

Releasing Money for God's Mission

Contact Name and Details	Mrs Louise C Wilkins Conference Officer for Legal and Constitutional Practice wilkinsl@methodistchurch.org.uk
Status of Paper	Final
Action Required	For Decision
Resolutions	<p>90/1. The Council receives the report.</p> <p>90/2. The Council directs the Connexional Team:</p> <ul style="list-style-type: none"> (a) to hold discussions with the Trustees for Methodist Church Purposes to clarify how an extension of SO 955(6) to include local church model trust capital could be administered. (b) to report the outcome of the discussions to the Council along with proposals for any further work that will ensure a report can be made to the 2016 Conference.

Summary of Content

Subject and Aims	To release funds held by Circuits and Local Churches for the mission of the Church.
Background Context and Relevant Documents (with function)	<p>The 2013 Conference received three memorials (M15/16/17) 'Releasing Money for God's Mission' and instructed the Methodist Council to form a working group to consider the issues that were raised, and to report back to the Conference no later than 2015.</p> <p><i>Releasing Resources For Mission: Review of Circuit and Other Advance Funds</i> Conference Agenda 2004.</p> <p>MC/14/38 and MC/14/89 regarding the reserves policy for the Connexional Priority Fund.</p> <p>The Council made recommendations to the 2015 Conference following a report from the 'Releasing Money for God's Mission' working party in January 2015 [DR/7/10].</p>
Consultations	Some Circuit and District Treasurers, the Law and Polity Committee and Trustees for Methodist Church Purposes.

Releasing Money for God's Mission

1. Introduction

- 1.1 The Council appointed a working party to consider the issues raised in the three Memorials submitted to the 2013 Conference under the heading 'Releasing Money for God's Mission' [DR/6/21]. Following recommendations from the working party, the Council recommended, and the Conference directed, that each Circuit must provide an annual summary of all monies and investments held in each Local Church and forward that statement to the District Treasurer with their Standard Form of Accounts [MC/15/14].
- 1.2 The other recommendation made by the Council to the Conference was to amend Standing Order 955(6)(a) to provide for the annual contribution to the district Advance Fund on local Church model trust capital as well as on the Circuit's. Detail is provided below on what is meant by model trust capital.
- 1.3 The current SO 955(6)(a) provides that a levy be taken on all capital money held in each circuit model trust fund but not on model trust capital held by a Local Church. The levy is 2.5% on the first £100,000, 5% on capital over £100,000 but not exceeding £250,000, and 7.5% on any excess over £250,000. SO 955(6)(b) provides for some money to be exempted from the levy being charged; capital money held for long term investment to be used for work or mission of the Circuit in accordance with a circuit policy, money raised by an appeal for a building project and proceeds held for a replacement project.
- 1.4 On first sight the proposal to include reference to local church model trust capital appeared to require a simple Standing Order amendment that would be a step towards releasing some capital held at a local Church level and ensuring that it could be applied for the wider missional needs of the Church. However, following discussion between the Chief Executive of TMCP, the Law and Polity Committee and the Chair of the Council's working party it became apparent that further work would need to be undertaken before any Standing Order amendment could be implemented. The Conference therefore directed the Council to undertake further work on the proposal to apply the levy in SO 955(6) to local church capital model trust funds and to report any recommendations to the 2016 Conference.

2. Further Work

The discussions raised doubts as to whether the existing system for levying the contribution under SO 955(6) can be implemented accurately in relation to circuit model trust funds let alone if this were widened to include local church model trust funds. Clarification is required as to what money this Standing Order applies to, what money it would apply to if amended, how the current problems have arisen and what decisions are needed if they are to be resolved.

3. What is Model Trust Capital?

Model trust capital is defined in SO 915(2) as proceeds of sale including any premium paid for the disposal of a leasehold interest or an easement; money raised by any appeal specifically for the acquisition of land or the erection or alteration of any building; money paid into a district Advance Fund; and any bequest in excess of £20,000 from any one estate.

4. What model trust capital is circuit money?

Proceeds of sale from property held on the model trusts such as manse and local church halls are circuit model trust money, as are bequests to circuit funds. There are certain types of property that are excepted from the requirement under SO 945(1) that proceeds of sale are circuit model trust funds, held for circuit purposes. The exceptions are (i) premises on the City Centre list, where the proceeds go to the District, (ii) property held as an investment as defined by SO 908, (iii) property received in the last five years by way of a bequest and not required or no longer required for Methodist trust purposes, and (iv) caretaker's accommodation, where the proceeds remain local church money. See SO 945(2).

5. What model trust capital is local church money?

The two main sources of local church model trust capital are bequests and those proceeds of sale of local church model trust property which do not pass to the Circuit under SO 945(1) but remain with the Local Church under the exception in SO 945(2) as described above.

