

## Property, Money, and Mission

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<b>Status of Paper</b>	Final
<b>Action Required</b>	Discussion
<b>Resolution</b>	40/1. The Council receives the report.

### Summary of Content

<b>Subject and Aims</b>	To request the Council to review the strategic overview and approach to Property and Finance.
<b>Main Points</b>	To ask the Council to consider the following areas: <ul style="list-style-type: none"> <li>• The next iteration of the Property Strategy (the current one ending at the end of this connexional year)</li> <li>• The unresolved conversation about the review of the Connexional Property Levy (CPF) levy including reflections on replacement projects</li> <li>• Further consideration given to sales at an undervalue to those working with similar values in the communities where we have a presence (including housing associations).</li> <li>• Payment of the levy on approved replacement projects</li> <li>• Use of the Connexional Priority Fund</li> <li>• Future of Connexional Property Grants</li> </ul>
<b>Background Context and Relevant Documents (with function)</b>	MC/18/74 Connexional Property Strategy MC/19/78 Connexional Priority Fund levy and replacement project MC/18/41 Replacement projects MC/17/97 Review of the Replacement Project Criteria MC/16/87 Exemption to 5 year limitation CPF

### Summary of Impact

<b>Standing Orders</b>	Standing Orders re CPF levy listed in the report
<b>Financial</b>	Strategic approach determines the priority of income generation
<b>Wider Connexional</b>	Property strategy impacts the entire Connexion

## Property, Mission and Money

1. Over the last two years the Council has engaged in a number of conversations that have been part of the drive to bring some strategic overview to our approach to Property and Finance. This work has laid solid foundations for our future thinking but, as can be seen elsewhere in the Agenda for this Council, there are some areas which now need attention.
2. None of these is a stand-alone area, as the overarching direction agreed on will guide how we respond to them all. The main issues for consideration are:
  - The next iteration of the Property Strategy (the current one ends at the end of this connexional year)
  - The unresolved conversation about the review of the CPF levy including reflections on replacement projects
  - Payment of the levy on approved replacement projects
  - Further consideration given to sales at an undervalue to those working with similar values in the communities where we have a presence (including housing associations).
  - Use of the Connexional Priority Fund
  - Future of Connexional Property Grants

### Property Strategy

3. The review of the Property Strategy (as recommended by the SRC) will need to take into account some of the detailed learning from the last two years; there however remains a macro question about what we are trying to achieve.
4. The Property Strategy at present says:

*“The Methodist Council, working with the Strategy and Resources Committee and the Property Development Committee, recognises the need to keep under review and better support the most effective use, development and disposal of property in order to enable Local Churches, Circuits and Districts to fulfil this calling, and to ensure a coherent approach to property across the Connexion.*

*Circuits and/or Districts will be supported in the production of property development plans as a means of evaluating and planning how property can be used to assist in delivering the circuit or district mission plan.*

*Sales should only be undertaken once trustees have demonstrated that a thorough evaluation has been made of potential other uses for the property within Methodist ownership.*

*Property plays a significant role in enabling a presence within a community. A Methodist building that is welcoming, eye-catching and that acts as a focal point for community engagement can speak powerfully of God’s love. Utilising a property either by redeveloping it to provide social housing or employment opportunities could be part of a mission plan, as could incorporating a range of social uses into an existing building.”*

*The types of partnership envisaged come in several categories:*

- *sharing a building for worship;*
- *partnering in redevelopment for social purposes;*
- *partnering in redevelopment for commercial purposes;*
- *sharing a building for other social mission;*
- *imaginative experiment and ecumenical co-operation.*

(MC/18/74)

5. Whilst the Strategy in itself makes it clear that income generation is not the primary output of the Strategy there is a danger that this has been misheard as the work has rolled forward.
6. If the primary calling of the Church is to respond to the gospel of God's love in Christ we might believe that the following examples are priority undertakings;
  - Enabling an emerging expression of a worshipping community to make use of a building through purchasing at an undervalue or putting in a long term lease,
  - Enabling the use of a property for a social justice focused piece of work (e.g. provision of housing association properties, food banks, advice centres).
7. The development of the strategy for the next 3-5 years will need to balance out the desire not to lose property which the Church could make excellent use of for income generation with wanting to see us partner with projects which have the biggest possibility of transformation for individuals and communities. These two are not mutually exclusive but we need to recognise a number of factors relating to the retention of properties for income generation;
  - Projects require both capital and people resource to make them happen.
  - The workload of District Property Secretaries will continue to grow and there remains no connexional funding to employ these roles throughout the Connexion.
  - The provision of connexional resource to provide options appraisals for Circuits and Districts needs to be controlled and limited.
  - We are more likely to be facing a continual surplus situation of property in the next few years than we are a shortage so we need to be very focused on the framework for assessing what we keep.
  - The impact of holding on to property means less income to the CPF and therefore less money flowing into the District Advance Funds (and therefore less available for mission focused projects that cannot be afforded locally).

