

## Oversight of Self-Accounting Entities (SAEs)

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<b>Status of Paper</b>	Final
<b>Action Required</b>	Comment
<b>Resolution</b>	The Council receives the report

### Summary of Content

<b>Subject and Aims</b>	This paper sets out the issues relating to review of oversight of SAEs and asks the Council for its direction on matters relating to the review
<b>Main Points</b>	<ul style="list-style-type: none"> <li>• The Audit Committee requested that the Secretary of the Conference oversee a review of the oversight and governance of the Self-Accounting entities connected to the Methodist Church in Britain.</li> <li>• Existing control measures include annual governance scrutiny proforma and the appointment of trustees</li> <li>• The Council needs to decide what sort of control it wishes to retain alongside the related risks</li> </ul>

### Summary of Impact

<b>Financial</b>	Potential risk
<b>Legal</b>	Potential risk
<b>Risk</b>	Potential financial, legal, or reputational risk to the Church if lack of oversight of SAEs

## Oversight of Self-Accounting Entities (SAEs)

### Background

1. The Audit Committee report to the January 2020 meeting of the Methodist Council (MC/20/3) requested that the Secretary of the Conference oversee a review of the oversight and governance of the Self-Accounting entities connected to the Methodist Church in Britain (MCB).
2. The area of SAEs has been the subject of ongoing discussion by the Audit Committee in order to understand the relationships between these organisations and the Connexional Team, the Council or the Conference.
3. The Audit Committee considers that the oversight of these SAEs is an area which the Council should discuss in order to review and satisfy itself that the information received and governance control available remain appropriate and future proofed for the ongoing inclusion of these entities in the Methodist Church in Britain.
4. Such a discussion into the whole governance and oversight of SAEs will then help to guide the Connexional Team and allow it to undertake a review in the context of this guidance into the appropriateness of the processes which aim to meet the Council's needs in this area, and the resources that would then be needed and available to be deployed to these matters on an ongoing basis.
5. This paper sets out some of the issues to consider and asks the Council for its direction on matters relating to the review.

### Nature of SAEs

6. There are a range of entities which form part of the wider picture of the Methodist Church in Britain. SAEs differ in nature in that some are consolidated into the Methodist Council's accounts and others are not. Some report to the Conference and others to the Council.
7. The Audit Committee has supported the development of a register (see the table below) of the known SAEs and their inclusion in or exclusion from the consolidated financial statements of the Methodist Church in Great Britain.
8. Some entities are excluded from consolidation because it is considered that the Council does not have control over their financial and operating policies. Control is determined if the parent charity has "the power to govern and the ability to benefit". Power is generally determined by having greater than 50% of the votes, and benefit is determined if the subsidiary's objectives support the achievement of the parent's objectives. The degree to which this is the case varies depending on the nature of each entity.
9. Having considering the known entities it seems that there is no relationship between being an SAE and consolidation in the Council's accounts. Clarification is needed as to when an entity is or is not to be consolidated, and / or when it is to be classed as a SAE (whether consolidated or not).
10. The definition/rationale of what is considered to be an SAE and whether it is to be consolidated is therefore unclear, and must be clarified as the review takes place.

## **Current scrutiny arrangements/control measures**

### Annual Scrutiny Proforma

11. The SAEs currently complete a governance scrutiny proforma annually. The information obtained is intended to ensure that the Council has sufficient assurance that SAEs do not pose financial, legal or reputational risk to the Methodist Church. The governance scrutiny proforma requires comment on and details relating to any significant governance events and any risks that have arisen during the year under review.
12. This process aims to monitor standards of governance in all the entities which are accountable to the Council and the Conference.
13. The scrutiny document is sent to the entities shown in the table below (with the exception of the Methodist Missionary Trust Association which has been replaced by TMCP as the custodian trustee). It has been noted by the Lead Treasurer and Director of Finance & Resources that other SAEs, namely the Guy Chester Centre; the London Mission Fund; Methodist International Centre and Southlands Methodist Trust, will need to be included in this process going forward. It is unclear why they were not previously included.
14. The completed proformas are sent to the Lead Connexional Treasurer along with their audited Financial Statements. The Lead Treasurer reviews the scrutiny documents and produces a report, which is shared informally with the SRC. There has not been a formal report on SAE oversight to the Council or the SRC for at least 10 years.
15. This year's returns have been sent out and are required by the end of March. Noting that a review of arrangements will be taking place, the proforma included a section for SAEs to provide any comments they have on the scrutiny process so that these can be gathered as this work progresses.