6. How has the levy been implemented?

When SO 955(6) was introduced it was not implemented by requiring circuit treasurers to pay the appropriate percentage of their model trust capital but by directing TMCP to transfer that amount from each Circuit's account to that of the relevant District. Now that the whole subject is being reconsidered, TMCP has raised the question whether they are entitled to take the levy without the specific consent of the relevant treasurer. It is apparent that such a method accurately implements SO 955(6) only if (i) all model trust capital is held by TMCP, and (ii) only model trust capital subject to the Standing Order is levied.

7. Is all model trust capital held by TMCP?

There is no doubt that it should be. The Public Trustee Act 1906 provides the statutory basis for the Methodist model trust system which requires that all trust assets must be held by the custodian trustee, except income which the custodian trustee may permit to be held by managing trustees. In our case the custodian trustee for all model trust property in England, Wales and Scotland is TMCP and TMCP has given general permission for income to be held by managing trustees in properly operated bank accounts. There is not, and cannot be, any such permission for capital; that all model trust capital money must be held by TMCP is therefore required by the law of the land, not just by Methodist discipline.

It appears from conversations with TMCP that not all circuit and local church model trust capital is in fact held by them. In the case of circuit money arising from proceeds of sale there may have been little failure to comply but in the case of Local Churches it is believed that already some model trust capital is held by the Central Finance Board or locally. In the case of bequests TMCP are aware of specific cases in which Local Churches or Circuits have refused to pay over sums received as capital (ie the excess over £20,000). There are likely also to be cases where there has been failure to pay money over from simple ignorance of the requirement and TMCP are unaware of the existence of the bequest. (Under section 15 of the Methodist Church Act 1976 all bequests to Circuits or Local Churches, of whatever amount, should initially be paid to TMCP, for allocation by the Council, which should ensure that that cannot happen, but executors and their solicitors seem generally to be unaware of section 15 and therefore pay the church or circuit treasurer.) So far as model trust capital is held elsewhere, for any of these reasons, a levy implemented only on funds held by TMCP fails to do what was required and, so far as deliberate retention is tolerated, knowledgeable Circuits and Local Churches will be tempted to withhold or remove their model trust funds from TMCP so as to avoid the levy.

8. Is only model trust capital subject to the Standing Order currently levied?

Clearly the answer to this question can be affirmative only if either (i) all moneys held by TMCP for Circuits and Local Churches is model trust capital or (ii) TMCP can and does distinguish in implementing the levy between what moneys are or are not model trust capital.

There is little doubt that proceeds of sale held by TMCP are entirely model trust capital. The position for bequests is different. As already indicated the effect of SO 915(2)(v) is that any sum over £20,000 coming to a Circuit in a bequest is model trust capital and must be held by TMCP. Anything up to or under £20,000 can be held locally and spent as income.

TMCP currently hold one model trust bequest fund for each Circuit which receives one or more bequests. If the Circuit has asked that TMCP hold both the capital and income element of the bequest then it is a question of how can the levy be applied only to the capital. The position of Local Churches in respect of proceeds of sale and bequests is the same as for Circuits but if SO 955(6) were extended the problem of bequests which are rarely made to Circuits would become more acute.

For Local Churches there are many cases in which funds held by TMCP on their behalf are neither proceeds of sale nor bequests. Examples include reserves accumulated from collection money (which is not model trust property) or from model trust income, or a mixture of both, to meet non-annual but foreseeable property expenditure such as redecoration of the structure, re-roofing and replacement of furniture and equipment such as seating and boilers. Managing trustees are rightly encouraged to make such provisions and to invest them through TMCP but safeguards must be made to ensure such funds are not mistakenly levied.

9. Implementation

9.1 The question raised by TMCP regarding whether they are entitled to take the levy without the consent of the relevant treasurer needs to be referred to the Law and Polity Committee.

9.2 Further work needs to be undertaken with TMCP to clarify where local church and circuit model trust capital is held whether by TMCP, the CFB or locally and how failure to pass model trust capital to TMCP can be dealt with. Investigation needs to be undertaken as to whether it is practicably possible to distinguish between model trust capital and income so as to enable SO 955(6) to be properly implemented and whether it is possible to raise the levy directly from circuit and local church treasurers. Once this work has been undertaken, proposals can be made to the Council as to whether extending SO 955(6)(a) to include local Church model trust capital is workable or whether alternatives need to be considered.

*****RESOLUTIONS**

90/1. The Council receives the report.

90/2. The Council directs the Connexional Team:

(a) to hold discussions with the Trustees for Methodist Church Purposes to clarify how an extension of SO 955(6) to include local Church model trust capital could be administered.

(b) to report the outcome of the discussions to the Council along with proposals for any further work that will ensure a report can be made to the 2016 Conference.