

Methodist Church House Redevelopment: Funding the Additional Work

Contact Name and Details	Prof Peter D Howdle, Chair of Strategy & Resources Committee, p.d.howdle@leeds.ac.uk ; Mr Andrew Gibbs, Connexional Treasurer andrewgibbs4@gmail.com
Status of Paper	Final
Action Required	For decision
Draft Resolutions	<p>4/1. The Council receives the report.</p> <p>4/2. The Council endorses the recommendation of the Strategy and Resources Committee that the works as set out in paragraph 4 of the report be undertaken.</p> <p>4/3. The Council agrees to provide up to £250k to the Centenary Hall Trustees for additional works at Methodist Church House and directs the Strategy and Resources Committee to determine the source of funding from the options set out in section 7 of the report.</p> <p>4/4. The Council directs the Strategy and Resources Committee to make the budgetary provision as set out in paragraph 8.1 of the report.</p>
Alternative Options to Consider, if Any	N/a

Summary of Content

Subject and Aims	This report addresses the alternative means available to fund further work on the fabric, appearance and efficient use of Methodist Church House (MCH)
Main Points	<ul style="list-style-type: none"> • Regulatory Fire Safety Improvements • Redesigning Reception and Staff/Visitor Entrance • Relocation of Staff Area
Background Context and Relevant Documents (with function)	SRC/14/49 SRC/13/43

Summary of Impact

Financial	Cost of fire safety improvements, front entrance and staff areas
Personnel	N/a
Legal including impact on other jurisdictions	Fire Safety

Methodist Church House Redevelopment: Funding the Additional Work

This report addresses the alternative means available to fund further work on the fabric, appearance and efficient use of Methodist Church House (MCH).

1. Background

- 1.1 For very many years periodic formal and informal consideration has been given to the merits of leaving MCH (previously the Mission House). Factors involved in the discussions have remained much the same, weighing the realisable value of the building and the costs of occupying it against its convenient location, its operational usefulness, the inconvenience of moving and the perceived drawbacks of alternative suggestions.
- 1.2 In the meantime, rising land values have been boosted by the worldwide recognition of London as an exceptionally attractive city for people to visit, live and work in. In particular, MCH is well placed for the burgeoning private healthcare market. Thus, as the value of the land on which the building stands has risen, past decisions to remain and to retain the property have been succeeded periodically by further consideration of the pros and cons of relocation.
- 1.3 In November 2013, the Strategy and Resources Committee (SRC) was presented with a report (SRC/13/43) from the Methodist Church House Management Committee which outlined proposals for short to medium term improvements to Methodist Church House (MCH). These proposals included the need to address legislative requirements in relation to fire safety, the replacement of internal drainage systems which were beyond their useful life, alongside other minor improvements.
- 1.4 The SRC after careful consideration resolved to remain at MCH for a period of at least five years and approved the carrying out of essential improvements to the fabric of the building which would enable this (SRC minute 13.4.11). This decision was reported to the Council in January 2014 (MC minute 14.1.5). These improvements are detailed in section 3 of the report. This decision involved the commitment to use the long term reserves held in the Centenary Hall Trust.
- 1.5 The SRC also asked the MCH Management Committee to look more specifically at the medium to long term strategy for the on-going use of MCH by the Connexion and as a base for the Connexional Team. In response, the SRC was presented in November 2014 (SRC/14/49) with detailed medium term proposals for enhancement of staff facilities and visitor areas including security improvements. The SRC endorsed the proposals and agreed to recommend to the Council that funds be made available to enable the proposals to be implemented. Details of these proposals are listed in section 4 below.

2. The Centenary Hall Trust (CHT) and the Long Term Renewal Fund (LTRF)

- 2.1 The Centenary Hall Trust (CHT) was originally established in 1841 to provide a building from which mission could be carried out. MCH is the third such building that it has held. 'Mission' was originally taken to mean overseas, but with the ending of the divisional structure, creation of the Council and bringing together of all staff into one Connexional Team it has been the base for all Connexional Team 'mission work' since 1996.

