

Connexional Central Services Budget commencing 2014/15

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Status of Paper	Final
Action Required	Decision
Draft Resolution	<p>38/1. The Council endorses the proposed Connexional Central Services Budget and recommends it to the Conference.</p> <p>38/2. The Council;</p> <p>A) Endorses the creation of annual grants from the Connexional Priority Fund to fund a manager/curator posts at each of the four core heritage sites;</p> <p>B) Directs that such grants be administered and monitored by the Connexional Grants Committee.</p> <p>38/3. The Council adopts reserves levels over and above grant commitments of £1m for the Mission in Britain Fund and Fund for Property.</p> <p>38/4. The Council adopts a reserves level over and above grant commitments of £5m for the Connexional Priority Fund.</p>

Summary of Content

Subject and Aims	The paper outlines the Budget for discussion and recommendation to the Conference
Main Points	<ul style="list-style-type: none"> • The budget builds on decisions of the 2013 Conference • It reflects a balanced Methodist Church Fund budget • It includes proposals for implementing new reserves policies for several of the main funds • It reflects earlier discussions at the SRC, CLF and Council • It has been scrutinised in detail by the SRC and its Finance Subcommittee whose observations and recommendations are contained within it
Background Context and Relevant Documents (with function)	The main proposed changes were presented initially to the Council in MC/14/9
Consultations	CLF

Summary of Impact

Financial	New reserves policies will free money from the Mission in Britain Fund (MiBF) and the Fund for Property (FFP) for the Connexional Grants Committee (CGC) over the next three years.
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Connexional Central Services Budget commencing 2014/15

Background

1. The Connexional Central Services Budget (CCSB) presented within this paper incorporates all of the funds held connexionally and administered on behalf of the Council by the Connexional Team. It covers all of the work that the Conference requires of either the Team or other connexional bodies, including the mission and ministry grants made in Britain and overseas from connexional funds. It reflects the role of the Team in serving the whole Church, enabling it to continue moving forwards as a discipleship movement shaped for mission.
2. Last year the Conference adopted the CCSB for 2013/14 within the context of figures for three years covering all of the connexionally-held funds. It passed resolutions covering a number of long-term financial matters that form the foundations of the draft three year budget contained within this paper, namely:

24/1 agreed a flat 2% increase in the level of Methodist Church Fund (MCF) assessment for three years commencing in 2014-15

24/4 agreed a 1% increase in the level of management charges applied on the main ring-fenced funds

24/5 agreed five years of funding for Fresh Expressions and VentureFX

24/6 released amounts from the designated Epworth Fund for various projects
3. That three year budget reflected the desire of the Strategy & Resources Committee (SRC) and the Methodist Council that the budgeted MCF deficit in 2012/13 of £676k should be eradicated to produce a balanced MCF budget by 2015/16. As schedule 2 shows, the actual year end position for 2012/13 was a small surplus of £93k, due to higher than budgeted income. The draft budget presented here therefore maintains this assumption that a balanced MCF budget is ongoing until the Conference directs otherwise.
4. The start of a new three year agreement on the MCF assessment, combined with the foundational work undertaken last year in developing this three year budgeting model enables a more strategic approach to be reflected in the proposed CCSB. It includes measures to increase and develop capacity to facilitate the work of the Discipleship & Ministries Learning Network (DMLN). With the removal of a significant proportion of fixed costs in Peterborough there are plans to continue to enhance work in communications and publishing that will best serve the Church in fulfilling 'Our Calling' and 'the Priorities of the Methodist Church'.
5. The start of the 2013/14 financial year coincided with the launch of the Discipleship & Ministries Learning Network (DMLN). The budget for this work had already been agreed by the Conference, but a more detailed picture of the breakdown of expenditure now informs the 2014/15 budget. This includes proposals for capital works that the SRC has agreed upon the recommendation of the Network Committee.

Budget Summary

Schedule 1: Overall income and expenditure

		2012/13 (ACT)	2013/14 (BUD)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)
		£000	£000	£000	£000	£000
Income	District Assessment	12,340	12,579	12,829	13,084	13,345
	Property Levies	5,062	7,480	6,074	6,080	6,086
	Donations	5,275	5,181	5,109	5,775	5,987
	Investment Income	3,605	2,977	3,973	4,172	4,389
	Trading Income	870	939	441	441	441
	Legacies	3,074	694	904	952	1,005
	Miscellaneous Income	1,624	534	538	525	537
	Rental income	300	277	362	255	257
	Grants	187	40	167	177	175
Income Total		32,338	30,701	30,397	31,460	32,223
Expenditure	Grants Payable	17,805	10,468	12,225	17,885	13,590
	Salaries	9,037	9,608	8,386	8,387	8,475
	Other Costs	4,054	4,247	5,968	4,471	4,519
	Stipends	3,035	2,784	3,055	3,056	3,096
	Mission Partners	1,617	1,532	1,622	1,672	1,714
	Committee Costs	1,561	1,081	1,250	1,326	1,306
	Facilities	515	595	553	539	567
	Cost of Sales	529	551	310	310	310
	Insurance	116	104	105	106	102
Expenditure Total		38,269	30,970	33,473	37,753	33,679
Net deficit		(5,931)	(268)	(3,076)	(6,292)	(1,455)

