

Draft Connexional Central Services Budget 2024/25

MC/24/39

Date of meeting	13-15 April 2024
Contact name and details	Matt Tattersall – Executive Director of Finance and Resources tattersallm@methodistchurch.org.uk
Action required	Decision
Resolutions	39/1. The Council receives the report. 39/2. The Council adopts the revised Reserves Policy. 39/3. The Council recommends the draft budget for 2024/25 to the Conference. 39/4. The Council recommends to the Conference the district allocations of the assessment to the Methodist Church Fund set out in the paper.

Summary of content

Subject of aims	The paper provides the Council with the opportunity to review and discuss the draft budget proposal.
Main points	<ul style="list-style-type: none"> • Transitional funding is required whilst the Connexional Team is transformed to match the requirements of the Church within the resources available. • There is no flexibility available in the budget to cover any new priorities that the Conference might wish to support. • A new reserve level is proposed.
Background context and relevant documents (with function)	MC/24/16 Financial Planning
Consultations	The allocation of the MCF District Assessment was agreed at a meeting of the District Treasurers in November 2023. The budget planning parameters were agreed by the Methodist Council in January 2024.

Summary of impact

Financial	All parts of the Connexion are affected by the use of Connexional Funds.
Wider connexional	Ongoing reduction in the District Assessment means there is less funding for the Connexional Team and therefore a reduction in the work that the team can undertake.
Risk	Budget assumptions contain inherent risk which is mitigated by taking a balanced approach to setting of both income and expenditure budgets. The overall level of reserve in the key funds protects the Church against unexpected financial shocks.

Draft Connexional Central Services Budget for 2024/25

Background

- 1 The context for the 2024/25 budget is a continuation of the strategy set by the Conference in 2023. The plan responds to the growing affordability challenge with the District Assessment and the need to 'right size' the Connexional Team in the light of the available resources. Another key component is the release of resources from the Connexional Priority Fund following the reduction in risks associated with the pension schemes.

Scenario Planning

- 2 Over the last two years, the Senior Management Group has developed a number of scenarios for the future of the Church and Connexional Team in the medium term. These scenarios will continue to be refined each year and the Strategy and Resources Committee approved the current 'most likely' scenario set of assumptions at its September 2023 meeting.
- 3 In line with previous budgets, the longer term objective is to ensure that the core work of the Connexional Team can be appropriately funded through the District Assessment. Additional strategies and initiatives would need to be funded from other sources such as the Mission in Britain Fund and the Connexional Priority Fund (CPF).
- 4 With the improvement in the funding of the pension schemes there is less need to put aside further resources in the Pension Reserve Fund. In turn, this allows funding to be directed to more productive missional spending. However, over recent months the financial legacy of the Covid pandemic has started to affect a number of key partners in the Methodist family and there have been a number of requests for support from Connexional Funds. This is a reminder of our interconnectedness as a Connexion.

Reserves Policy

- 5 Having undertaken a detailed analysis of the Methodist Church Fund reserve policy in 2023, no changes are proposed in 2024. However, there are also reserve levels set in relation to the Connexional Priority Fund, Epworth Fund and the World Mission Fund.
- 6 No changes are proposed in relation to the CPF or Epworth Fund reserve balances (£1.5m and £1m respectively) as they allow for one year of recurrent commitments to be funded whilst arrangements are made to cease funding.
- 7 In relation to the World Mission Fund, the long-term plan to reduce the Fund balance is reaching its final stages. Consequently, the absolute level of investment risk is reduced (because there is a much smaller amount of money invested) and the underlying recurrent commitments from the Fund are significantly reduced. Therefore, it is prudent to reduce the reserve level to the range £0.5m to £1m. This reduction will largely be offset by a revaluation of a property that is held within the fund. Should the sale of this property generate a higher return than anticipated, this would be available to the Global Relationships Committee for spending.

District Assessment

- 8 The District Assessment continues to fall in real terms by 3% each year. This is to respond to the affordability issues experienced by many churches and circuits. With CPI inflation at 6.3% at the time the budget parameters were set, this means the net uplift to the Assessment has been set at 3.3%.
- 9 The District Assessment is apportioned among the Districts using stationing and staffing numbers (with presbyters/deacons equivalent to 1.5 times that of a lay worker), with the annual change per District being restricted to a maximum increase of 3% above and 4% below the average uplift. The provisional figures based on an overall increase of 3.3% were agreed by the District Treasurers in November 2023.