- 2.2 When the building was completed, a small balance of funds remained. This was used to create a Long Term Renewals Fund (LTRF) into which further money was paid each year from the Methodist Church Fund (MCF) until it reached a balance in excess of £2m at which point payments were ceased.
- 2.3 The Methodist Council is the managing trustee body of the CHT and delegates the trusteeship to the MCH Management Committee.

3. Details of works already approved

- 3.1 A brief description of the work that is currently in hand, following a quinquennial inspection and fire safety survey:

Establishing statutory fire compartmentation through replacement of all fire doors (and some others) and structural work throughout the building. Significant renewal of cast iron pipe work and drainage systems throughout is required as is the safe removal of asbestos. Much of the pipe work and asbestos is contained within wall and ceiling cavities, so the costs include significant disruption during the work. The structural report on the external fire escape identified a need for its complete replacement. It is budgeted to cost £2.1m including VAT from the £2.5 million available for this work in the Long Term Renewals Fund. These short term works are currently being procured and it is anticipated that these works will commence on site during February 2015.

4. New medium term proposals for enhancement of staff facilities and visitor areas including security improvements

(i) Issues identified with existing arrangements

- 4.1 Widespread consultation was undertaken to seek feedback on certain aspects of building user satisfaction and how modest improvements to Methodist Church House might be made. The advice of architects was then sought to look at the feasibility of implementing the identified improvements.
- 4.2 MCH currently operates a closed front door policy which does not 'invite' people into the premises. This is partly for security reasons (the building is located on one of the busiest streets in London) as well as a need to know who is in the building for health and safety reasons.
- 4.3 The area to the right hand side of reception/main entrance was formerly used as a book shop. At the end of this area is a platform lift for people with ambulant or wheelchair access needs. This does not speak of the Methodist ethos that 'all are welcome' since it requires people with such needs to take a longer and more difficult route into the building. The former bookshop has some cafe style tables located in it for visitors to wait, but the ambience of the room does not lend itself to a warm and inviting welcome.
- 4.4 Many people comment that on entering the building there is nothing which tells the story of Methodism or of our heritage in this particular building. When so much of our Connexion is using its buildings as a missional tool it seems unfortunate that we are not able to welcome people to the House and use that opportunity for mission.
- 4.5 The meeting rooms on the lower ground floor are primarily used for external meetings. The fire risk assessor has noted that the staff rest area (adjacent to the lower ground floor kitchen)

has a drinks dispenser which presents a fire hazard. This area is badly lit, and as it is open plan, offers an inappropriate space for relaxation and fellowship. Currently the staff either meet here or remain at their desks during lunch breaks, particularly when the weather does not lend itself to being outdoors. In many cases staff eat their lunch at their desks which is not encouraged, firstly as it does not give staff a proper 'break' and secondly as desks and equipment can become a haven for food debris and rodents (a pest control contract is part of the general maintenance).