Schedule 2: The Methodist Church Fund

		2012/13 (ACT)	2013/14 (BUD)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)
		£000	£000	£000	£000	£000
Income	District Assessment	12,107	12,349	12,594	12,844	13,101
	Management charges	1,488	1,535	1,411	1,448	1,487
	Trading Income	870	939	441	441	441
	Donations	651	552	617	629	642
	Miscellaneous Income	1,497	529	534	519	529
	Rental income	122	124	116	4	4
	Legacies	596	50	50	50	50
	Grants	37	36	17	27	25
	Investment Income	112	10	81	81	81
	Income Total	17,479	16,124	15,861	16,044	16,361
Expenditure	Salaries	7,098	8,229	7,470	7,568	7,730
	Other Costs	2,668	3,554	3,778	3,848	3,976
	Stipends	1,683	1,592	1,798	1,832	1,869
	Grants Payable	3,405	946	747	725	728
	Committee Costs	1,396	935	1,094	1,152	1,144
	Cost of Sales	523	551	310	310	310
	Facilities	498	504	537	524	551
	Insurance	116	53	78	79	74
Expenditure Total	17,386	16,363	15,813	16,037	16,383	
Net surplus / (deficit)	93	(239)	48	7	(22)	

- Thanks to the ongoing thorough attention to costs and the use of the Fund for Training (FFT) for several activities that were previously paid for by the MCF, schedule 2 above shows a broadly balanced MCF budget over the next three years, with a small surplus of £48k in 2014/15 falling to £7k in 2015/16 then a deficit of £22k in 2016/17.
- Schedule 2 shows the budgeted district assessment for the next three years calculated in accordance with the decision of the 2013 Conference to increase by 2% per annum. One of the important decisions in formulating this three year budget in 2015 will be what assumptions to make about the MCF assessment in 2017/18, balancing the financial pressures felt in some circuits with the continuing desire to resource the Connexional Team to provide all that it uniquely and best can to the wider Church.

The Generous use of connexionally-held funds

- Last year the Conference was encouraged to start thinking about the challenge of stewardship and financial discipleship within the notion of 'A generous life'. There has been significant work and reflection on the Christian principles of generosity and how Methodists individually and in churches, circuits and districts should consider this in attitudes to financial planning and mission. The SRC and the Council's response has been to initiate work on the reserves policies of the main connexionally-held funds which will result in a gradual release of excess reserves to fund both ongoing work, plus new and innovative projects across the connexion and wider world.

9. The World Mission Fund (WMF) is the largest restricted fund, reflecting Methodism's long-standing commitment to mission overseas. The level of reserves built up over many years represents numerous opportunities for exciting new work that needs to be developed as part of an overall strategy that supports the work of the One Mission Working Party, building on the foundations established by the former Methodist Missionary Society (MMS). The SRC has therefore instructed the Connexional Team Senior Leadership Group to prepare a strategic plan for the WMF that is expected to be reflected in the CCSB that will be brought to the Conference in 2015. The budget contained within this paper therefore assumes no change in assumptions from those made the previous year with regard to the use of the WMF.
10. The Connexional Priority Fund (CPF) as a large designated fund reflects the connexional nature of the Methodist Church. With income being derived from levies on property sales it serves to redistribute money around the connexion as a proportion of money released in one area becomes available for new mission and ministry elsewhere. This happens via district Advance Funds, via the work of the Discipleship and Ministries Learning Network (DMLN), by reducing the direct cost to circuits of ordained ministry through the Pension Reserve Fund and by promoting the establishment of new church communities via VentureFX and Fresh Expressions. Although it is overseen by the Connexional Grants Committee (CGC), the fund has not been available for new grant commitments over the last three years as a precaution to prevent its balance being eroded without any formal reserves policy having been agreed.
11. The SRC now proposes that the long-term uncommitted reserves level of the CPF should be £5m. Around £3m of this will cover the potential claims for levy refunds as applications can be made regarding replacement projects for up to five years under SO 973. The remaining £2m will cover year-to-year fluctuations in levy income and investment values. The value of the fund at the beginning of the 2013-14 year was around £10m so the SRC proposes to release the surplus of around £5m over the three years commencing 1 September 2015. This is reflected in the proposed numbers attached. Without this planned reduction the forecast closing balance of the fund would be £10.35m at 31 August 2017; i.e. the budget includes a release of £3.3m over years two and three of the proposed budget. The key variable is net levy income from property sales which has reduced markedly over the last two years. The decision of the Conference of 2011 to allow levy refunds for replacement projects with multiple disposals is probably only now starting to have an impact so it is important that the move towards an uncommitted reserves level of £5m is based on effective annual review as part of the budget process and not on the decision to spend a fixed amount of money, such as £5m, irrespective of future movements.
12. Discussions in January at both the Connexional Leaders Forum (CLF) and the Council have produced a variety of suggestions about the utilisation of the Fund. The idea of reducing the levy for a few years has not been overwhelmingly popular, nor has that of launching any major connexional initiatives. The view that the money should be used to ensure that existing ideas and programmes are maximised struck a chord with many at the Council.
13. Whatever is decided, the SRC agreed with its Finance Sub-committee's recommendation that the amount paid into the Pension Reserve Fund (PRF) cannot appropriately be reviewed until the results of the 2014 pension scheme valuations are known. In addition, in accepting Memorial 19, the 2013 Conference instructed the Council to undertake a review of the principles of the CPF levy and Replacement Projects for report to the Conference in 2015. The SRC therefore recommends that the release of funds from the CPF from September 2015; not 2014. The Senior Leadership Group of the Connexional Team is charged with consulting with relevant bodies across the connexion in order bring proposals for how these reserves may be deployed as part of the 2015 budget process.
14. The two other main grant-giving restricted funds are the Fund for Property (FfP) and the Mission in Britain Fund (MiBF). The income to each is largely derived from donations so it is proposed that a reserves level of £1m would be appropriate. This will maximise the amount available for mission and

