

# GENERAL TRUSTEES

## MAY 2016

### PROPOSED DELIVERANCE

#### The General Assembly:

1. Receive the Report and Accounts of the General Trustees.
2. (a) Appoint Mr Iain C Douglas as Chairman and Mr Roger G G Dodd as Vice-Chairman for the ensuing year and authorise the payment of remuneration of £1,695 to each of them as Chairman and Vice-Chairman for the past year (*Section 1.3*).
- (b) Remove Mr Gordon A Stirling as a member of the General Trustees (*Section 1.4*).
3. Note that rent from the letting of all vacant manses, irrespective of ownership, is treated as income for the purposes of calculating a congregation's contribution as required by Regulations 1 2012 (*Section 2.2.5*).
4. Note the appointment of Mr Brian Auld as Safe Buildings Consultant (*Section 3.2.1*).
5. Remind Presbyteries of the obligation to return Diligence Reports under Regulations 1 1998 (*Section 3.3.1*).
6. Encourage the development of closer and more strategic collaboration between the General Trustees and Presbyteries (*Section 3.3.2*).
7. Re-affirm that the capital of the Consolidated Stipend Fund should continue to be treated as a permanent endowment for investment purposes (*Section 5.3*).
8. Instruct the General Trustees to continue their work on all issues relating to registration of title with a view to reporting to the General Assembly of 2017 (*Section 7.2.6*).

## REPORT

### 1. Introduction

1.1 The Church of Scotland General Trustees submit to the Assembly their eighty-ninth Report since the passing of the Church of Scotland (Property and Endowments) Act 1925.

1.2 As part of their governance procedures, the Trustees regularly review the skills and experience of their members. After a process of induction including interview, the Trustees co-opted Mr A Graham Biggerstaff RD MRICS MREHIS and Mr Michael M Norval FRICS as Advisory Members.

1.3 The Trustees further recommend that Mr Iain C Douglas, RD BArch FRIAS be re-appointed as Chairman and Mr Roger G G Dodd DipBldgCons (RICS) FRICS be re-appointed as Vice-Chairman for the ensuing year and that for their services as Chairman and Vice-Chairman respectively for the past year they should each receive remuneration of £1,695 as authorised by Section 38 (1) of the 1925 Act.

1.4 The Trustees regret to report that one of their members, Mr Gordon A Stirling FRICS who was first appointed in 1988 has not played any part in the work of the Trustees for some years. Efforts to engage with Mr Stirling have been unsuccessful. In the interests of good

governance, the Trustees have reluctantly concluded that they have no alternative but to ask the General Assembly to remove Mr Stirling under Section 6 (2) of the Church of Scotland (General Trustees) Order Confirmation Act 1921.

1.5 Individual members of the Trustees must retire no later than the Assembly following their 75<sup>th</sup> birthday and in the interests of good governance, the same rule should apply to co-opted Advisory Members. It is with great reluctance therefore that they have to say farewell to Professor John R Hume who was first co-opted in 1999. Professor Hume has an encyclopaedic knowledge of Scotland's architectural and historic heritage particularly in relation to ecclesiastical buildings of all denominations. Following retirement as a Chief Inspector of Historic Buildings at Historic Scotland he gave significant time, energy and expertise to the Trustees' work. His diligent service as a member of the Trustees' Fabric Committee, his wise counsel on deputation visits and his input to meetings of the Trustees' Board will be greatly missed.

1.6 Under Section 11 of the 1921 Act the General Treasurer of the Church is *ex officio* the Treasurer of the Trustees. The Trustees are delighted to welcome the appointment of Mrs Anne F Macintosh BA CA as their new Treasurer.

## 2. Fabric funds

### 2.1 Central Fabric Fund

2.1.1 The Fund provides grants and loans to congregations towards the cost of preparing and improving the buildings for which they are responsible. As at 31 December 2015 the capital of the Fund stood at £13,358,000 out of which the Trustees voted new loans totalling £2,902,000 (2014 - £3,560,000). The vast majority of loans are repayable with interest at 5% per annum but on occasion the Trustees will offer loans with an interest rate of 3% per annum or interest-free where special circumstances justify this. Bridging loans for the purchase of replacement manses can be made available so long as there is a concluded bargain in respect of the manse which is being sold. In cases where a replacement manse is being

provided by way of a new-build, the Trustees will consider making available a short-term loan, usually repayable with interest at 5% per annum, particularly when the loan and accrued interest will be repayable from the sale proceeds of the existing manse.

2.1.2 During 2015, the Trustees approved standard grants totalling £858,000 (2014 - £901,000). The Trustees are able to make grants available from the Fund through a combination of periodic transfers of surpluses on their General Fund, interest charged on loans, investment income, an annual allocation from the Ministries & Mission Fund and the half-share which the Trustees have received from the 10% Levy on property sale proceeds.

2.1.3 In addition, the Trustees make available priority grants to support the repair and improvement of buildings used by congregations in Scotland's most deprived urban and rural areas. This is in response to the Assembly's policy that resources be targeted at those most in need. During 2015, priority grants totalling £1,077,000 (2014 - £1,235,000) were approved.