Table 1: 2024/25 MCF Assessment by District

	District	£		District	£	£
2	Wales	529,342	26	Southampton		633,487
5	Birmingham	589,699	27	Yorkshire West		775,364
7	Bristol	634,708	28	Wolverhampton & Shrewsbury		583,645
10	Channel Islands	113,489	29	Yorkshire North & East		617,305
11	Chester and Stoke	516,805	31	Scotland		167,237
12	Cornwall	399,121	32	Shetland		20,227
13	Darlington	363,991	34	Bedfordshire, Essex & Herts		558,945
14	East Anglia	553,943	35	London		1,494,881
15	Isle of Man	70,739	36	South East		791,158
17	Lincolnshire	289,242		North West England (proposed merged districts)		
20	Newcastle	582,464		Bolton and Rochdale	321,384	
22	Nottingham and Derby	659,370		Manchester and Stockport	518,526	
23	Northampton	816,401		Cumbria	229,160	
24	Plymouth and Exeter	510,816		Liverpool	362,067	
25	Sheffield	504,951		Lancashire	445,263	1,876,400
26	Southampton	633,487		TOTAL		14,653,730

Pension Reserve Fund (PRF)

- 10 Payment into the PRF has been suspended due to the improved funding position of both schemes. The existing fund balance will be used:
- to fund an insurance buy-in and potential buy-out of the PASLEMC,
 - to provide security to the pension trustees,
 - to fund future deficit recovery plans if required, and
 - subject to the satisfactory outcome of the 2023 Valuation, repay the voluntary donations that were made in 2021.

Financial Balance

- 11 It is necessary for the Methodist Church Fund (MCF) budget to achieve financial balance in the medium term. The use of reserves will support the budget position over the next 4 years. Significant expenditure reductions will have to have been implemented prior to the start of 2028/29.
- 12 Funding for a transformation programme was approved as part of agreeing the budget last year. This will seek to establish those core functions that can be best provided connexionally, what functions will need to be provided elsewhere, and which functions will need to cease.

Methodist Church House (MCH)

- 13 Planning delays led to a significant extension to the timetable for the completion of the redevelopment of the new MCH. However, the cost of these delays has been contained within the contingency budget. It remains the assumption that the full cost of the temporary relocation of the Connexional Team and the redevelopment of the new building will be contained within the proceeds from the sale of Marylebone Road.

Inflation

- 14 The general inflation to be used in the 2024/25 budget is based on the figures published in October 2023. With actual pay rates back in line with current inflation as at September 2023, it is proposed to continue setting the pay budget using similar principles to the setting of the stipend uplift – 50% of the uplift based on changes in average earnings and 50% based on inflation. However, instead of using CPI inflation (as is the case for stipends), the CPIH measure will be used (as this includes housing costs). As the stipend uplift is calculated based on September CPI, the relevant figures are as follows:
- Pay inflation: (50% x Average earnings 6.9%) + (50% x CPIH 6.3%) = 6.6%
 - Stipend inflation: (50% x Average earnings 6.9%) + (50% x CPI 6.7%) = 6.8%
- 15 It is assumed that the remainder of the budget will need to increase by 5% in 2024/25 and 2% from 2025/26.

God For All (GFA) Phase 2

- 16 The original God For All strategy was funded from a range of funds including Mission in Britain, Epworth, CPF and MCF as historic balances were used to support this work. As these funds have been gradually depleted, it is only the Connexional Priority Fund that has the level of funding available

to be able to support the next phase of God For All. The proposed budget is included at Appendix 1, though the first year of the next phase is not until 2025/26.

Action For Hope

- 17 In relation to Action for Hope, during 2024 the Methodist Council has allocated £3m for districts to provide grants to circuits and churches. This was funded from the additional property levies received in 2022/23. For the wider Church to meet its aspiration to achieve net-zero carbon by 2030 will require the release of significant resources currently held by churches and circuits in their TMCP and CFB accounts. However, in order to help support this process a further £1m per annum is proposed to be allocated from the Connexional Priority Fund.