(ii) Proposed improvements

- 4.6 The architects for the improvement works were commissioned to prepare an outline proposal for relocating the staff rest area to the 7th Floor, creating a light, flexible space, with opportunity to use for working remotely (agile working). This space has already been made available by rationalising some of the existing space utilised by the finance team.
- 4.7 The area vacated on the lower ground floor would be remodelled to form an extension to the existing meeting room space, as there are regularly times when meetings have to be scheduled based upon the availability of a suitable room. Lighting schemes would be improved to the rooms which currently do not have natural day-lighting. The improvements will also address some risks identified in the fire risk assessment.
- 4.8 Other minor changes include the conversion of a former shower room to form an accessible toilet suite, and a screen to the fire escape opening in the Greet Room, which will make the environment more comfortable by reducing heat loss. The addition of an accessible toilet at lower ground floor will make the meeting area fairly self contained and in the future might be considered for use by other organisations.
- 4.9 A design proposal for the reception and adjacent room includes relocating the reception desk to the area currently forming steps to the lift landing, with the opening behind filled by a glass screen. It provides visibility for the reception staff, and visitors will be clear about signing in and where to wait to be greeted by a Connexional Team member. The front doors can remain unlocked, as any perceived threat to the reception staff is minimised by an exit route through the rear screen behind the desk.
- 4.10 Staff and visitors to the building will be required to enter the main office areas through a controlled barrier using a swipe card system, accessing a ramp formed along the length of the former bookstore. This area has been designed to make use of the wall space for exhibiting Methodist artworks and artefacts. The design concept is to take the building user on a journey. This can be a telling of the Methodist story, or a place which reflects the Christian life. It creates a much more welcoming area for visitors and makes good use of what is currently a dead space, which has to be lit and heated.
- 4.11 A presentation of the concept design was given at the SRC meeting. The presentation showed the design solution after a value engineering exercise had been carried out to reduce costs and the extent of structural works. Since this written description provides a limited appreciation of what can be achieved by doing this work, photos of the suggested works will be available for Council members at the meeting.

5. Role of the Council

- 5.1 As referred to above, Methodist Church House is vested in the Trustees for Methodist Church Purposes as Custodian Trustees for the Methodist Centenary Hall Trust and held on the Model Trust. The members of the Methodist Council are the managing trustees of MCH, and have delegated the performance of their managing trustee responsibilities for MCH to the Management Committee of Methodist Church House.
- 5.2 In accordance with the Memorandum for the Terms of Management of MCH, all projects must be approved by the Strategy and Resources Committee in accordance with Standing Order 930. The consent of the Methodist Council must also be obtained prior to any major works or alterations being undertaken that will result in significant expenditure.
- 5.3 At its meeting in November 2014, the SRC endorsed the medium term proposals and agreed to recommend to the Council that funds be made available to enable the proposals to be implemented. The proposals are now presented to the Council for approval.

6. Cost

- 6.1 The design proposal for these new medium term improvements is estimated to cost **£525,000** including contingencies, fees and charges (**£630,000 inc VAT**), and assumes that the works would be carried out concurrent with the improvement works already agreed to enable economies of scale in contractors and project management costs. This scheme is a reduced scheme, since the original design proposals were expensive and required considerable structural alterations. This means that there is a shortfall of approximately £250k against the balance of the LTRF, which would need to be provided from another fund.

7. Ways and Means

Option a) By grant from an unrestricted fund

- 7.1 The first option to consider is to fund the work by a grant from an unrestricted fund. The attached table shows extracts of the consolidated balance sheet of the Methodist Church in Great Britain and the Connexional Funds, where appropriate, as at 31 August 2014. The Accounts are currently being audited and approved by the Church. The table shows the total unrestricted reserves held by the Church and the reserve position of each designated fund. Out of a total of £50.3 million in unrestricted funds there is a current surplus of £8.1 million.
- 7.2 If it is the wish of the Council to approve the SRC's recommendation to carry out the further improvements to MCH, there is no doubt that ample means exist to enable the work to be done. The Council can resolve which of the funds to use and the work can then be funded in accordance with its wishes.
- 7.3 The Funds in the table with the largest surplus to their respective reserve requirement are as follows: the Connexional Priority Fund, the Epworth Fund and the Methodist Church Fund (MCF).

Option b) By grant from the Fund for Property, a Restricted Fund

- 7.4 The second option is to apply for a grant from the Fund for Property. At 31 August 2014, the Fund for Property stood at £4.6 million, having made grants of £1.2 million in the year. The Council has adopted a reserves level of £2m for this fund and has budgeted to reduce the uncommitted balance to that level by the end of the 2016-17 year. Any grant to the Centenary Hall Trust would leave a reduced amount for grants around the connexion.
- 7.5 It is not known whether application to the Connexional Grants Committee for a grant from the Fund for Property would be successful. Because of this, it is not recommended to place exclusive reliance on this potential source of funding.

