

Adoption of criteria for exceptions under SO 973(5)

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Status of Paper	Final
Action Required	For Decision
Resolutions	87/1. The Council receives the report. 87/2. The Council adopts the criteria for the purposes of SO 973(5) as set out in paragraph 6. 87/3. The Council delegates the granting of exceptions to the five year rule as provided for in SO 973(4) to three members of the Council who shall be the same as those appointed by the Council to consider applications for sales under Model Trust 20. 87/4. The Council approves a replacement project for a former caretaker's cottage being the redevelopment or remodelling of local church premises in accordance with the criteria set out at paragraph 13. 87/5. The Council resolves that the new policy for former caretaker cottages shall have effect from 18 October 2016 and only on replacement projects not already approved or rejected.
Alternative Options to Consider, if Any	See resolutions

Summary of Content

Subject and Aims	To adopt criteria required for the purposes of SO 973(5) to permit the an exception to the five year rule for the implementation of a replacement project and to allow a Connexion Priority fund levy to be refunded where such an exemption is granted.
Main Points	The Connexional Priority Fund levy will be refunded where a replacement project is classified under SO 973. The Council has agreed criteria for the classification of replacement projects. SO 973(4) requires that a replacement project be implemented within five years of the disposition (property sold or leased). However the Conference in 2015 adopted a policy to allow an exception to this rule as set out in SO 973(5).
Background Context and Relevant Documents (with function)	<ul style="list-style-type: none"> MC/14/58 Replacement Projects (M19) Work to be Undertaken by the Council The 2013 Conference – Memorial (M19) Replacement Projects MC/15/48 M19 (2013) – Review of the CPF Levy Policy
Consultations	Consultation group on the classification of replacement projects.

Summary of Impact

Financial	Reduction in the Connexional Priority fund and potential uncertainty in funds available. This will be mitigated by exceptions only be granted under SO 973(4) in exceptional circumstances and criteria being adopted by the Council.
Legal	None
Wider Connexional	A reduction in the Connexional Priority Fund would reduce the amount of grant funding available.
Risk	Uncertainty in the level of funding available to the Connexional Grants Committee if levy refunds are made after the five years have expired.

Adoption of criteria for exceptions under SO 973(5)

Introduction

1. The Council in 2015 recommended to the Conference that SO 973 be amended to enable the Council to receive requests for exceptions to the application of the CPF levy. This proposal was made as part of the response to M19 to the 2013 Conference. It was agreed that an exemption to the five year rule should be possible where the Methodist Council agrees it in accordance with an approved criteria.
2. A number of situations have arisen where a local Church or Circuit undertaking a replacement project find themselves not able to obtain a refund of a levy due to the project taking more than five years to implement. There are exceptional situations that have been beyond the control of the managing trustees or have not been the fault of the managing trustees where the project is not implemented within five years but the managing trustees are still unable to obtain a refund of the levy.
3. The delays are normally due to unforeseen legal issues that arise eg covenants on the land, protracted listed building or planning applications. The intention is that the exceptions to the application of SO 973(5) should only be granted in exceptional circumstances and should not become common practice.

Application of "Implementation" in SO 973(4)

4. Standing Order 973(4) provides that if a replacement project *"is not implemented forthwith then the levy shall initially be paidbut if the project is implemented within five years of the disposition of the disposition or if the appropriate connexional authority has granted an exception to the five year requirement in this Standing Order, the levy shall be cancelled or recalculated....."* SO 973(5) require the Methodist Council to have adopted criteria for the application of the exception. This paper proposes criteria for the Council to adopt.
5. In preparing criteria it has been noted that it would be helpful to those charged with classifying replacement projects for the Council to approve a policy for the application of "implementation" with SO 973(4). A replacement project must have been implemented within five years of the relevant disposition for a refund of the levy to be made, unless an exception is obtain from the Methodist Council. It is proposed that "implementation" in SO 973(4) should be applied to that:
 - (i) Where the cost of the replacement project includes the purchase of land or property and the redevelopment of that land or property:
That the transfer of the land or property being the replacement project in terms of the legal process has completed
And
That the structural/building work for the replacement project has actually begun e.g. bricks being laid, as opposed to professional advisers just having been instructed.
 - (ii) Where the cost of the replacement project only includes the purchase of land or property:-
That the transfer of the land or property being the replacement project in terms of the legal process has completed.