### **Connexional Priority Fund (CPF) Levy**

8. The Council has in its objectives the following;  
*"To have agreed the terms of reference for a review of the CPF levy that will explore the possibilities of granting an exemption in order to support missional work where there is no requirement/need for a new building."*
9. The Council last had a discussion on proposed policy for the Connexional Priority Fund levy and replacement project criteria in October 2019 [MC/19/78] and members of the Council were invited to submit comments to the Conference Officer for Legal and Constitutional Practice so that the discussion could continue. There has been very scarce feedback to that and so that matter still remains unclear in terms of future direction.
10. For the benefit of new Council members the situation is summarised below.
11. The CPF levy is taken on property or land sales across the Connexion; the levy is 20% for the first £100,000 and 40% over £100,000. The levy is taken on the net proceeds of sale, being the sum that remains after "allowable expenses" have been deducted.
12. Paper MC/18/41 provides a helpful background to the reasons why the levy was first introduced and how it has developed in its use and purpose over the years. The paper also provides the breakdown of how the levy is utilised.

13. There are some exceptions to property or land sales, when the levy will not be taken. See SO 970 for full list but in summary they are city centre properties on the official list (see SO 440(1)) and a list that is adopted by the Methodist Council. This is not just any property or land that happens to be in a city centre, it must have been designated as a city centre property to have the levy waived. The other key exceptions are connexional property (property where the Council or a delegated body is the Trustee) and property that has come by a bequest within the last 5 years.
14. It is also possible for the levy to be refunded in full or part if there is a project that fits within the criteria of a replacement project (SO 973). The Methodist Council adopts the criteria, the most recent version of which is from November 2016. The word “replacement” in this context may not be the most helpful as the criteria allows much more than just direct replacements.
15. The amount of levy refunded will depend on the net proceeds of sale and the cost of the replacement project. If there is a surplus the levy will be paid on the difference between the cost of the replacement and the net proceeds of sale. The replacement project must be “implemented” see SO 973(4) within 5 years of the disposal completing. It is possible to seek an exception to the 5 year rule, this needs 3 members of the Council to agree, see paper MC/16/87. The three members of the Council who consider the application for exceptions to the 5 year rule as well as Model Trust 20 applications is in need of being updated if we are to continue with this way of working.
16. It should be noted that there currently must be a good reason eg listed building consent has taken a significant amount of time to be obtained. It should not be that they just could not find another piece of land or did not undertake seeking planning permission until 4 years later.
17. The Property Development Committee has also been permitted since MC/17/97 to consider exceptions to the replacement project criteria and for this there is an application process and criteria.
18. Some work was done on the possibility of charging a levy on leases but this was received badly in a number of bodies so this idea was not pursued.
19. The general feeling is that it is difficult to gain agreement on a replacement project and that causes frustration in Circuits.
20. The anomaly now exists that one hand there is widespread affirmation for the ‘New places for New People’ strand of the ‘God for All’ strategy which seeks to divert as much funding as we can for the creation of new expressions of faith communities throughout the Connexion whilst on the other hand there is a perception that we are making it difficult for Circuits to create new expressions of themselves through replacement projects.
21. The Council could give consideration to a policy change which would see a widespread flexibility to how we approach such matters which could contribute to Circuits finding a new lease of life as they feel liberated by connexional processes.

#### **Payment on approved replacement projects**

22. Further to the rethinking of the levy, the Conference referred to the Council a Memorial from the Manchester and Stockport District concerning the payment of the levy from Circuit Model Trusts to District Advance Funds for an approved replacement project. Whilst this issue is distinct from the discussion around the CPF levy it has some of the same principles attached.
23. Standing Order 955(6)(b)(iii) provides an exemption to the annual contribution to the relevant District Advance Fund from the model trust capital money held in each Circuit at the end of the

year where connexional consent has been given to the replacement project ie the replacement project has been approved in principle. While consent to the sale project disposition(s) is required, this in itself does not satisfy the requirements of Standing Order 955(6)(b)(iii) and therefore the annual contribution to the District Advance Fund remains payable.

24. The annual contribution from the Circuit Model Trust Funds to the District Advance Fund is paid on 1 September each year based on the asset value of the Circuit Model Trust Fund.
25. The Manchester and Stockport District Synod's argument based on SO 955 (6)(b)(iii) seems to be that the Standing Order refers to consent being given to the disposition ie consent to the sales process.
26. They assumed that at the point because the sale has consent and the proceeds are to be used in or towards a replacement project that the annual contribution to the DAF should not be taken. Whereas current practice highlighted in the memorial is that the DAF contributions are taken until the replacement purchase is given consent.
27. In addition to the criterion of consent, the other criterion given by SO 955 (6)(b)(iii) is that the proceeds of sale must be used in or towards a replacement project. In considering that second criterion reference is made to SO 931(1)(ix) which outlines the requirement for connexional consent for the 'classification of a project as a replacement project for the purposes of Standing Order 973(1)'.  
28. In this particular instance consent to the two dispositions as replacement projects appears to have been given on 13 August 2018 when the Conference Office accepted Project 38342 as a replacement project. It would seem that until that point the dispositions cannot be said to be used in or towards a replacement project. Therefore, for the period between 20 January 2015 (when consent to the dispositions was given) and 13 August 2018 (when the connexional authority gave consent to the two dispositions to be replacement projects), at the very least the proceeds of the dispositions would not appear to have met the exemption criteria of SO 955(6)(b)(iii).
29. There is a gap between when the dispositions (sales) were classified as replacement projects (13 August 2018) and when final consent was given (27 March 2019), in this case connexional consent was interpreted as being when the District gave consent to the replacement project. The question arises as to whether at the point of replacement project classification ie 13 August 2018 the sales proceeds met the exemption criteria of SO 955(6)(b)(iii).
30. This memorial has two key policy issues which the Council needs to consider as part of all of this work:
  - i. It would be extremely difficult to exclude the amounts received on sale from current proceeds subject to DAF levy unless it was being done with some certainty ie when the replacement purchase cost is known and connexional authority is given.
  - ii. The second issue is when connexional authority is given.
    - a. When accepted as replacement project by the Connexional Office or
    - b. When district consent is given
31. The Manchester and Stockport District was concerned about the overall principle of the matter, that is they think that the DAF levy should not have been applied on sales proceeds received if the replacement project ultimately gets approval.
32. The way ahead was thought therefore to be one of the following;