### Appointments to trustee bodies

16. Appointments to the various trustee bodies of SAEs are approved by the Council or the Conference. Appointments are normally for a six-year period but each trustee body will have its own governing document that will set out the terms of appointment and re-appointment.

## **Key issues for the Council**

17. Our internal auditors, Mazars, have produced a report on the current arrangements making a number of recommendations. Two key points raised are:
  - There is no policy and procedures document to give any guidance over the requirements that SAEs should meet, how risk should be identified and managed and what actions are to be taken following the review of the scrutiny document.
  - The identification of risk to the Methodist Council is not determined.
18. To respond to these recommendations, the Council needs to decide what sort of control it wishes to retain.
19. There are risks of the Methodist Church in Britain failing to oversee SAEs effectively in a financial, legal or reputational sense. Some risk may be mitigated by the fact that charities must submit accounts to the Charity Commission, but the Council needs to specify the measures of control it wishes to exercise over SAEs.

20. In doing so, the Council must decide whether it wishes to enforce SAEs to comply with its wishes and how it plans on doing so, including allocating resources for this purpose.
21. If the Council does not control SAEs then they should not (from an accounting perspective) be consolidated. If the Council does not wish to retain control then it raises the question as to whether any SAEs should be 'let go'. If this was to happen, there is a reputational risk should the entities take decisions that depart from Methodist Church ethos and policies eg ethical investment.
22. A final report will be presented to the Council in October 2020 with recommendations following the review.
23. A meeting is being arranged for the Chair of the SRC, Lead Connexional Treasurer, Connexional Secretary, Interim General Counsel and Company Secretary, Chair of the Audit Committee, and Director of Finance & Resources to progress this work. The Connexional Secretary will report developments to the Secretary of the Conference.
24. With this in mind, the Council is asked for a steer on the following areas so that the review group can take the work forward:
  - a) What does the Council consider to be appropriate control over SAEs which are consolidated and what would it do to enforce this?
  - b) What resources and processes would it like to see put in place to ensure this happens?
  - c) Which SAEs might the Council wish to retain control over, and which could be 'let go'?

**\*\*\*RESOLUTION**

**43/1. The Council receives the report.**

**Register of Self Accounting Entities (maintained by Director of Finance and Resources, Connexional Team)**

**Register of Self-Accounting Entities**

<b>Entity</b>	<b>Aims &amp; Activities</b>	<b>Reporting to</b>	<b>Consolidated</b>	<b>Position in the accounts</b>
Aldershot Military Trust	Provides and maintains North Camp Methodist Church Farnborough for military personnel stationed at Aldershot and thereabouts. Maintains Trust Property at Wesley Chambers Farnborough. Supports the work of the Methodist Forces Board by making grants to support the work of Forces Methodist Chaplains, especially towards the appointments of Lay Employees at Military Establishments.	Conference	Not Consolidated	-
All We Can	An international development and emergency relief organisation that supports local people in some of the world's poorest communities to find effective solutions to poverty and injustice.	Conference (under Council control)	Consolidated	Consolidated entity
Epworth Old Rectory	An Accredited Museum that is open to the public to experience what it must have been like at the time the Wesley Family lived there and tells the story of this remarkable family which included John and Charles Wesley the founders of the Methodist Church.	Conference	Not Consolidated	-
Methodist Independent Schools Trust	The Methodist Church is engaged in education as part of its Christian mission in the world. Its schools will seek to extend the Methodist ethos and character and contribute to diversity in education.	Conference	Not Consolidated	-
Methodist Ministers' Housing Society	The society provides housing, or financial assistance towards housing needs, as well as associated amenities, to Methodist presbyters and deacons of limited means who are in receipt of a full Methodist Church pension, and their widows and widowers.	Conference	Not Consolidated	-
Methodist Ministers' Pension Scheme	The Methodist Ministers' Pension Scheme provides pension and life assurance benefits for its members and their dependants. Membership is voluntary.	Conference	Not Consolidated	-