SO 973(5) Criteria

6. Where a project is classified as a replacement in accordance with the replacement project criteria adopted by the Methodist Council but the replacement project has not been implemented within five years of the relevant disposition(s), the Methodist Council (or those to whom it has delegated) may agree an exception to the application of the five year rule if all of the following criteria are met:
 - 1) The replacement project was originally classified as a replacement under SO 973 with the intention that implementation would occur within the five year period;
 - 2) The request for designation as a replacement project should have been made at the earliest opportunity, but in any case prior to the disposition or within two years of such disposition;
 - 3) The replacement project is supported by the Circuit and District with relevant consents under SO 930;
 - 4) The relevant managing trustee body instructed professionals to begin negotiations or plans for the replacement project in terms of building works or legal transactions, within the five year period;
 - 5) Unforeseen events or circumstances have arisen that have been beyond the control of the managing trustees and these have led to a delay in implementation of the replacement project.

Delegation

7. It is proposed that the Council delegate responsibility for making decisions on the application of the criteria as set out above in order to allow decisions to be made in between meetings of the Council with such decisions being reported to the Council.
8. Three members of the Council are already appointed to consider applications for sales under Model Trust 20 and it is therefore suggested the same members of the Council are appointed to consider requests for the exceptions to the five year rule.

*****RESOLUTIONS**

87/1. The Council receives the report

87/2. The Council adopts the criteria for the purposes of SO 973(5) as set out in paragraph 6.

87/3. The Council delegates the granting of exceptions to the five year rule as provided for in SO 973(4) to three members of the Council who shall be the same as those appointed by the Council to consider applications for sales under Model Trust 20.

Replacement Projects for Former Caretaker's Cottage

9. Standing Order 973 provides that the connexional priority fund levy shall be refunded where there is a replacement project. A replacement project is classified in accordance with criteria approved by the Council. For a manse, there is only a direct replacement project being the purchase of another manse and a replacement project is not classified if a manse is being sold with proceeds used to improve a manse. However questions have arisen over the replacement project for a caretaker's cottage. At the moment criteria provides that where a caretaker's cottage is being sold, the only replacement project is the purchase of another caretaker's cottage.
10. In reality this means that a caretaker's cottage will rarely have a replacement project as local churches are generally not purchasing new caretaker's premises. Queries however arise as to

how the replacement project criteria applies to a former caretaker's cottage that has not been used as such for a number of years but instead rented out.

11. If a former caretaker's cottage is being sold, should it be possible for there to be an indirect replacement project? Normally such requests are made when a local church are undertaking a church redevelopment project and want to sell the former caretaker's cottage to assist in funding the project.
12. The current criteria provide that if part of the church site is being sold e.g. the church hall, the proceeds of sale can be used towards the redevelopment of the chapel without the levy being paid. It is proposed that the replacement project guidance and criteria is amended to allow the levy to be refunded when a former caretaker's cottage is being sold in order to redevelop or remodel the same local church's property (not a manse) based on the below criteria which can be inserted into the replacement project guidance.

The Criteria

13. Where, following a review of mission, a decision is taken by the a Church Council to rationalise its own premises with the aim of enabling the same local Church to more effectively continue its activities and witness in the local community, a replacement project can be classified even where there is no direct replacement of the premises disposed of. All of the following must be satisfied:-
 - 1) The Church Council has resolved that following a review of mission, the local Church needs to rationalise its premises with the aim of providing a more effective witness in the community;
 - 2) The Circuit Meeting must have agreed to the rationalisation of the local Church premises and agreed the mission policy of the local Church.
 - 3) The District Policy Committee or body to whom it delegates such decisions must have agreed to the rationalisation of the local Church premises and agreed the mission of the local church.
 - 4) The project must aim to improve and expand the facilities available to the said local Church.
 - 5) The local Church must be redeveloping or re-modelling its existing Church premises, purchasing new Church premises or purchasing land and building new Church premises.
N.B. Repair and maintenance of Church buildings will not be classified as a replacement project.

*****RESOLUTIONS**

- 87/4. The Council approves a replacement project for a former caretaker's cottage being the redevelopment or remodelling of local church premises in accordance with the criteria set out at paragraph 13.**
- 87/5. The Council resolves that the new policy for former caretaker cottages shall have effect from 18 October 2016 and only on replacement projects not already approved or rejected.**