- To produce a guidance note which could perhaps go alongside the Standing Orders so it was clearer how it was to be applied but to leave the Standing Order untouched.
  - To change the policy to ensure that a Circuit is not 'out of pocket'. This could be done by having the District ring-fence an estimate of the potential DAF levy which ultimately would not be payable based on the amount of sale funds likely to be reinvested in the next purchase. However again this would need to be an understanding and a provision put aside by the District. It could then be repaid to the Circuit when the replacement purchase takes place.
33. However, it should be recognised that any change of policy will not only be a further administrative burden it also leads to the question 'why are we trying to stop money circulating to parts of the Connexion that could use it for missional purposes'?

### **Use of the CPF and Property Grants**

34. The purposes for which the Connexional Priority Fund are set out at SO 974 and are quite historic. In reality the levy is never utilised for urgent or essential property work. The grants committee administers the money that goes into the Property Fund from the CPF levy and it is administered in accordance with the criteria for property grants. The terms of this Standing Order therefore need review with a change to the policy for the use of the fund and then a change to the Standing Order. However, we have held off doing so until the CPF levy review was completed.
35. In practice, the CPF has been used for those things that are considered by the SRC and Council to be areas of work that best support *Our Calling*. With the decision in place that we use all 'unallocated monies for the support of the *God for All* strategy do we still have a Connexional Priority Fund which can be used in the way the Standing Order describes?
36. The Council has already approved the streamlining of connexional grants processes to give priority to our work on 'New places for new people' and with declining income to the CPF and therefore for Property we need to think about how to proceed with these grants in the future.

### **Discussion points for the Council**

37. The Council is asked to discuss the following:
- How should we see mission in its widest sense of how money is utilised for Methodist purposes?
  - What is the general direction for the next iteration of the Property Strategy?
  - Should we move towards flexibility and encouragement on replacement projects?
  - Should SO 974 be reformulated in light of our need to put money to the Property Repair Fund and then *God for All*?
  - Should Connexional Property Grants still be made available? Alternatively, if the replacement project criteria are made more flexible, should we move away from this way of working?
  - How do we respond to Memorial M4 (see appendix below) which is essentially seeking to keep money locally for replacement projects rather than supporting the District Advance Funds?

### **\*\*\*RESOLUTION**

**40/1. The Council receives the report.**

## **Appendix**

### **M4 Revision of guidelines in relation to Standing Order 955**

The Manchester and Stockport District Synod, Representative Session (Present: 144; Voting: 141 for, 3 against) draws the Conference's attention to Standing Order 955, regarding payments from circuit model trust funds to the District Advance Fund and asks the Conference to note that, under sub-clause b(iii) "a contribution is not payable on any disposition completed within the last five years, so far as they are employed in or towards a replacement project and consent to the disposition has been granted under Section 93 on that basis."

The Synod further draws attention to the current practice whereby a contribution to the district advance fund is taken from the disposition until such time as a replacement purchase is given consent.

The Synod believes that the current practice is in conflict with the Standing Order and invites the Conference to instruct the Conference Officer for Legal and Constitutional Practice to revise the guidance, such that contributions are not made to the District Advance Funds from dispositions made as part of a replacement project, until the five-year limit has been exceeded.

### **Reply**

The Conference thanks the Manchester and Stockport District Synod for this memorial relating to Standing Order 955 and replacement project classification.

The Conference appreciates the reasons for the District raising these concerns. However, in practice it is not possible to exclude from the circuit model trust fund an unknown amount. In the case to which the memorial refers, the cost of a replacement manse was not known until a new manse had been found and this will be the same where the costs of a redevelopment are unknown until plans are finalised. It is also not possible to know at the point that proceeds of sale go into a circuit model trust fund whether a replacement project will definitely occur even if this is the initial intention or that the replacement project will be given district and connexional authority consent.

The Conference therefore refers the memorial to the Methodist Council to consider the policy issues raised and, if appropriate, to consult the Law and Polity Committee on any amendments to Standing Orders.