ministry grants from the Connexional Grants Committee (CGC), whilst reducing the investment income derived for each one. The proposed budget is based on reducing the level of each of these funds to £1m at the end of the 2017/18 year.

15. The Network Committee now has delegated responsibility for the administration of the Fund for Training (FfT) under sub clauses i, ii and iii of SO 362(4). It exercises this oversight via the annual budgeting process as is done for other connexional funds. The overall budget agreed by the Conference for the DMLN does not draw on this fund for annual operating costs over and above the income to be generated from other assets as outlined below. It is therefore available to be used for investment in capital projects to enable the DMLN centres at Cliff College and The Queen's Foundation to provide the optimum service to the Church; particularly as it which now contains over £4m in proceeds from the disposal of properties relating to Wesley College Bristol. The budget reflects £1.745m capital expenditure from the FfT approved by the SRC at the two centres – the portion destined for Cliff College is dependent on the change to Standing Orders being proposed by the Ministries Committee to clarify the use of the Fund to support work at Cliff College.
16. The FfT will receive income from the three Methodist self accounting entities that were so identified in the Fruitful Field report received by the 2012 Conference. Alterations to the trust deed relating to the Methodist International Centre will be proposed to the 2014 Conference to facilitate this use of funds. The income from the Guy Chester Centre can be applied to the purposes of the Network in accordance with SO 915 – 917.
17. The proposed CCSB includes the use of the FfT for several parts of the Team's work that are not contained within the DMLN budget, such as the oversight of ministerial students and probationers within Governance Support and candidating within Development & Personnel. These activities clearly fall within the purposes of the Fund as defined in SO 362(4), but have been funded by the MCF in recent years. These changes reflect the overall balance of the Fund for Training and the Church's ability to make more effective use of restricted funds within their defined purposes now that there is a clear picture of each fund balance and spending can be properly recorded and reported.

Long term support for core heritage sites

18. The 2008 Conference established the Methodist Heritage Committee (MHC) "to give support specifically to those which have been identified as being of particular significance to the wider Connexion, namely:
 - The Old Rectory, Epworth, Lincolnshire
 - The New Room (John Wesley's Chapel), Bristol
 - Wesley's Chapel, John Wesley's House and the Museum of Methodism, City Road, London
 - Englesea Brook Chapel and Museum of Primitive Methodism" [SO 337(1)(vi)]
19. This support has been provided in two ways. The most visible was the creation of the new post in the Connexional Team of Methodist Heritage Officer (MHO), to which Jo Hibbard was appointed in 2009-10. Jo has worked tirelessly alongside the MHC in a wide range of activities including creating an overarching 'Methodist Heritage' brand, launching a highly popular guidebook and web resources and in assisting the trustees of the four key sites in particular to develop their businesses.
20. There was previously no coherent financial support for these sites, but in 2011 the Council and the Conference (resolution 12/3) directed the CGC to support the creation of a post of manager at each site at an approximate cost of £35k each. Grants were awarded from the Mission in Britain Fund covering the 3 years up 31 August 2014 and these are now being extended by two years to 31 August 2016.

21. It is the view of the MHO and MHC that continued funding of these posts represents the most effective ongoing connexional financial support so it is proposed that this continues within the budget on an ongoing basis from the CPF. These would be annual grants that were ongoing until it was decided via a future budgeting process that they were no longer required or affordable. The grants would continue to be administered to each set of trustees via the CGC. Annual applications would not be required, but the CGC's Monitoring, Evaluation, Learning and Dissemination group would be responsible for ensuring that the money was used as intended and that each site was being used for mission as intended.
22. The SRC recommends that the grants already agreed from the MiBF be terminated at 31 August 2014, to be replaced by these new provisions from the CPF at £35k per annum per site, to be increased annually by the same amount as that used in the budget for Council employee salary increases. This recommendation is reflected in the figures contained within this paper.

