proposed that it be added. The additional costs were therefore contained within the numbers now recommended to the Conference by the Council.
46. **610 Law and Polity: Other Advocacy Expenses** covers legal fees. The budget for legal fees has been significantly reduced from £160k in 2014/15 to £100k for 2015/16. This figure reflects

the actual spend on legal fees in 2013/14. The potential for legal claims has been reduced by the judgment in the Supreme Court case but vicarious liability and claims under the Equality Act are still possible with such cases requiring significant expenditure on legal fees. If a number of claims were received and the spend was over the budgeted figure it is proposed that such fees are paid from reserves along with any settlement payments that have to be made.

*Professional Fees - Legal Expenses* includes 35% of staff costs of the Trustees for Methodist Church Purposes and that reflects works which TMCP undertakes on behalf of the Team and not the Custodian work.

47. **625 Ministerial Oversight:** When this area of work moved to Governance Support it proved almost impossible to identify a clear set of figures that related to this work. Consequently, assumptions were made and some of this will be necessary for a second year as previously unknown charges have had to be accounted for. Work continues to keep this area under review and to ensure a more faithful use of resources when establishing panels and committees.
48. The budget should include £30k for the costs of ordinations, this includes all costs associated with ordinations. Accommodation for ordinands is covered in the costs of the Conference.
49. **630 Conference and Council:** There is included here resource for up to eight working parties to be established by the Conference or the Council. Some of this is for work already initiated in previous years.
50. **631 The Conference:** The costs of the Conference have undergone considerable scrutiny and the figures contained within the budget reflect this. Close work with suppliers has resulted in a more realistic basis for years two and three. It remains the case that expenditure over which the Planning Executive has the least control is travel costs.

### **Support Services**

51. The net cost of the Support Services Cluster proposed in the budget for 2015/16 is £5.953m against £6.294m in 2014/15. The figures for both years include exceptional expenditure over the two years of £2.05m on Methodist Church House (MCH) from the Long Term Renewals Fund, as agreed by the 2014 Conference. The main changes affecting the budget from 2015/16 onwards are as follows.
52. **409/410 Finance and Bureau services:** The efficiency and effectiveness of the Finance Office has improved dramatically over the last few years, aided by investment in new systems and more rigorous attention to the requirements of both statutory charity finance guidelines and the needs of the Church in decision-making. The Council's internal audit process has highlighted several concerns regarding division of duties and overall levels of performance have only been maintained by the regular use of temporary staff. This budget therefore proposes one new management post, in order to enable the Director of Financial Operations to focus properly on high level financial management, and an additional officer post to remove the need for temporary staff. The additional cost is £106k in 2015/16.

CC	Cost Centre	2013/14 (ACT)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)	2017/18 (BUD)
	Income	£000	£000	£000	£000	£000
409	Bureau Services	159	164	185	185	185
410	Financial Services	74	116	75	75	75
430	Administration	31	20	35	36	37
431	Information Technology	25	76	76	76	76
440	Development and Personnel	8	7	4	4	4
441	Safeguarding	159	149	130	139	141
450	Building and Facilities (MCF)	289	324	336	339	342
452	4JWR Peterborough Property	117	112	112	112	112
453	Wing Grange	0	0	0	0	0
455	Connexional Manses	17	4	28	28	28
461	Property	3	17	20	20	20
470	Support Services in Manchester	15	15	15	14	13
	<b>Total income</b>	<b>898</b>	<b>1,001</b>	<b>1,017</b>	<b>1,028</b>	<b>1,033</b>

	Expenditure	£000	£000	£000	£000	£000
355	Resourcing Mission	114	229	221	227	225
377	Belonging Together	3	0	0	0	0
400	Support Services	92	95	96	96	97
409	Bureau Services	86	51	91	90	91
410	Financial Services	766	692	830	782	788
430	Administration	1,013	1,115	1,172	1,189	1,206
431	Information Technology	364	523	544	548	556
432	Executive Support	251	260	278	280	283
440	Development and Personnel	833	1,020	990	962	969
441	Safeguarding	283	322	360	363	365
442	Database Administration	153	18	86	51	33
443	Equality and Diversity	85	190	175	103	104
450	Building and Facilities (MCF)	520	1,815	1,220	843	1,174
451	Office Equipment	27	29	29	29	29
452	4JWR Peterborough Property	9	10	10	10	10
453	Wing Grange Property	20	0	0	0	0
454	Shrubbery Property	1	0	0	0	0
455	Connexional Manses	241	299	238	258	277
456	Elderfield Property	1	0	0	0	0
460	Past Cases Review	122	170	120	36	0
461	Property	105	138	161	92	94
470	Support Services in Manchester	128	144	163	165	166
481	Connexional Grants Admin	170	175	187	183	185
	<b>Total expenditure</b>	<b>5,386</b>	<b>7,295</b>	<b>6,970</b>	<b>6,306</b>	<b>6,653</b>
	<b>Net expenditure</b>	<b>(4,488)</b>	<b>(6,294)</b>	<b>(5,953)</b>	<b>(5,278)</b>	<b>(5,620)</b>