Connexional Priority Fund (CPF)

- 18 Funding for the CPF is largely from the receipt of property levies. It is now assumed that the higher level of property levy received in recent years will continue for the next few years. Therefore, some of the Conference's previous priorities that were unfunded can now start to be addressed.

- 19 The Conference of 2023 agreed that the key priorities for the CPF would be as follows:

- support the Church's ambition to achieve net zero carbon by 2030;
- support the ongoing real terms reduction in the District Assessment;
- offset the savings lost because of the decision on district reorganisation;
- fund the additional resources needed for the Church effectively to divest itself of surplus buildings;
- fund the costs associated with developing a transformation plan eg, project management; and,
- fund the consequences of any such plan (eg, redundancies).

- 20 It is now proposed that these priorities be extended further to include:

- evangelism and growth (to support the next phase of the God For All strategy), and
- developing a digitally enabled Church (the scope of this requiring further work, but recognising that 'digital' will become a more significant tool for delivering Our Calling in the years ahead).

Mission in Britain (MiB) Fund

- 21 It is assumed that the MiB Fund will continue to fund the remainder of the first phase of God For All (GFA); Methodist Action on Poverty & Justice; Heritage; Justice Dignity and Solidarity, and contribute to the Church's commitment to zero carbon by 2030. In addition, an allocation has been made to the Mission budget of £100k to £150k to support the instigation of an anti-poverty movement, aiming to put the moral case to end UK poverty at the heart of the public debate.

World Mission Fund (WMF)

- 22 The Global Relationships Committee continues to spend down to reserve levels and future ongoing expenditure will be restricted to the level of ongoing income. Once the sale of WMF properties is complete, there may be some additional funds to be allocated.

Epworth Fund

- 23 The Epworth Fund has been used to provide support to key Methodist institutions faced with restructuring costs following the impact of the pandemic. However, it still has a sufficient balance to meet the cost of One Programme Participants (OPPs) and it is proposed that it continues to fund the costs of the Connexional IT strategy.

Summary of Parameters

- 24 The overall planning assumptions can be summarised as follows:

Table 2 Connexional Central Services Budget: planning parameters

	2024/25	2025/26	2026/27
Pay inflation	6.6%	3%	2%
Other inflation	5%	2%	2%
Estimated inflation	6.3%	2.5%	2%
Assessment reduction	(3.0%)	(3.0%)	(3.0%)
Net increase/(decrease) in Assessment	3.3%	(0.5%)	(1.0%)
Budget for transformation	£0.5m	£0.5m	£0.5m
Contribution to MCF from CPF	£2.5m	£2.5m	£2.5m
MCF Income	£20.1m	£20.0m	£19.9m
MCF Expenditure	£20.6m	£21.0m	£21.3m
MCF Deficit	£0.5m	£1.0m	£1.4m

NB The inflation figures for 2025/26 onwards are indicative and will be updated each year. This will then alter the District Assessment figure each year, though the overall impact will always be to achieve a three percentage point real terms reduction.

Budget Proposal

25 The total budget can be seen in the table below:

Table 3 Connexional Central Services Budget: overall income and expenditure

Activity	2023/24 Forecast £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000
Central Income	29,800	30,157	30,273	30,240
Income Generating Centre	2,253	2,661	2,951	2,951
Global relations	1,941	1,762	1,647	1,541
Evangelism & Growth	1,113	1,350	1,279	1,220
Others - Pensions	261	1,181	1,063	956
Ministries	979	833	812	797
Central Functions	1,163	795	779	728
Property	513	529	524	519
Children & Youth	150	164	170	170
Methodist Council & Governance	143	146	147	148
Learning Network	3	5	4	4
Total	38,319	39,583	39,649	39,274
Expenditure				
Central Functions	14,634	8,825	9,441	9,474
Evangelism & Growth	10,855	11,174	16,331	13,007
Ministries	6,112	6,029	6,129	6,243
Methodist Council & Governance	4,440	4,773	4,804	4,874
Others - Pensions	2,555	2,626	2,626	2,626
Learning Network	2,499	2,515	2,586	2,622
Global relations	4,976	2,426	2,320	2,126
Children & Youth	1,522	2,158	2,301	2,309
Building communities	1,356	1,590	1,586	1,539
Property	850	985	996	1,009
Total	49,799	43,101	49,120	45,829
Net deficit	(11,480)	(3,518)	(9,471)	(6,555)

NB The definitions for the 'activities' above can be found at appendix 2

26 The increase in income in 2024/25 reflects the inflationary uplift to the Assessment, additional capital levies and improvement in the performance of the trading entities.