Option c) By internal loan

- 7.6 The third option to consider is to fund the work by way of an internal loan. The loan would be made by another Methodist Church fund and would appear as a repayable loan among the assets of that fund. The loan would be to the CHT and would appear, until repaid, as a liability of that Trust. This was the approach adopted, in part, at the time of the last major refurbishment, resulting in a loan of £1.49m outstanding to the World Mission Fund.
- 7.7 The idea of a loan, based on commercial terms, depends on it being equally attractive to both Funds. This is easily achievable, providing that the rate of interest on the loan would be higher than the rate readily obtainable by the Fund making the loan and lower than the cost to the borrowing Fund of an external loan.
- 7.8 The terms of repayment, as well as the interest rate applied, would need to be acceptable to both parties. In this way the work could be financed, but before committing to it, consideration also needs to be given to the means of repayment by CHT.
- 7.9 The CHT is reimbursed for expenditure on running the building, and charges rent to non Connexional Team bodies who also occupy the building. The CHT also, until payment was recently suspended, received an annual contribution to the LTRF from the General (MCF) Fund. This Fund accumulated a useful balance and has been used for the essential works already in hand. The resumption of annual payment into the LTRF from the General (MCF) Fund would enable a loan to be repaid over a number of years.
- 7.10 The loan could be made out of the investments of any Fund, but it seems appropriate, from an investment viewpoint, to deploy assets of one of the Endowment Funds under our management. The most appropriate one is the Rank Endowment Fund, whose assets stood at £4.9million at 31 August 2014. Income from the Rank Endowment Fund is paid to the Fund for Property.

8. Further Recommendations

Adequate budgetary provision in future

- 8.1 It is essential, however the work is funded, that the annual payments from the General (MCF) Fund to the LTRF are resumed and that budgetary provision should be made for this. Expenditure of this kind is an inevitable consequence of occupying any building and can be construed, in the case of occupying a freehold, as being a payment in lieu of rent.

*****RESOLUTIONS**

- 4/1. The Council receives the report.**
- 4/2. The Council endorses the recommendation of the Strategy and Resources Committee that the works as set out in paragraph 4 of the report be undertaken.**
- 4/3. The Council agrees to provide up to £250k to the Centenary Hall Trustees for additional works at Methodist Church House and directs the Strategy and Resources Committee to determine the source of funding from the options set out in section 7 of the report.**
- 4/4. The Council directs the Strategy and Resources Committee to make the budgetary provision as set out in paragraph 8.1 of the report.**

The Methodist Church in Great Britain and the Connexional Funds

15-Dec-14

Current and projected reserve requirements

Per Draft Accounts to 31.08.2014

	A	B	C	D	E	
Fund	Balance at 31.08.2014	Tangible Fixed Assets, etc	Net Available as Reserve, (A-B)	Reserve Policy	Difference (C-D)	Notes
	£million	£million	£million	£million	£million	
Unrestricted Funds						
General						
(Methodist Church Fund)	16.7	8.9	7.8	7.5	0.3	Surplus may diminish in the year
Designated Funds						
Connexional Priority	10.9	0.0	10.9	5.0	5.9	Formulate policy (1) to reduce surplus
Pension Reserve	15.6	0.0	15.6	15.6	0.0	Intentional policy (2) to build up this reserve
Epworth	6.7	0.0	6.7	5.0	1.7	Surplus will diminish in year
Others	0.4	0.0	0.4	0.2	0.2	de minimis
Total Designated	33.6	0.0	33.6	25.8	7.8	Aim to reduce as consequence of policy (1)
Grand Total	50.3	8.9	41.4	33.3	8.1	Aim to reduce as consequence of policy (1)
Reserves Policies						
1. Connexional Priority Fund	Being actively considered by the Methodist Council					
2. Pension Reserve Fund	Under regular review (triennial review of pension funds currently under way)					