53. **441 Safeguarding:** The Church of England previously contributed 50% of the cost of a shared Safeguarding Adviser – an agreement that it ended in summer 2014. During the 2014/15 year an interim adviser has been appointed working part-time, pending the recommendations of the Past Cases Review. The level of demand currently experienced means that the 2015/16 budget proposes the appointment of a full-time adviser, irrespective of the Past Cases Review outcomes, at an additional cost of £39k. This continues to be a vital area of work for the Church that can only be properly fulfilled now by someone working full-time to lead the connexional safeguarding work.
54. **460 Past Cases Review:** The Past Cases Review (PCR) has been funded throughout from the Epworth Fund. Although it will report to the 2015 Conference, it is anticipated that some work will continue into the 2015/16 year completing follow up on past cases. Allowance is therefore made for this within the draft budget of the Epworth Fund. In addition, the budget provides for a caseworker to be appointed half-time for a period of two years to support the training and implementation associated with the recommendations of the PCR if they are adopted by the Conference.
55. **431 IT and database:** These were brought together into one cost centre for the 2014/15 year and the total budget continues to reflect the growing reliance on an expanding range of systems; both within the Team and across the wider Connexion with the greater use of the interactive website. The main increase for 2015/16 is the proposed increase in staffing by the addition of a new Systems helpdesk role at a cost of £44k.
56. **430 Administration:** Although staffing is unchanged in this area, the central budget for stationery and printing has been adjusted for the first time to include home-based workers. The result is a 'best estimate' increase of £30k. After an intensive competitive tender process, new multi-function print devices were installed within MCH in January 2015. These have the ability to track print costs much more closely and it is hoped that this will result in savings that can be reflected in the preparation of the budget for 2016/17.
57. **440 Development and Personnel:** Staffing changes made over the last 18 months are fully reflected in the draft 2015/16 budget, as are anticipated consultancy costs for the review of the remuneration structure. The budget includes significant increases in fees relating to work permits for ministers from outside of the European Union (EU). An amount of £10k per annum from the Fund for Training has been included to cover the costs of adaptations for ministerial students requiring additional support. This will be administered by the Connexional Wellbeing Adviser, working with the Chair of the Connexional Allowances Committee (CAC).
58. **450 Building and Facilities:** Years one and two of the draft budget include draw downs of the entire balance of the Long Term Renewals Fund (LTRF) to cover the major works agreed by the SRC and endorsed by the Council. The exact phasing between years will depend on the progress of works, but the budget is based on the current project plan. At its meeting in January 2015 the Council agreed that payments into the LTRF should recommence in the 2015/16 year. These are included at £100k per annum, with the income split between the occupants of Methodist Church House as per the service charge. The MCF will accordingly contribute approximately £88k per annum, based on floor area occupied.
59. **461 Property:** The 2015/16 budget includes the cost of a fixed term Officer that is partly supporting the Joint Property Strategy Group (JPSG), with 30% of the cost borne by the United Reformed Church, and partly working on specific Methodist projects. This post will end during that year, so is not included in years two and three of the budget.
60. **441 4 John Wesley Road:** For the last five years this investment property has generated net income of around £100k per annum, shown within Support Services. The SRC, as trustees,

determined in November 2014 that it would either be sold or re-leased to the incumbent tenant. Negotiations are ongoing, but it looks likely that it will be sold, producing a capital inflow to the MCF of approximately £1.5m. In this event, the FSC signalled its support for releasing £100k per annum of those funds for at least the next three years in order to prevent equivalent savings having to be found within the budget. It noted that investing the capital receipts in the CFB Property Fund could potentially generate around £100k per annum as investment income.

### Office of the (General) Secretary

CC	Cost Centre	2013/14 (ACT)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)	2017/18 (BUD)
Income		£000	£000	£000	£000	£000
100	Office of the General Secretary	22	0	0	0	0
250	The Diaconal Order	61	50	42	42	42
<b>Total income</b>		<b>83</b>	<b>50</b>	<b>42</b>	<b>42</b>	<b>42</b>
Expenditure						
100	Office of the General Secretary	137	123	122	122	123
111	World Methodist Council	32	52	71	43	46
120	Connexional Secretary	306	319	220	221	222
250	The Diaconal Order	230	120	140	141	141
<b>Total expenditure</b>		<b>704</b>	<b>615</b>	<b>553</b>	<b>527</b>	<b>532</b>
<b>Net expenditure</b>		<b>(621)</b>	<b>(565)</b>	<b>(511)</b>	<b>(486)</b>	<b>(490)</b>

61. For ease of comparison, the costs of the Secretary of the Conference have been retained within this cost centre for budgeting purposes, although the exact allocation between cost centres may be altered nearer to September.
62. The main change to the budget is the removal of the £100k MCF contingency that was previously held there. Given the need to balance the budget and resume payments to the LTRF, and a general tendency to underspend the budget in total as vacancies take time to be filled etc. the SLG feel it was more appropriate to allocate this money to particular needs in serving the Church, rather than retaining an unallocated contingency. The SRC agreed that, if unbudgeted work is required or opportunities arise, money could either be found from within the Clusters or an approach to SRC by The Connexional Secretary during the year would be permissible.