Cluster budget overviews

Office of the General Secretary/Secretary of the Conference

Cost Centre	2012/13 (ACT) £000	2013/14 (BUD) £000	2014/15 (BUD) £000	2015/16 (BUD) £000	2016/17 (BUD) £000
Connexional Secretary	226	399	319	321	324
Office of the General Secretary	73	105	123	126	128
World Methodist Council	54	54	52	70	57
Net expenditure	353	557	494	517	509

23. This area of the budget has changed very little from the predictions outlined in the previous three year budget. The decrease in the Connexional Secretary budget reflects the £70k grant for the Touchstone project which was approved by the Conference only for 2013/14. The travel budget lines for the General Secretary and the Connexional Secretary retain the desire for both postholders to continue to undertake outward facing work following the review of the Senior Leadership.
24. A £100k contingency from the MCF is retained within this budget as is the previously agreed £100k per annum from the Epworth Fund that is available to the General Secretary in order to respond to exceptional situations that are outside of the Team.

Governance Support

Cost Centre	2012/13 (ACT) £000	2013/14 (BUD) £000	2014/15 (BUD) £000	2015/16 (BUD) £000	2016/17 (BUD) £000
Chairs of District	770	1,096	859	877	895
Conference	374	453	599	650	656
Conference and Council	427	166	202	209	211
Ecumenical	426	310	292	272	269
Faith and Order	65	56	16	30	17
Governance Support	553	447	437	460	471
Law and Polity	151	235	306	318	330
Ministerial Oversight	0	76	134	101	102
President & Vice President	66	74	71	73	74
Net expenditure	2,833	2,912	2,916	2,990	3,025

25. Following a decision of the SLG to locate responsibility for the oversight of candidating, student ministers, probationers and those seeking to transfer into our connexion, the budget reflects a new line of 'Ministerial Oversight'. This work is now resourced by two posts (as opposed to the one post previously located in Discipleship and Ministries). Gathering onto one line a number of previously disparate costs sees a figure that is, once the new processes are fully implemented, likely to reduce over the next three years.
26. The provision for legal costs reflects the number of cases that are currently before the Courts (one at the Employment Tribunal and one that is still subject to the confirmation of a costs claim, although in the case of the latter advice indicates that a claim for costs would be counterproductive as a result of consequent legal fees).
27. An increase in the line 'Conference and Council' reflects provision for working parties to be established by the Conference and the Council in the course of the year. Previous budgets have contained only minimal provision for the creation of working parties after the adoption of the budget. The 2013 Conference saw the establishment of eight such working parties placing a considerable strain on this budget line. This line also includes provision for the use of mediation services in cases being considered by the Connexional Complaint Panel and the discipline committees. In the course of the past year greater use has been made of professional mediation services which has in turn seen a reduction in the length of time a case can take to deal with and reduce costs incurred by Circuits for short (ie less than a quarter) suspensions. The use of such services will need to be monitored closely as the savings may not be purely in terms of finance, but rather staff time and the use of volunteers on panel work.
28. It has continued to be difficult to reduce the costs of the Conference and the budget line reflects the quotations for the 2015 Conference, which show a significant increase of £146k. The line is a more accurate reflection of the costs which have, over the last two years, been consolidated into one budget line, whereas previously they were spread over four. The biggest increase is in terms of travel costs reflecting the less than ideal transport links to Southport (venue of the 2015 Conference). The budget reflects some uncertainty about the staging costs in the venue at Southport as changes to the charging structure at the venue are not yet finalised. It does not reflect the very positive negotiations that are underway for a subvention payment by the local authority. The apparent expectation of Conference members for a spacious venue with the use of tables and the possibility of the use of breakout rooms has resulted in a reduction of the number of more economical and smaller venues being available to us. The use of Westminster Central Hall in 2013 was both economical and saw a more faithful use of staff time in planning and pre-conference visits. Negotiations are underway to return to the venue, although identifying accommodation is proving a challenge for the dates in 2016.
29. The reduction in the ecumenical budget reflects the review of subscriptions to ecumenical bodies. The review has achieved a significant reduction, with the full ecumenical grants budget now included within Governance Support.

Discipleship & Ministries

30. The Discipleship and Ministries (D&M) budget is divided into two; the Learning Network and the general D&M budget (which contains those elements of the Clusters work not formally part of the Network for example the MDO, and Venture Fx.)
31. Although it is an integral part of Discipleship & Ministries, the budget for the new Learning Network is shown separately below in order to provide transparency regarding the decisions that the Conference of 2012 took in response to the Fruitful Field report.

Discipleship and Ministries (non-Network)

Cost Centre	2012/13 (ACT) £000	2013/14 (BUD) £000	2014/15 (BUD) £000	2015/16 (BUD) £000	2016/17 (BUD) £000
Chaplaincy	240	21	17	21	26
Chaplaincy Project	0	112	0	0	0
Discipleship and Ministries	(917)	(112)	120	109	98
Education Commission	30	100	79	81	82
Family Ministry	0	61	83	76	29
Inspire Project	132	132	0	0	0
The Diaconal Order	199	162	71	73	76
Transitional	534	1,300	643	0	0
Venture Fx	405	449	472	425	414
Net expenditure	624	2,225	1,486	786	725

32. In the Learning Network greater clarity now exists with regard to the exact requirements in certain lines in the budget. The split between salaries and stipends last year was an estimate as the appointment process was then still ongoing, whilst there is now more certainty over the numbers of ministers appointed to the team. There is also a final figure available for the amounts required for salary protection offered for the 2 years to transitioning staff.