2.1.4 A detailed breakdown of grants and loans made from the Fund during 2015 is shown in Appendix 1 and a comparison of grants and loans with those voted in the two previous years is contained in Appendix 2.

2.1.5 During the course of 2015, the Trustees received £392,000 through the operation of the 10% Levy charged on property sales. One-half of this amount was credited to the Central Fabric Fund where in accordance with Assembly guidelines it is used to provide priority grants. The other half of the monies raised by the Levy has been credited to the Ministries Council's *Go For It* Fund.

### 2.2 Consolidated Fabric Fund

#### 2.2.1 The Fund has two elements:

(a) Capital and accrued revenue derived principally from the sale of redundant properties and from the transfer from time to time of monies from congregations' holdings in the Consolidated Stipend Fund. Both capital and revenue are available to

congregations to meet a wide variety of fabric-related costs in relation to churches, halls and manses. At the end of 2015, the value of the Consolidated Fabric Fund holdings amounted to £52,939,000;

- (b) The capitalised value of heritable assets comprising churches, halls and manses is now required by charity accounting regulations to be shown in the Trustees' accounts. As at the end of 2015, the capitalised value amounted to £451,583,000 which the Trustees believe is a fair and reasonable assessment of the value of buildings vested in them on the basis detailed in their Annual Report and Financial Statements. The Trustees wish to emphasise that this amount does not represent money in the bank nor is it an indication of market value. A comparison with the 2014 figures is contained in Appendix 3.

**2.2.2** The Trustees in general seek to invest the Fund monies in the Growth and Income funds of The Church of Scotland Investors Trust with a working balance held in the Deposit Fund equivalent to an estimated twelve months' withdrawals to enable fabric expenditure to be met. This underlying asset allocation is rebalanced if necessary. The investment in the Growth Fund is made with a view to maintaining capital value in the long term and in the Income Fund in order to boost income

**2.2.3** As reported to last year's Assembly, the Trustees remain concerned at the large amount of capital held on Deposit in the Fund. Positive discussions with representatives of The Church of Scotland Investors Trust have been held following which guidance notes on investment strategy coupled with up-to-date Investors Trust Information Sheets are now sent to Congregational Treasurers upon the receipt of proceeds arising from the sale of a redundant building. In addition, the Trustees' Finance Manager engaged directly with a number of Treasurers whose congregations had significant capital balances on Deposit as a result of which instructions for a more effective investment mix have been implemented. It is envisaged that this engagement process will continue.

**2.2.4** The Trustees remind congregations that surplus capital in their holdings in the Fund can be re-allocated across to the Consolidated Stipend Fund subject to Presbytery approval. Income from the Stipend Fund assists congregations in meeting their share of the costs of ministry posts approved under Presbytery Plans.

**2.2.5** Last year's Assembly instructed the Trustees, in consultation with the Council of Assembly, to explore means whereby rental income of locally-owned manses might be treated in the same manner as rental income on manses vested in the General Trustees in the calculation of Ministries & Mission contributions. It subsequently emerged that the Commissioner who raised the matter had mistakenly believed that the Ministries & Mission contribution system treated locally and centrally owned manses differently. This is not the case. Income from letting vacant or surplus manses is treated as income for the purposes of calculating the congregation's contributions as required by Regulations 1 2012.

**2.2.6** As will be reported in more detail in the Section 'Strategic Finance and Resource Allocation Review', the Trustees are considering simplifying and at the same time introducing greater flexibility into the release of both capital and accrued revenue from the Fund in respect of fabric-related expenditure and they propose to introduce amending legislation at the 2017 Assembly.

### **3. Property and Fabric Matters**

#### **3.1 Manse Review**

**3.1.1** Last year's Assembly approved the principle of creating a Manse Fund as a response to the significant cost to the Trustees involved in the financing of shortfalls in the purchase of replacement manses and in the repairing and upgrading of manses. To gain a better understanding of the extent of these problems at the present time and in the foreseeable future, the Trustees are consulting a number of Presbyteries which represent rural and urban locations. While it is recognised that there are problems associated with neglect of manses, there are other issues which will make some manses less than ideal to serve the Ministry

in years to come. These include poor location, unsuitable size, awkward internal layout, inferior build, excessive maintenance costs and poor access, to state but a few. The Trustees also propose to consult with the Ministries Council as part of the review.

**3.1.2** With the benefit of a greater understanding of the extent of the problems and the financial implications, the Trustees propose to bring to the 2017 General Assembly recommendations as to how the Church might address these issues.

### **3.2 Making our Buildings Safer**

**3.2.1** Following the encouragement given by last year's Assembly to develop practical and proportionate measures to assist congregations in dealing with health and safety matters, the Trustees are delighted to report on the appointment to the Secretary's Department of Mr Brian Auld as Safe Buildings Consultant. The Trustees are determined to change the generally negative culture surrounding health and safety matters at a congregational level. They aim to provide resources which will give local officebearers the confidence to ensure that our churches and halls are safer spaces for all those whose activities bring them in and about these buildings.

**3.2.2** The Trustees would also highlight the useful information provided by the Church of Scotland Insurance Services Ltd about fire risk assessment.