### \*\*\*RESOLUTIONS

**36A/1. The Conference adopted the Connexional Central Services Budget for 2015/16.**

**36A/2. The Conference agreed to the payment of £448k from the Pension Reserve Fund into the Pension and Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC) in September 2015.**

**36A/3. The Conference agreed that the existing structure of management charges on the main restricted and designated funds be replaced from 2016/17 by a series of three bands and a fixed charge of 0.1% of capital values.**



### SCHEDULE 3 - FUND BALANCE REPORT

Fund	Fund Name	Opening	2014/15	2015/16	2016/17	2017/18	Fund
		Balance	2014/15	2015/16	2016/17	2017/18	Closing
		£000	£000	£000	£000	£000	Balance
							£000
700	MCF General	16,715	(30)	(48)	0	(0)	16,638
704	Auxiliary Special Purposes	540	(24)	(11)	(11)	(11)	484
705	Trinity Hall Trust	761	(1)	1	1	1	763
706	Lefroy Yorke Trust - Endowment Fund	577	0	2	2	2	582
707	Barratt Memorial	858	0	2	2	2	865
708	Opportunities for the Disabled - Endowment Fund	2	0	0	0	0	2
709	Rank - Endowment Fund	4,943	(0)	16	16	16	4,990
710	Arthur Hampshire - Endowment Fund	0	3	0	0	0	3
714	Marshall Scholarship - Endowment Fund	0	0	0	0	0	0
715	Necessitous Local Preachers - Endowment Fund	148	0	0	0	0	148
716	Strawson Gift - Endowment Fund	7	0	0	0	0	7
717	William Leech Charities - Endowment Fund	9,050	0	0	0	0	9,050
719	Aspinall Robinson Trust	584	16	13	13	13	639
720	MDO Surplus Funds	397	30	24	24	24	500
722	Education and Youth	552	(128)	(118)	(119)	(120)	67
724	Archives Revenue Fund	70	1	0	0	0	73
725	WG Barratt – Income	278	(0)	(0)	(0)	(0)	276
727	Connexional Priority Fund	10,863	(189)	(1,911)	(1,881)	(1,897)	4,984
728	Epworth Fund	6,680	(416)	(574)	(346)	(288)	5,056
729	Pension Reserves Fund	15,643	2,093	1,173	1,630	1,639	22,177
731	Beckley Trust	3	0	0	0	0	3
732	Connexional Team Benevolent Fund	49	1	(0)	(0)	(0)	50
733	Computers for Ministry	133	14	61	65	67	339
734	Necessitous Local Preachers - Income	(8)	4	3	3	3	5

735	Southdown Project Fund (Tolpuddle)	15	0	0	0	0	15
736	Borries Bequest - Endowment	20	0	0	0	0	20
738	Modern Christian Art- Development	20	(12)	(8)	(0)	(0)	(0)
739	Forces Chaplaincy Revenue	1,112	(35)	(39)	(44)	(47)	948
740	London Mission Fund	12,115	0	0	0	0	12,115
741	Methodist Heritage	14	31	11	13	15	84
743	Mission in Britain Fund	4,655	(753)	(725)	(713)	55	2,520
744	Mission in Business Industries and Commerce	411	(1)	(0)	(0)	(0)	410
746	Lay Mission Superannuation	142	(133)	44	43	43	139
747	Connexional Travel Fund	251	1	(6)	(6)	(6)	235
748	Sabbatical Fund	386	(70)	(105)	(35)	(21)	156
750	Fund for the Support of Presbyters & Deacons (FSPD)	8,249	(304)	(53)	(57)	(61)	7,775
752	Medical Benevolent Fund	1,858	19	(5)	(6)	(6)	1,860
753	Ministers Children's Relief Association	57	(2)	(1)	(1)	(1)	53
755	Listed Buildings	6	0	0	0	0	6
757	Fund for Property	4,589	(1,006)	(859)	(858)	0	1,866
758	Special Extension Fund	1,412	0	38	38	38	1,526
762	Fund for Training	10,275	(1,459)	(1,881)	(540)	(611)	5,785
763	Long Term Renewal Fund	2,641	(1,327)	(535)	(166)	(493)	120
764	Overseas Student Work	211	0	5	5	5	226
765	Centenary Hall Trust	1,823	196	137	141	143	2,439
766	World Mission Fund	20,018	297	(1,851)	(1,927)	(1,988)	14,549
767	Benevolent Fund	233	6	6	6	6	256
851	Benevolent Fund - Deaconesses	49	1	1	1	1	52
854	Oxford Institute	157	0	1	1	1	159
869	Langley House Trust	85	0	1	1	1	87
<b>Grand Total</b>		<b>139,650</b>	<b>(3,175)</b>	<b>(7,192)</b>	<b>(4,706)</b>	<b>(3,476)</b>	<b>121,101</b>