27 The increases in expenditure in 2024/25 is largely attributable to the impact of inflation, additional allocations funded by capital levies, partly offset by a slowing in World Mission spend as it nears its reserve level.

28 The deficit in each year largely reflects the decision of previous Conferences to reduce the reserve levels of the main Connexional Funds and also the expenditure from the Pension Reserve Fund into

the pension schemes.

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

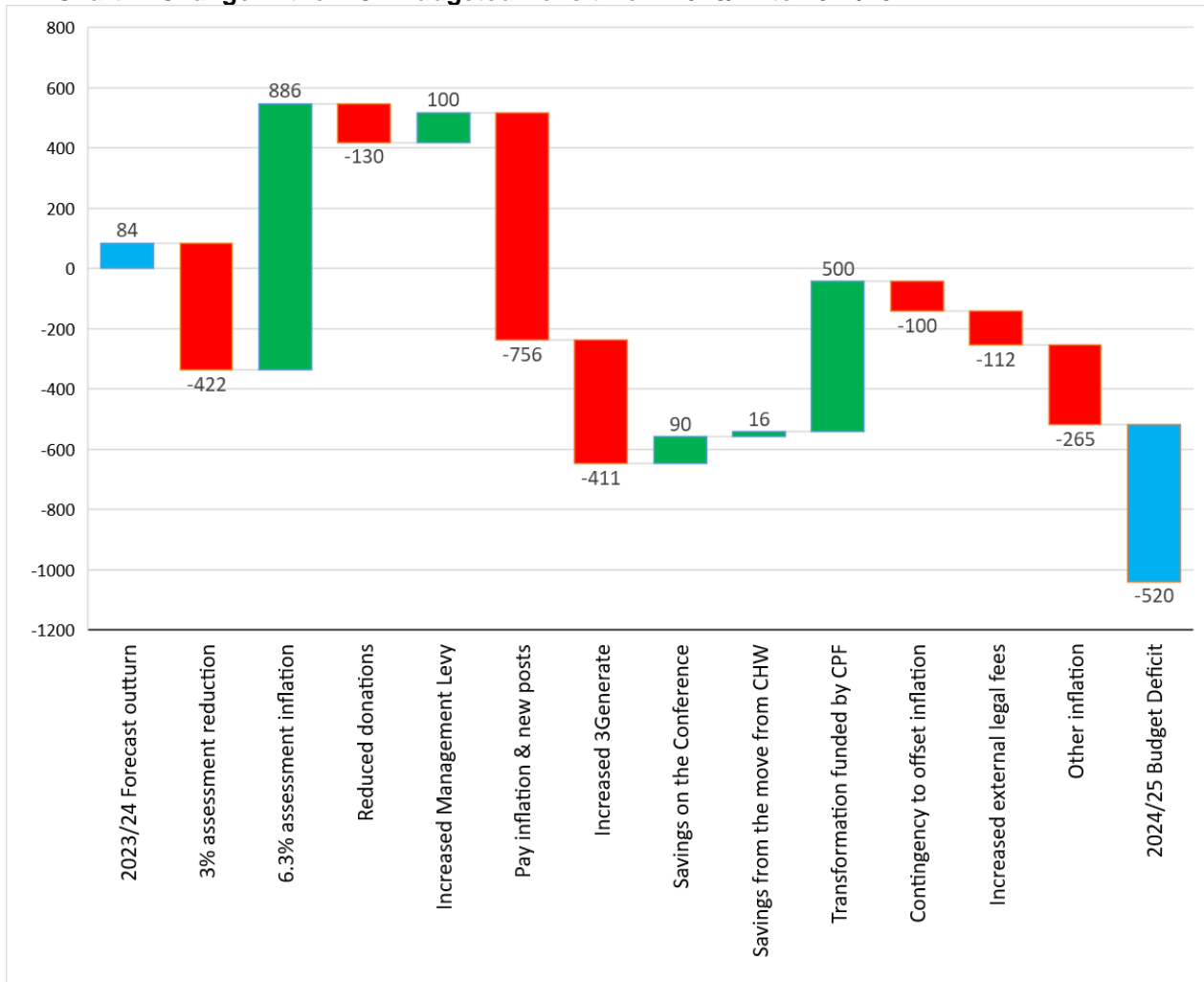
Table 4 Methodist Church Fund Budget: income and expenditure

