

Replacement Projects

The Constitutional Practice and Discipline of the Methodist Church defines replacement projects at Standing Order 973 as:-

973 Replacement Projects. (1) This Standing Order applies when the proceeds of one or more dispositions are to be employed in or towards a replacement project and consent to the disposition or dispositions has been granted under Section 93 on that basis.

Classification of a project as a replacement project requires the consent of the appropriate connexional authority (S.O. 931(1)(ix)).

(2) If the replacement project costs not less than the net proceeds, arrived at in accordance with Standing Order 972(2), and is implemented forthwith then no levy shall be required.

(3) If the replacement project costs less than such net proceeds and is implemented forthwith then the levy shall be calculated on the unused balance or balances, as if they were the net proceeds.

(4) If the replacement project is not implemented forthwith then the levy shall initially be paid as if there were no such project, but if the project is implemented within five years 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 in accordance with clause (2) or clause (3) above, as appropriate, and the overpayment refunded with interest at the rate earned by the Central Finance Board's Trustees Interest Fund.

(5) The Methodist Council shall adopt criteria for any application for an exception under clause (4).

Classifying a project as a replacement project

The Methodist Council has appointed the Conference Officer for Legal and Constitutional Practice or the Assistant Secretary of Conference to be the appropriate connexional authority. It is only these persons who can classify a project as a replacement project.

Criteria for classification of replacement projects

In order for a project to be classified by the appropriate connexional authority as a replacement project it must fall within one of the two categories below and meet the relevant criteria.

1) Direct Replacement Projects - like for like basis

- A manse is sold and another one purchased by the same Circuit;
- A chapel is sold and a new chapel is purchased or built for the continuing Church;
- A Church hall is sold and a new Church hall is built or purchased for the continuing Church;

- A caretaker's house is sold and a new caretaker's house is purchased or built for the same Church;
- Ancillary premises are sold and similar premises are purchased or built on new site
(Ancillary premises are premises falling within the curtilage of the Church site).

What will not be a direct replacement project?

The sale of a manse and the redevelopment of a Church building;

Sale of agricultural land to purchase a manse;

Sale of a manse and use of the proceeds of sale to improve an existing manse.

A church closes and the premises are sold and the Circuit Meeting want to use the proceeds of sale to redevelop another local Church in the Circuit.

Sale of Church premises and using the proceeds of sale to fund a children and youth worker or a Fresh Expression project.

N.B. There can only be a replacement project classified where another property is purchased or a property is redeveloped / remodelled.

2) Review of Mission – one or more dispositions

Where, following a review of mission, a decision is taken by the Circuit Meeting or by a Church Council to rationalise premises with the aim of enabling the Church more effectively to 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. However there are a number of criteria that must be fulfilled for such a project to be classified as a "replacement project".

Criteria where a local Church is selling premises but there is no direct replacement project

- 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.
- 3) The project must aim to improve and expand the facilities available to the local Church.
- 4) 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. Rationalising premises to fund the repair and maintenance of an existing Church building will not be classified as a replacement project.

Criteria where more than one manse is being sold but only one purchased

- 1) The Circuit that is purchasing the manse must also be the Circuit selling one or more manses;
- 2) The decision to sell more than one manse but to only purchase one replacement manse must have followed a review of mission by the Circuit Meeting which has led to the decision to rationalise the manses in the Circuit.
- 3) The Circuit Meeting must provide a written justification for why they only need to purchase one manse e.g. the number of ministerial appointments to the Circuit has been reduced and/or one larger manse is required for mission purposes in a location that is more expensive.
- 4) All the manses being sold must have been used for the purpose of accommodating a minister appointed to the Circuit within the past five years.
N.B. The cost of refurbishing or redeveloping the manse being purchased is not included within the cost of the replacement project.

