

# Model Trust Fund Levy

MC/22/85

Date of meeting	17-18 October 2022
Contact name and details	Matt Tattersall - Director of Finance and Resources <a href="mailto:tattersallm@methodistchurch.org.uk">tattersallm@methodistchurch.org.uk</a>
Action required	To approve
Resolutions	85/1. The Council receives the report.  85/2. The Council commends the report to the Conference as a further reply to Memorial M4 from the 2019 Conference.
Any alternative options to consider	Adopting the request in the Memorial.

## Summary of content

Subject of aims	To respond to a Memorial from the 2019 Conference.
Main points	<ul style="list-style-type: none"><li>The Model Trust Fund Levy is operating as designed and no changes are recommended.</li></ul>
Background context and relevant documents (with function)	Memorial M4 2019 Conference (see appendix 1)

## Summary of impact

Standing Orders	No changes proposed
Financial	All parts of the Connexion can benefit from the Connexional Priority Fund and the District Advance Funds. Approving this paper protects this.
Wider connexional	Requires Districts to consider how they benefit from the Model Trust Fund Levy and whether they should prioritise affected property projects.

- 1 The response to Memorial M4 from the 2019 Conference (see appendix 1) asked the Methodist Council to consider the policy issues raised by the current application of the Circuit Model Trust Fund levy to funds earmarked for a replacement project.
- 2 For clarity, this is different to the Connexional Priority Fund (CPF) levy that is taken on the proceeds of sale at the time of a sale of property. The Circuit Model Trust Fund levy is taken at each 31 August based on the balances held at TMCP on the Model Trust ie any proceeds of sale that have not been spent on some other purpose would be sitting in TMCP at year end and the levy would be taken. This diminishes the amount of money that is available for the circuit to spend in future. If the circuit is deliberately holding on to monies for the purpose of funding a replacement project, taking the levy may jeopardise the affordability of that project.
- 3 Standing Order 955 is clear that the levy does not apply to replacement projects that have received

“consent”. This matches the current practice in relation to the levy.

- 4 The policy question is whether the current approach achieves the intended outcome, or whether a different policy would achieve a better outcome.
- 5 Standing Order 955 is clearly designed to redistribute monies sitting in Circuit Model Trust Funds (CMTF) to District Advance Funds ie that is the policy. Sub-clause b(iii) is therefore an exception to the general policy, recognising that once funds are committed to a replacement project (committed because the project has consent) a levy should not fall due.
- 6 To apply an exception to replacement projects that do not have consent would fundamentally change the definition of what a replacement project is. Such a project would exist based on the circuit confirming such a project existed, not because the project had met the criteria laid down by the Methodist Council (as required by Standing Order 973). This would fundamentally impact the operation of Standing Order 972 Contributions (to the Connexional Priority Fund) as proceeds of property sales intended for a replacement project would be exempt from the CPF levy as well as the CMTF levy.
- 7 The overall impact would be a reduction in funds available to Districts and the Connexional Priority Fund.
- 8 As an alternative approach to extending the exemptions from the levy, it should be noted that the levy does not disappear, it simply redistributes money from Circuits to Districts. It is within the gift of each District to use part of the levy it receives to offer support to Circuits that are developing replacement projects; ie levies taken could be simply returned if that was the will of the District in fulfilling the mission plans of both the District and Circuit.
- 9 In conclusion:
  - The policy is working as designed.
  - The wider implications of amending the policy are significant and would impact the funding available for connexional and district priorities.
  - As an alternative solution, levy monies could be returned by Districts to circuit replacement projects once they are designated as replacement projects.

### **\*\*\*RESOLUTIONS**

**85/1. The Council receives the report.**

**85/2. The Council commends the report to the Conference as a further reply to Memorial M4 from the 2019 Conference.**

## **Appendix 1**

### **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