The Learning Network

Cost Centre	2012/13 (ACT) £000	2013/14 (BUD) £000	2014/15 (BUD) £000	2015/16 (BUD) £000	2016/17 (BUD) £000
Children and Youth	672	75	50	47	81
Church and Community (general)	435	396	282	288	293
D&M - Bristol and W Midlands	0	241	233	238	242
D&M – Cliff	0	200	204	208	212
D&M - Cymru/ Wales	0	162	198	202	206
D&M - East Central	0	241	253	258	263
D&M - East of England	0	188	190	194	198
D&M – London	0	205	198	202	206
D&M - North East	0	162	174	177	181
D&M - North West and Mann	0	397	401	409	417
D&M – Scotland	0	107	177	180	184
D&M - South West	0	162	168	171	175
D&M - Southern and Islands	0	241	262	267	273
D&M - Yorkshire Plus	0	267	268	273	279
Discipleship	388	219	162	165	169
Further Ministerial Development	0	318	343	350	357
Initial Ministerial Learning	0	1,150	1,157	1,160	1,163
Mapping A Way Forward (DDE)	848	0	0	0	0
Ministry Development	0	262	266	271	276
Pathways General	0	811	830	843	855
Programmes	0	158	110	112	115
Regions / General	6,581	148	(314)	(774)	(771)
SRI General	0	203	264	269	274
Net expenditure	8,926	6,314	5,874	5,510	5,648

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33. The nature of the additional requirements placed upon Development and Personnel and IT support given the increased headcount to the Team of the implementation of the Network are now more certain. To that end a reduction in the Learning Network budget is recommended in order to better account for these costs within the Support Service Cluster's budget.
 34. 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.
 35. The key variable in assessing the level of funding for the Queen's Foundation is the number of students accepted as candidates by the Conference each year. The Network has no control over these numbers and this creates significant issues for financial planning. A typical number of students within the system is 130. However, numbers candidating and accepted for training beginning in September 2013 were down significantly on previous years. Anecdotal evidence suggests that this may be atypical and that a number of people were put off candidating because of the uncertainties surrounding training provision – a similar pattern in candidating occurred at the point where the Church moved away from Foundation Training before numbers returned to historic norms. The number of accepted candidates beginning training in 2013 was 42, of whom 25 entered full-time training and 17 part-time training. Projected forwards this would give a total of 51 part-time students (17 students per year on a three year course) and 50 full-time students (25 students per year on a two year course), giving a total of 101 students in the system. However, as indicated above this number is probably artificially low and it is anticipated that numbers will return to something like their recent historic norm. For example, allocations policy prior to the *Fruitful Field* report required a minimum of 10 full-time students to be allocated to each of the three institutions offering full-time pathways (Wesley Study Centre, Wesley House and Queens), ie at least 30 full-time students each year and generally significantly more giving a minimum of 60 full-time students spread across two year groups. This variability in numbers creates instability both for the budget and for the training institution. A notional 'fixed' number of students in the system has therefore been assumed. The number identified is 120 representing a more realistic projection of anticipated numbers in the system in 2015-16. This notional number is further split on an assumption of 65 full-time students spread across two year groups and 55 part-time students spread across three year groups. This projection recognises that if the numbers fall below this number then the institution will benefit financially. Conversely if the numbers are greater than 120 then there is no additional cost for the Church. Whilst there is an element of risk within this, it is manageable risk and justifiable in terms of the increased stability and predictability it brings to both parties.
 36. Another factor in enabling a stable and more predictable funding environment was a comparison with the funding regime within the Church of England for initial ministerial training. At 2012-13 prices, the Church of England paid a fee to its institutions of £7,515 per full-time student and £5,395 per part-time student. These figures (adjusted for inflation calculated at 2% pa) were used to determine the final settlement figure of the memorandum of understanding with Queen's Foundation. It should be noted that the Common Awards partnership with the Church of England and the University of Durham provides the Queen's Foundation with a reduction in costs overall. In addition, cross payments from the Methodist Church to the Church of England to support the Common Awards (£50,000 pa) was factored into the settlement as this figure represents an amount which in the past would have been picked up in institutional payments to validating partners.
 37. The SRC noted and welcomed the fact that both the Stationing and Ministries Committees have on their agendas the issue of the stability of numbers accepted as candidates and those commencing training annually. Its Finance Sub-committee recommended that the basis used for the annual agreement with Queen's, namely 120 students, should be reviewed carefully and that consideration should be given to adopting a 'per student' basis in line with the approach of the Church of England.