Activity	2023/24 Forecast £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000
Central Income	19,000	18,941	18,863	18,817
Central Functions	966	682	667	618
Children & Youth	150	164	170	170
Property	168	185	182	180
Methodist Council & Governance	143	146	147	148
Ministries	2	2	2	2
Evangelism & Growth	1	6	1	1
Total	20,430	20,126	20,033	19,935
Central Functions	6,408	6,065	6,204	6,300
Methodist Council & Governance	4,235	4,553	4,579	4,644
Learning Network	2,499	2,515	2,586	2,622
Children & Youth	1,473	1,993	2,135	2,143
Ministries	1,810	1,732	1,775	1,836
Evangelism & Growth	1,264	1,360	1,358	1,375
Building communities	1,014	1,239	1,199	1,213
Property	644	697	723	744
Global relations	409	492	450	457
Total	19,756	20,646	21,009	21,334
Net surplus /(deficit)	674	(520)	(976)	(1,399)

30 The growing deficit from 2024/25 is largely consequent of the transitional support provided from the Connexional Priority Fund (CPF) being insufficient to fully cover the impact of inflation. This allows the fund to reduce to its reserve level ahead of 2028/29 when significant expenditure reductions will be required.

31 The main movements in the budgeted MCF from 2023/24 to 2024/25 can be seen in the waterfall chart below:

Chart 1: Change in the MCF Budgeted Deficit from 2023/24 to 2024/25



Funds

32 The budgeted fund balances can be found at appendix 3. It remains the aim to reduce balances in restricted funds where possible before allocating budgets against unrestricted funds. Progress has been made across a number of restricted funds to clarify their purposes and it is expected that expenditure plans will now be brought forward to use some historic balances.

*****RESOLUTIONS**

39/1. The Council receives the report.

39/2. The Council adopts the revised Reserves Policy.

39/3. The Council recommends the draft budget for 2024/25 to the Conference.

39/4. The Council recommends to the Conference the district allocations of the assessment to the Methodist Church Fund set out in the paper.

**Appendix 1:
God For All Phase 2: Budget proposal**

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-31	2031-32	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1. New Places for New People Church at the Margins	2,436	2,952	3,171	3,228	3,245	3,303	3,322	21,657
2. Evangelism Digital Mission	1,028	964	841	814	717	741	694	5,800
3. Missional Growth and Leadership	65	65	66	66	67	68	68	465
4. Discipleship Methodist Way of Life	557	559	560	562	563	565	567	3,933
5. Ongoing support for salaries across the Connexional Team	476	490	504	519	535	550	567	3,640
6. Partnership co-development across Church and Ecumenical move	73	48	43	43	43	43	25	315
7. E&G Team ongoing staff budget	545	560	575	591	608	625	642	4,146
	5,179	5,637	5,760	5,823	5,778	5,894	5,885	39,955
Funding								
Methodist Church Fund	545	560	575	591	608	625	642	4,146
Connexional Priority Fund	4,634	5,077	5,185	5,231	5,170	5,269	5,242	35,809
	5,179	5,637	5,760	5,823	5,778	5,894	5,885	39,955

