

Methodist International Centre – Trust Arrangements

Contact Name and Details	Mrs Louise C Wilkins Conference Officer for Legal and Constitutional Practice wilkinsl@methodistchurch.org.uk
Status of Paper	Final
Action Required	For Decision
Resolutions	45/1. The Council receives the report. 45/2. The Council delegates responsibility for deciding which of the options set out in paragraph 12 of the report should be recommended to the Conference to three members of the Council, to be appointed by the Chair of the Council and Secretary of the Council, along with the Conference Officer for Legal and Constitutional Practice.

1. The Methodist Council received a report at its meeting in January that raised the need for the trust arrangements for the property at 81-103 Euston Street, London to be reviewed.
2. The property is held on trusts dated 1 March 1967 which were originally declared for property at Inverness Terrace, now 81-103 Euston Street. The property had been acquired by the Methodist Missionary Trust Society (“the Society”). The legal title of the property was vested in the Methodist Missionary Trust Association (“the Association”) and the managing trusteeship of the trust in the Committee for the Care of Overseas Students (“the Committee”).
3. The Methodist Council as the successor body to the Committee is now the managing trustee for the property on the terms of the 1967 Trust and the Trustees for Methodist Church Purposes have replaced the Association as the legal title by way of a deed of retirement and appointment.
4. The 1967 Trust provided that the use of the property should be for the purposes of furthering the work of the church amongst overseas students. Following the Conference resolution in 2014 that the property should be an income generation centre, the trusts were amended to provide for the property being used for the general purposes of the Methodist Church.
5. The Methodist Council, as the managing trustees on behalf of the Society, has the power (amongst other things) to do such things as may appear to them to be desirable for the management of the premises. It should be noted that all the powers are expressed to be in relation to the property, rather than the income generated by its operation.
6. The building is currently leased by the Council as managing trustees to Methodist International Centre Ltd but the 1967 Trust does not permit a lease of more than seven years being granted. Day to day responsibility for the building rests with MIC Ltd but the limited length of the lease means MIC Ltd have to ask the Council to take on or be guarantor to any loan. The role of the managing trustees (now delegated to the Property Development Committee) is limited to ensuring the terms of the lease and trust arrangements are complied with by MIC Ltd as the tenant.

Methodist International Centre Limited

7. MIC Ltd was established and incorporated on 27 October 1999. In practice MIC Ltd is a trading subsidiary company of the managing trustees of the 1967 Trust, who are the Methodist Council with net profits being paid by way of a gift aid payment to the managing trustees of the 1967 Trust. The money is therefore ultimately available for the general purposes of the Methodist Church. Currently the funds are being used for training.
8. The Articles of Association of MIC Ltd make extensive provision for control of MIC Ltd to lie with the Methodist Council. In particular:
 - a) The power of the appointment of the Directors lies with the Methodist Council: clause 17.3;
 - b) The power to remove Directors lies with the Methodist Council in its absolute discretion: clause 18.7;
 - c) The power of the Directors generally may be restricted by the Methodist Council, by notice given by the Methodist Council to the company from time to time.
9. In addition the shareholder(s) may direct the Directors to take, or refrain from taking, specified action by special resolution.
10. It is evident upon reviewing the Articles of Association that there is no express provision in the Articles that those profits are to be paid to the Methodist Council. However the Articles do provide that any dividend is to be paid to the shareholder(s) and that the power to declare a dividend lies with the shareholder(s) by ordinary resolution in general meeting (or with the Directors to declare an interim dividend).
11. One issue for further consideration is how the Council holds MIC Ltd to account particularly in terms of seeking to ensure adequate net profit is passed to the Methodist Council to cover commitments made in the budget that rely on this income. The Methodist Council might need to consider better utilising its power to appoint the directors of MIC Ltd to better effect to ensure members of the Council or its representatives are directors of MIC Ltd. The Council might also want to ask for an annual report from the representatives it appoints to MIC Ltd.

Conclusion

12. The restrictions on the length of a lease of the property due to the 1967 Trust are limiting the ability of MIC Ltd to obtain a loan in its own right. It is therefore suggested that the Council recommend to the Conference either:-
 - 1) The 1967 Trust is amended to allow a lease of more than seven years to be granted, if sanctioned by the Council, not the Conference or,
 - 2) The 1967 Trust is wound up and the property is placed on the Model Trusts as connexional property.
13. If the 1967 Trusts were wound up and replaced with the Model Trusts, there would need to be amendments to the Articles of Association for MIC Ltd which would clarify that the MIC Ltd is a trading subsidiary of the Methodist Council, not of the 1967 Trusts.
14. The preferred option would be to place the property on the same trusts as other Methodist property. However, specialist legal advice needs to be obtained on whether it is possible, and

if so prudent, to wind up the 1967 Trust and replace it with the Model Trusts or whether it is only going to be possible to amend the 1967 Trust.

15. It is proposed that the Council delegates responsibility for scrutinising the legal advice to three members of the Council plus the Conference Officer for Legal and Constitutional Practice. This small group can make the recommendation on behalf of the Council as to which option to recommend to the Conference in 2017 in light of the legal advice.
16. Once the trust arrangements are amended, further thought can be given to the question raised above on the relationship between MIC Ltd and the Council.

*****RESOLUTIONS**

45/1. The Council receives the report.

45/2. The Council delegates responsibility for deciding which of the options set out in paragraph 12 of the report should be recommended to the Conference to three members of the Council, to be appointed by the Chair of the Council and Secretary of the Council, along with the Conference Officer for Legal and Constitutional Practice.