<b>Entity</b>	<b>Aims &amp; Activities</b>	<b>Reporting to</b>	<b>Consolidated</b>	<b>Position in the accounts</b>
New Room Bristol	Promote as a place of historical & contemporary significance in the spiritual & social life of Bristol, the nation & the world. Tell of the Wesleys & their contribution & relevance to thought, belief & action today. Develop a sustainable heritage attraction, educational resource, cultural venue & community facility. Offer opportunities for reflection, challenge & spiritual encounter.	Conference	Not Consolidated	-
Westminster Central Hall Trust	The object of the trust is the provision of funds to further the Methodist Church's Mission and to maintain the Methodist Central Hall, which is its principal asset.	Conference	Not Consolidated	-
Westminster College Oxford Trust	Promoting higher education in the interests of the Methodist Church.	Conference	Consolidated	Consolidated entity
Birmingham International Student Homes	Provision of communal accommodation for students (principally from overseas)	Council	Not Consolidated	-
Connexional Trustees for Central Buildings Manchester	MCBMC aims to promote, facilitate and assist with the work and purposes of the Methodist Church for the advancement of the Christian faith. In order to achieve this aim, MCBMC aims to maintain sound finances and good property management so that it can continue to provide suitable accommodation for each of the Church Bodies at Central Buildings.	Council	Not Consolidated	-
Cliff College	Cliff College delivers university level education from undergraduate degrees through to doctoral research. It also trains people for Christian ministry in the contemporary world and provides a community within which students are encouraged to develop as Christian disciples and leaders.	Council	Consolidated	Consolidated entity
Methodist Church House Management Group	The managing trustees for Methodist Church House	Council	Consolidated	Connexional Central Services
Methodist Modern Art Collection	Care and development of the Modern Art Collection owned by the Methodist Council	Council	Consolidated	Connexional Central Services

<b>Entity</b>	<b>Aims &amp; Activities</b>	<b>Reporting to</b>	<b>Consolidated</b>	<b>Position in the accounts</b>
Methodist Connexional Manse Trustees	The Trustees were established by the Methodist Council for the management, maintenance and sale/purchase/lettings of manses for ministers who are members of the Connexional Team or other people whom the Methodist Council has asked the Trustees to house.	Council	Consolidated	Connexional Central Services
Methodist Employees' Pension Trust (PASLEMC)	To provide a final salary pension to lay employees who contributed to the now closed scheme.	Council	Not Consolidated	-
Methodist Missionary Trust Association	A dormant company within the World Mission Fund that is retained as it holds title to property overseas.	Council	Consolidated	Connexional Central Services
The Guy Chester Centre	The Guy Chester Centre is the trading name of the Trustees of the North Bank Estate. The North Bank Estate takes its name from a large house with extensive grounds named North Bank, which was purchased by Harold Guylee Chester in 1924 and gifted to the national Methodist Church in 1947.	Conference (under Council control)	Consolidated	Connexional Funds
The London Mission Fund	Used to support ministry and property schemes in London. The fund allocates block grants to the qualifying districts who in turn dispense the fund for the support of ministry, mission and property projects.	Council	Consolidated	Connexional Funds
MIC Ltd	Runs an ethical hotel and gifts the profits to the Methodist Church	Council	Consolidated	Consolidated entity
Southlands Methodist Trust	Supports educational activities, including research, chaplaincy and charitable work undertaken in and through Southlands College that reflect its Methodist foundation and ethos	Council	Consolidated	Consolidated entity