Appendix 2: Resource Activities

Activity	Areas covered
Building communities	Ecumenical, Interfaith, Joint Public Issues Team, Forces Board, Communications
Children, youth and families	Children, youth, families, education, 3Generate
Evangelism and Growth	Evangelism and Growth, Heritage, Action for Hope
Global relations	World Church, World Meth Council; Mission Partners
Learning Network	The work of the Learning Network regions across the Connexion
The Conference, Council & Governance	The Conference, Presidency, Secretary of Conference, Council, Faith & Order, District Chairs, Law & Polity, Legal, Safeguarding, Justice, Dignity and Solidarity
Ministries	Initial ministerial training, ministerial development, ministerial oversight, ministerial grants, Diaconal order
Central Functions	Finance; IT; Procurement; Human Resources; Facilities/Front of House; Corporate; Connexional Secretary
Property	Property team, Connexional manses, property projects, property grants

Appendix 3: Fund Balances

Fund	Opening Balance	2023/24	2024/25	2025/26	2026/27	Closing Balance
	Sep 2023	Forecast	Budget	Budget	Budget	Aug 2027
	£'000	£'000	£'000	£'000	£'000	£'000
MCF General	28,562	674	(518)	(977)	(1,398)	26,344
Auxiliary Special Purposes	545	(43)	(40)	(41)	(42)	378
Trinity Hall Trust	999	(13)	(6)	(8)	(10)	962
Lefroy Yorke Trust - Endowment Fund	1,009	45	(1)	(1)	(1)	1,050
Barratt Memorial	1,229	(1)	(5)	(5)	(5)	1,214
Rank - Endowment Fund	7,947	321	(8)	(8)	(8)	8,243
Marshall Scholarship - Endowment Fund	2	0	0	0	0	2
Necessitous Local Preachers - Endowment Fund	210	0	0	0	0	210
Strawson Gift - Endowment Fund	7	0	0	0	0	7
William Leech Charities -EF	9,546	207	210	210	210	10,383
Aspinall Robinson Trust (MDO Holiday Fund)	658	9	7	5	3	683
MDO Surplus Funds	574	(9)	3	(0)	(3)	565
Archives Revenue Fund	18	(10)	(9)	0	0	0
Connexional Priority Fund	12,731	(3,662)	1,452	(4,260)	(1,574)	4,687
Epworth Fund	6,238	(1,644)	(994)	(983)	(579)	2,039
Pension Reserves Fund	51,478	(2,382)	(1,508)	(1,625)	(1,730)	44,233
Beckley Trust	4	(0)	0	0	0	4
Necessitous Local Preachers - Income	9	3	5	4	4	25
Southdown Project Fund (Tolpuddle)	16	0	0	0	0	17
Borries Bequest - Endowment	28	0	(0)	(0)	(0)	27
Modern Christian Art- Development	30	(3)	(10)	(2)	(2)	14
Forces Chaplaincy Revenue	496	(125)	(188)	(121)	(62)	0
Methodist Heritage	8	(5)	0	0	0	4
Mission in Britain Fund	6,858	(1,177)	(1,054)	(1,017)	(775)	2,834
Mission in Business Industries and Commerce	443	4	9	8	7	471
Lay Mission Superannuation	370	21	(22)	(26)	(30)	314
Sabbatical Fund	55	11	2	2	2	73
Fund for the Support of Presbyters & Deacons(FSPD)	6,176	(700)	(785)	(803)	(811)	3,076
Medical Benevolent Fund	2,308	(4)	8	4	0	2,317
Ministers Children's Relief Association	3	(3)	0	0	0	0
Listed Buildings	23	0	0	0	0	24
Fund for Property	1,083	114	630	640	647	3,114
Special Extension Fund	2,309	65	78	74	70	2,596
Fund for Training	2,510	120	(77)	(86)	(85)	2,381
Long Term Renewal Fund	420	9	112	110	109	761
Overseas Student Work	327	4	7	6	5	348
Centenary Hall Trust	27,721	109	0	0	0	27,831
World Mission Fund	10,986	(3,420)	(830)	(858)	(740)	5,138
Benevolent Fund	390	4	8	7	6	414
MIC Trust	22,109	(0)	3	276	236	22,624
Oxford Institute	112	0	0	0	0	112
Designated Training Fund	43	(0)	0	0	0	43
Langley House Trust	91	0	2	2	2	97
Total	206,682	(11,479)	(3,517)	(9,471)	(6,554)	175,662