Criteria where two or more churches have amalgamated

- 1) Each Church Council must have passed a resolution agreeing to amalgamate with the other church or churches.
N.B. One church closing and members transferring their membership at will to one or more other churches within the Circuit is not an amalgamation for the purposes of this criterion.
- 2) The Circuit Meeting must have agreed to the amalgamation and that the rationalisation of premises following the amalgamation aims to further the mission of the Church.
- 3) The amalgamated church must be remodelling or redeveloping one set of premises or constructing a new building to accommodate the new combined society.
- 4) The premises being sold must be a chapel, church hall, school room or ancillary premises but not a caretaker's house.
- 5) The replacement project must aim to improve and expand the facilities available to the new combined society and the community.

N.B. The criteria will not be met if all the Church premises are being sold and a different or redundant Church site within the Circuit is being redeveloped.
The criteria will not be met if the amalgamated church is only intending to repair an existing Church site with no expansion of facilities.

Criteria for classification of a replacement project for a former Caretaker's Cottage (with effect from 18 October 2016)

Where, following a review of mission, a decision is taken by the 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.

5 Year Rule

Under SO 973(4) any replacement project must be implemented within five years of the disposition. The replacement project must either have started e.g. the building project begun, or the signing of contracts for the substantive building work, or the property/land purchased within 5 years of the completion date.

“Implementation” in SO 973(4) will be interpreted to mean:

- (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.

OR

- (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.

Exceptions to the 5 Year Rule (Standing Order amendment at the Conference in 2015)

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 as defined above, 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.

Deductions from the Proceeds of Sale prior to the CPF levy being calculated

SO 972 Contributions. (1) When trustees dispose of property on which a levy is chargeable under Standing Order 970 they shall, subject to Standing Order 973, contribute part of the proceeds to the fund as follows:

- (i) up to £100,000 or the first £100,000 20%
- (ii) on any excess over £100,000 40%

(2) The sum upon which the levy is calculated shall be the balance remaining after making the payments required under heads (i), (ii) and (iii) of Standing Order 916(1).

SO 916 Application of Capital Money (1) Subject to clauses (2) and (3) below, capital money shall be applied to or for the following purposes and in the following order:

- (i) in payment of the expenses, if any, of or connected with the sale or other transaction giving rise to the receipt of the money;
- (ii) unless the parent body (in the case of connexional property) or the appropriate connexional authority (in any other case) otherwise permits, in the discharge of all or any encumbrances or liabilities on the trust property or on the trustees, whether personal or otherwise, lawfully incurred or assumed in the execution of the Model Trusts or by virtue of section 11 of the 1976 Act;

(iii) unless the treasurer or treasurers of the fund in question otherwise permit, in repayment of any grant at any time received in connection with the trust property from any connexional fund;

Below is a list of expenses that fall within SO 916(1)(i)

Legal fees connected to the sale;

Surveyors fees connected to the sale e.g. qualified surveyors report;

Work undertaken to the property being sold which has been recommended by the surveyor in order to increase the sale price;

Other professional fees connected with the sale e.g. estate agents.

Expenses not falling within SO 916(1)(i)

Legal fees associated with the purchase of the replacement project;

Legal fees associated with the replacement project or another project e.g. purchase of the replacement manse or the redevelopment of another property/site;

Professional fees connected with the replacement project or another project e.g. surveyors fees for negotiating with a developer, home buyers survey fees, architect fees for redevelopment project;

Gardening/plumbing/electric services undertaken at the property being sold or at the property being purchased;

Insurance costs for the property being sold or purchased;

Utility bills for the property being sold or purchased;

Work undertaken on the property being purchased e.g. repair, improvements or extensions to the property;

Work undertaken to the property being sold which has not been recommended by a surveyor to increase the sale price.

Application

The above guidelines will apply from 1 September 2011. Any property project that has already gained district (or connexional if applicable under SO 931) consent prior to that date that is subsequently designated a replacement project under SO 973 will be dealt with using the guidelines that were in force at the time; i.e. the guidelines effective prior to 1 September 2011. Furthermore, projects that have been designated as replacement projects prior to 1 September 2011 will only benefit from a CPF levy refund on the sole property that has already been identified.

Further amendments were made to the policy following amendment to the Standing Order 973(4) by the Conference in 2015 and a decision of the Methodist Council on 18 October 2016 in respect of caretaker's cottages.