38. The contribution of Regional Ministry Development Officers to part-time training at Queen's is factored into the financial agreement schedule of the memorandum of Understanding with Queen's Foundation. This has been calculated at as a notional contribution from the Network to Queen's of £20,000 pa.
39. These Officers also work with districts to facilitate and encourage the process of continuing development in ministry as required under SO 745. In addition to some connexional funds allocated for this regionally, a significant part of the £200,000 Scholarship, Research and Innovation budget will be used in response to applications from individuals, lay and ordained ministers for postgraduate research and study.
40. The annual contribution from the Learning Network towards the ongoing work of Cliff College is mainly allocated in 2 areas; the support of the development of pathways for the whole people of God and the support of virtual and innovative learning opportunities. In terms of pathway development, funding has been set aside for the development and delivery of the connexional elements of a Local Ministry Pathway, including pathways for Local Preachers, Worship Leaders and pioneers. The development of a second summer school week at Cliff College will enable the Learning Network to partner Cliff during both weeks, offering streams that develop its priorities, eg chaplaincy, pioneering, lay leadership. Subsidised course fees for individuals, who would be recommended by the Learning Network, with the aim of increasing participation in theological higher education will be offered, with an average contribution of £500 this would enable the Network to support 40 individuals. The establishment of a connexional virtual learning environment hosted at Cliff College is also covered by the agreement with Cliff College as is Learning Network partnership with Cliff Festival.
41. It has been assumed that changes to SO 362(4) to be presented to the 2014 Conference will allow for the use of the Fund for Training for both centres. The amount taken from the Fund for Training towards the cost of Network delivery is as stated in last year's report to Conference. The amount taken from the MCF is lower, due to a higher figure now appearing in the support services budget to allow for the increased levels of support required by Network staff and function.
42. The D&M general portion of the budget contains mostly fixed elements from designated funds. The exception to this being the amount allocated to the functioning of the Cluster, ie the salary of its Head of Cluster and the figure required to facilitate whole Cluster gatherings and team meetings of a dispersed staff team. Transitional costs for the learning network as previously approved also figure in the general Cluster portion of the budget they paid for from the Fund for Training and this amount, now in its final year, covers associated costs with the closure of centres.
43. The Director of Education is now in place in line with the Conference decisions. This budget line contains both a salary and a small amount to deliver on activities.
44. There is an increase in the MDO line from 2013's forecast for 2014/15 taken from MCF. This is due to the Council decision to provide the funding for a Deputy Warden post that was not known last year. Discussions are underway regarding exactly how this will be implemented, but it is not expected that the cost implications will be materially different from the amount included within the proposed budget.

Mission & Advocacy

Cost Centre	2012/13 (ACT)	2013/14 (BUD)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)
Communications and Campaigns	388	448	459	470	522
Fundraising	116	225	221	222	224
Interfaith Relations	53	15	15	15	15
Methodist Heritage	149	157	134	128	131
Mission and Advocacy	53	52	58	59	59
Modern Christian Art	12	(2)	15	15	15
Olympics	26	0	0	0	0
Public Issues	216	249	264	268	275
Publications <i>(see detailed analysis below)</i>	438	396	314	322	330
World Church Relationships	5,537	565	96	4,376	(175)
Net expenditure	6,989	2,105	1,577	5,877	1,397

45. The overall Communications budget remains broadly unchanged apart from providing in 2016/17 for a planned major upgrade to the Connexional website. It is good practice to at least refresh a large website like ours every five years. If current trends persist, by then about half of the traffic to the site will be on mobile devices, and we need a site that works more effectively for those users.
46. Projected heritage income from group tourism has been reduced and, reflecting the Heritage Committee's desire to provide more digital access to our heritage resources and our increasing encouragement of volunteer engagement, other advocacy expenses and other committee costs are up.
47. The group tourism income projections to the Methodist Heritage Fund are down because changes in the way tours are taxed in particular are reducing operators' margins and discussions to date suggest that operators will not be willing to negotiate our % on the gross tour cost, which initially looked possible. Until negotiations are complete and it is clear many tours will generate income, it is prudent to reduce the projections. Income will also be received from the operators towards costs such as advertising, which is likely to be more stable and will off-set MCF costs. Specialist legal scrutiny of the model tour operators' agreement is being sought at present.
48. The Heritage Committee continues to be committed to both off-setting some costs and fundraising towards heritage grant-making. The budget includes income forecasts for both a heritage-focused fundraising campaign and actively seeking grants to develop projects in archiving and exhibitions from our collections in partnership with others.
49. The Joint Public Issues Team (JPIT) budget is stable year-on-year, the majority being the salary costs for the Methodist element of the joint team
50. **Publishing**
Significant changes in the Publishing budgets from the year 2 figures projected last year are in large part a result of the closure of the Peterborough office. Trading income at £425k is significantly lower than the £865k projected last year largely because *Singing the Faith* gross sales of £342k are no longer included, because certain other trading income lines are no longer in place, because sales of historic core publications (Methodist Worship Book, Hymns & Psalms, Prayer Handbook) are slowly declining and because the strategic direction is to make more publications available online only – currently free of charge.
51. Trading expenditure is reduced from £523k budgeted last year to £283k in line with reduced revenue expectations but the ratio of expenditure to income is better, in spite of rising costs, particularly for

printed items, without the relatively high cost of purchasing copies of *Singing the Faith*. Income from *Singing the Faith* is now shown as net commission on sales of £50k, against projected net revenue for year 2 of £127k based on latest trends. Peterborough office costs of approximately £190k have been completely removed. The operational running costs are now based on a commission on sales through Norwich Books and Music, budgeted at £98k. Publishing salaries are reduced following the redundancy of five posts at Peterborough, but this reduction was in large part foreseen last year and the salary budget projections for years 2 and 3 were already reduced; this year's budget for 2014 of £404k against last year's projected figure of £435k does not therefore show the full anticipated saving of some £160k.

