

The Methodist 21st Century Development Fund – Funding of Property Developments

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Status of paper	Final
Action Required	Decision
Resolutions	71/1. The Council receives the report. 71/2. The Council agrees to establish the 21 st Century Development Fund upon the terms set out at paragraph 4 for the purpose of funding property projects. 71/3. The Council delegates to the Strategy and Resources Committee responsibility for approving the loan agreement with the Central Finance Board and authorises two members of the Strategy and Resources Committee to sign the loan agreement and such other legal documents to establish the 21 st Century Development Fund.

1. There have been discussions for some time about how to utilise the significant monetary resources held across the Connexion for the benefit of the whole Church, not just for the managing trustees fortunate to hold such funds. The SRC received a report from Ted Awty, Connexional Treasurer in January 2017 which set out how we might improve the husbandry of the significant resources held across the Connexion.
2. The paper informed and challenged the SRC as set out below:-

The Central Finance Board (CFB) manages over £1.1bn of relatively liquid assets on behalf of Methodism. These are the stock market, bond market and cash assets of the pension schemes, charities, Districts, Circuits and Churches that come together via the connexional structure of the Methodist Church. Other than the vagaries of the stock markets and actuarial valuations, the value of these assets has been relatively stable over many years. What is the purpose of these assets? The majority of the assets are committed to long-term growth to ensure a financially stable future for Methodism. However, a significant portion of the assets is committed to the CFB's Deposit Fund; an investment vehicle that is designed to meet the daily liquidity needs of a busy Church treasurer and compares favourably with bank deposit and other fund alternatives. The current value of this Fund is £354m. This is a value that remains relatively stable, implying that the need for short-term liquidity is low. This, perhaps quite reasonably, reflects the micro-objectives and concerns of the 7,000 unitholders in the Deposit Fund rather than the broader needs of Methodism. The challenge it gives us, however is how, as a wider Connexion, we can demonstrate our commitment to the Stewardship of God's resources – to employ them wisely, to use them in service, justice and compassion and to provide for future generations. However, we also recognise that previous attempts to free up resources in this way have been largely unsuccessful. We feel that in order to make the fund assets available to the wider Connexion we need to create a vehicle that benefits both local church managers of funds, whilst also releasing cash for investment in mission.

Proposed Terms for the Fund

3. Following the encouragement of the Strategy and Resources Committee (SRC), discussions have continued with CFB and this paper now sets out the terms upon which funds held by CFB might be utilised for funding property projects that support the connexional property strategy. The proposed terms set out below have now been agreed between CFB and the Connexional Treasurers.
4. Key Terms of the Methodist 21st Century Development Fund
 - The fund will be a closed fund;
 - It will have a fixed term of five years, with the intention to roll over into a new fund;
 - Interest will be 2% above the rate on the CFB Deposit Fund, fixed quarterly;
 - The fund will make a loan direct to the Methodist Council for such purposes as the Council wishes including offering a loan to a Methodist Company undertaking developments of Methodist property
 - The initial fund will raise £15m to cover the cost of the Oxford Place, Leeds development.
5. It is proposed that a closed fund is established by the CFB and it will be this fund (to be known as Methodist 21st Century Development Fund) from which money is loaned to the Methodist Council. Managing trustees will have to choose to place funds held with CFB into the 21st Century Development Fund. The managing trustees will need to be persuaded to place the money under their responsibility into the 21st Century Development Fund. It is hoped that managing trustees will be enthusiastic about this fund not only because it will pay interest 2% above the rate on the CFB Deposit Fund (fixed quarterly) but also because it is a tangible example of connexionalism in action in the 21st century.
6. Being a closed fund will mean that the fund will have an end date for repayment of capital and that there will be an offer period to raise subscriptions. There will be no more subscriptions or withdrawals after the close of the offer period until the fund's end date. The CFB will maintain a book to match potential sellers and buyers during the life of the fund. The fund will have a fixed term of five years with an intention to roll over into a new fund. The initial fund will seek to raise £ 15 million to cover the costs of the Oxford Place, Leeds redevelopment. As new projects are identified, further tranches will be raised in matching closed funds. CFB will administer the fund and provide an ability to exit the fund on a matched bargain basis.
7. The loans being to the Council will mean that it at the discretion of the Council as to how the money is utilised. There will need to be a loan agreement between the Council and the CFB with the Council being obliged to repay the capital plus the agreed interest, whether or not projects being funded provide the anticipated return. A draft loan agreement has been prepared by solicitors.
8. Discussions are currently being held with TMCP about its capability of allocating money direct to the new fund from their combined deposits. This would ease the securing of the first £15m and prove the concept before offering subsequent tranches to CFB investors more widely.
9. Attached is the proposed structure for the closed fund and loan to the Council. This includes provision for the Council to eventually provide a loan to a Property Development Company from the CFB funds. Such loans would be at an arm's length basis with commercial interest rates needing to be paid by the company.
10. The SRC now recommends to the Council that it approves the terms of the fund and loan to the Council as well as delegating authority to the SRC to approve and sign the necessary legal documentation.

*****RESOLUTIONS**

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