52. As previously, no fundraising income is shown in the budgets for the fundraising cost centre 320. Expenditure is made up of salaries for 1.6 posts, increasing with inflation for years 2 and 3, and operating expenditure mostly for the production of fundraising resources. The budget for 2014 and subsequent years 2 and 3 is much the same as previous estimates.
53. **World Church Relationships (MCF)** Salaries have increased because the Partnership Coordinator for Americas & Caribbean is now an employee, rather than minister.
54. **World Church Relationships (WMF)** The budget reflects some increases in Mission Partner (MP) travel to reflect changes to end of service times of returning mission partners – this also affects freight charges; and also in MP school fees to reflect changes to placements of MP families and increased number of children now attending secondary schools (with higher fees). The full Rome post Stipend is now included within the WMF budget and there is an increase in publications to cover cost of planned new video/DVD resource production. The relevant JPITadvocacy costs are now included in WCR budget lines rather than JPIT budget lines – no change to actual fund use.

Support Services

Cost Centre	2012/13 (ACT)	2013/14 (BUD)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)
	£000	£000	£000	£000	£000
4JWR Peterborough Property	(108)	(102)	(102)	5	0
Administration	1,043	1,054	1,096	1,121	1,146
Belonging Together	121	0	0	0	0
Building and Facilities (MCF)	142	317	1,492	91	79
Bureau Services	(62)	(169)	(112)	(120)	(127)
Connexional Grants Admin	165	165	175	180	185
Connexional Manses	102	211	295	268	285
Database Administration	193	228	18	0	0
Development and Personnel	897	841	1,013	1,013	1,024
Equality and Diversity	66	106	110	101	103
Executive Support	192	271	260	266	272
Financial Services	792	722	577	583	589
Information Technology	232	361	447	470	460
Past Cases Review	39	0	170	100	0
Property	56	104	121	90	93
Resourcing Mission	170	186	229	233	238
Safeguarding	176	167	173	176	188
Support Services	91	161	95	96	98
Support Services in Manchester	142	115	129	135	146
Office Equipment	27	18	29	25	25
Net total	4,477	4,757	6,214	4,834	4,805

55. Over the last year the Support Services Cluster has continued to focus on operating in ways that exhibit 'stewardship' and 'service'. A significant re-organisation of the Finance Office has been undertaken as part of the Access Dimensions system implementation and the newly filled post of Mission Resources Manager brings together the groups of staff working in property, facilities, connexional grants and research and statistics. These changes have ensured that the cluster continues to re-shape itself continually so as to improve and enhance its service to the Church whilst maximising value for money.
56. The headline budget proposed for Support Services in 2014/15 is £6.214m compared with £4.477m for 2013/14. The main reason for this level of increase is a one-off amount of £1.2m that is part of the essential maintenance work that the SRC has sanctioned for Methodist Church House. This will be met entirely from the Centenary Hall Trust's Long Term Renewal Fund. Ignoring this, the budget is £5.014m, an increase of £0.537m.
57. The principal reduction between 2013/14 and 2014/15 is £89k in the net cost of the Finance Office and the Bureau Services operation, reflecting the cost savings resulting from new systems implementation and staff re-organisation.
58. Increases in two areas reflect the requirement to support the larger number of Team staff due to the implementation of the DMLN and £118k has been transferred from the DMLN budget to Support Services as a contribution to these costs. £50k will fund a proposed additional Development & Personnel (D&P) Adviser in the Operation HR team, whilst £68k has been added into the central IT budget to assist in ensuring that those working remotely across the Network can receive the necessary IT facilities to allow them to work effectively.
59. IT was previously included under two cost centres (Database Administration and Information Technology), but has now been combined against cost centre Information Technology, reflecting the more integrated approach being taken to IT infrastructure and data management. It is anticipated that the additional funding will be used at least for the first year to continue to use consultancy to provide a higher level of IT skills than exists within the core staff to assist in the continuing upgrade of IT infrastructure and software.
60. The D&P budget in 2014/15 includes a one-off £50k for consultancy fees relating to the review that the Council has initiated of its grading and pay scales, and an assumption that the vacant Director post will be filled. The cost to the MCF of D&P activities has been reduced with the estimated £60k annual costs of the candidating process being met from the Fund for Training from 2014/15. Although it has not been used for this purpose for several years, SO 362(4)(iv) clearly states this as a purpose of that fund.
61. The appointment of a significant number of additional presbyters to the Team means that the number of connexional manses required will increase by over one third. Although capital costs are met from the appropriate capital fund, the ongoing revenue costs are budgeted centrally within Support Services and will increase from £211k in 2013/14 to £295k in 2014/15.
62. The former publishing house property at 4 John Wesley Road in Peterborough is now held as an investment property generating net income to the MCF of £102k per annum. The current lease expires in 2015 and it is likely that the existing tenant will exercise the right to purchase within that contract. As per last year, this budget assumes no rental income beyond the 2014/15 year, but also does not include any capital income.
63. The 2012 Conference authorised that a Past Safeguarding Cases Review (PSCR) be implemented across the Connexion with anticipated completion in December 2014. It agreed a budget of £300k from the Epworth Fund; £180k in 2012/13 and £120k in 2013/14.

64. The initial budget was based on a pilot project carried out within two districts. Two years later, the PSCR is progressing well, but it is clear that it will take slightly longer than originally planned, also incurring an additional level of cost. The nature of the investigations made it difficult to predict the workload accurately and the level of disclosures have increased significantly within all arenas of society in the wake of the Jimmy Savile case. The forecast total cost to the Epworth Fund is now £479k, with proposed amounts of £170k in 2014/15 and £100k in 2015/16.

*****RESOLUTIONS:**

- 38/1. The Council endorses the proposed Connexional Central Services Budget and recommends it to the Conference.**
- 38/2. The Council;**
- C) Endorses the creation of annual grants from the Connexional Priority Fund to fund a manager/curator posts at each of the four core heritage sites;**
 - D) Directs that such grants be administered and monitored by the Connexional Grants Committee.**
- 38/3. The Council adopts reserves levels over and above grant commitments of £1m for the Mission in Britain Fund and Fund for Property.**
- 38/4. The Council adopts a reserves level over and above grant commitments of £5m for the Connexional Priority Fund.**

CONNEXIONAL CENTRAL SERVICES BUDGET DRAFT 6 - 7 MARCH 2014

SCHEDULE 3 - FUND BALANCE REPORT

Fund	Fund Name	Opening Balance	2013/14 (BUD)	2014/15	2015/16	2016/17	Fund Closing Balance
		£000	£000	£000	£000	£000	£000
700	MCF General	(15,960)	239	(48)	(7)	22	(15,754)
704	Auxiliary Special Purposes	(509)	3	24	24	24	(433)
705	Trinity Hall Trust	(702)	(1)	1	1	1	(698)
706	Lefroy Yorke Trust -Endowment Fund	(536)	0	(0)	(0)	(0)	(537)
707	Barratt Memorial	(996)	0	(1)	(1)	(1)	(998)
709	Rank -Endowment Fund	(4,641)	0	0	0	0	(4,640)
710	Arthur Hampshire - Endowment Fund	0	0	(3)	(3)	(3)	(10)
719	Aspinall Robinson Trust (MDO Holiday Fund)	(537)	0	(16)	(16)	(16)	(583)
720	MDO Surplus Funds	(381)	63	(30)	(30)	(30)	(408)
722	Education and Youth	(564)	125	128	126	79	(105)
724	Archives Revenue Fund	(70)	0	(1)	(1)	(1)	(73)
725	WG Barratt - Income	(32)	0	0	0	0	(30)
727	Connexional Priority Fund	(9,992)	(257)	189	1,764	1,703	(6,592)
728	Epworth Fund	(6,461)	294	416	329	231	(5,191)
729	Pension Reserves Fund	(12,969)	(2,591)	(2,093)	(2,153)	(2,222)	(22,028)
732	Connexional Team Benevolent Fund	(44)	0	(1)	(1)	(1)	(47)
733	Computers for Ministry	(41)	0	(35)	(39)	(44)	(158)
734	Necessitous Local Preachers - Income	13	0	(4)	(4)	(4)	1
738	Modern Christian Art- Development	(11)	(4)	12	12	12	21
739	Forces Chaplaincy Revenue	(1,053)	38	35	39	44	(898)
741	Methodist Heritage	0	(11)	(31)	(35)	(40)	(117)
743	Mission in Britain Fund	(4,040)	(222)	753	755	754	(2,001)
744	Mission in Business Industries and Commerce	(368)	0	1	1	1	(365)
746	Lay Mission Superannuation	(148)	200	133	133	133	449
747	Connexional Travel Fund	(244)	(4)	(1)	(1)	(1)	(251)

748	Sabbatical Fund	(497)	70	70	70	70	(217)
750	Fund for the Support of Presbyters & Deacons(FSPD)	(7,800)	233	304	304	304	(6,654)
752	Medical Benevolent Fund	(1,758)	(12)	(19)	(19)	(19)	(1,828)
753	Ministers Children's Relief Association	(58)	1	2	2	2	(53)
757	Fund for Property	(4,719)	(7)	1,006	1,008	1,008	(1,704)
762	Fund for Training	(11,651)	2,043	1,459	330	342	(7,477)
763	Long Term Renewal Fund	(2,513)	(12)	1,327	(80)	(100)	(1,378)
765	Centenary Hall Trust	(1,674)	(4)	(196)	(201)	(203)	(2,278)
766	World Mission Fund	(18,959)	83	(297)	3,992	(583)	(15,765)
767	Benevolent Fund	(211)	0	(6)	(6)	(6)	(228)
851	Benevolent Fund - Deaconesses	(56)	0	(1)	(1)	(1)	(60)
854	Oxford Institute	(161)	0	0	0	0	(161)
Grand Total		(110,344)	268	3,076	6,292	1,455	(99,252)