### **3.3 Inspection and Planned Maintenance of Congregational Buildings**

**3.3.1** As required under the Care of Ecclesiastical Properties legislation, the Trustees report diligence by Presbyteries in the inspection of Property Registers and Manse Condition Schedules and with regard to the obtaining of professional inspection reports all in the twelve months to 30 June 2015. The statistics suggests that the processes laid out in the legislation are not achieving their objective which is to ensure that churches, halls and manses are all in good order and repair:

- 33 out of 44 Presbyteries submitted a Diligence Report (2014 – 36/44; 2013 – 39/44);
- Out of 961 congregations, 806 Property Registers and 602 Manse Condition Schedules had been examined by Presbytery Property Committees;
- 142 professional 5-yearly inspection reports had been obtained and issued;
- of the 33 Presbyteries, 2 were behind schedule in obtaining professional reports.

**3.3.2** The Trustees continue to have major concerns that the problem is not just the failure to inspect Registers and Schedules and the failure to instruct professional inspection reports but just as importantly the failure to ensure that problems which have been identified are followed up and dealt with by the congregations concerned. The Trustees raised the issue at the annual conference of the Presbytery Clerks' Forum in February and also suggested a number of measures to help Presbyteries fulfil their proper role. These include:

- providing induction training for new Presbytery Property Committee conveners and follow-up training on a regular basis;
- the Trustees assisting Presbyteries in addressing the difficult question of what churches and halls are required to support congregational mission and outreach;
- working alongside the Committee on Church Art & Architecture and the Law Department in making better web-based resources available;
- ensuring that Presbytery representatives are included in the Trustees' Working Groups on matters such as the Manse Review referred to above and greater consultation before recommendations are made to the General Assembly;
- allocating Trustees to Presbyteries to act as official links.

A more detailed paper on the outcome of the Forum accompanies the online version of this Report

[http://www.churchofscotland.org.uk/about\\_us/general\\_assembly/general\\_assembly\\_2016/reports-and-minutes](http://www.churchofscotland.org.uk/about_us/general_assembly/general_assembly_2016/reports-and-minutes). While the Trustees are willing to devote the time and other resources to this level of engagement, the reality is that it cannot be achieved when there are 44 individual Presbyteries and so this will have to be developed on a regional grouping basis.

### **3.4 Historic Environment Scotland and Heritage Lottery Fund**

**3.4.1** On 1 October 2015, Historic Scotland ceased and its role and functions were transferred to Historic Environment Scotland. This is more than a change of name as the new body is no longer an Executive Agency of the Scottish Government sitting within the portfolio of the Department of Culture and External Affairs but a Non-Departmental Government Body which also incorporates the role of the former Royal Commission on Ancient & Historical Monuments in Scotland. The different legal status has implications for the Trustees in their capacity as the owners of the single largest number of listed buildings in Scotland and also for congregations as users of such buildings. The Trustees are consulting with HES on a range of issues but they also recognise that the new regime will require the Trustees to develop better relations with local authority planning departments.

**3.4.2** The Trustees have continued to work with four congregations under the banner of the Historic Churches Group investigating the particular problems associated with buildings which are large, have significant mediaeval fabric, exercise regional or national civic functions and have notable historical connections. Costs of insuring and maintaining such buildings tend to be substantially higher than for other church buildings. The Group is exploring the scope for innovative and creative ways of addressing these issues.

**3.4.3** Over the years, many congregations have received considerable financial assistance from Historic Scotland and, since 1998, from the Heritage Lottery Fund for major repair schemes to Listed church buildings. Recently, the

Heritage Lottery Fund which takes the lead in processing applications to the Grants for Places of Worship Scotland Scheme raised concerns over the poor quality of many of the submissions particularly in relation to the background information on congregational activities. The Trustees are considering whether perhaps in conjunction with other denominations the feasibility of appointing a suitably-experienced person on a retainer basis who would be able to work with congregations on a case-by-case basis to improve the quality of submissions.

### **3.5 Listed Places of Worship Roof Repair Grant Scheme**

**3.5.1** In the Chancellor's Autumn Statement in October 2014 he gave the first intimation of a time-limited scheme to provide grants of between £10,000 and £100,000 for places of worship but directed specifically to roofs and rainwater goods. The scheme was then introduced without prior warning in mid-December 2014, the deadline for applications being 30 January 2015. This placed congregations and the Trustees' staff under considerable pressure in complying with the requirements of the National Heritage Memorial Fund which was nominally responsible for running the scheme but which was, in fact, dealt with externally. Twenty-three Church of Scotland congregations were successful and the total award of grant was £921,000. Prior to the outcome of the grant applications submitted in January 2015 the General Trustees contacted H M Treasury setting out the difficulties for Church of Scotland congregations in meeting the deadline when part of the process required a full report from a conservation architect, and underlining the difficulty for rural congregations in particular in being able to contact an architect and produce the report in time for the end of January deadline. To his credit the Chancellor did reply, advised that he was aware of the difficulties and indicated it was his intention to re-open the scheme later in 2015, which would enable unsuccessful applicant congregations to reapply but also be open to new applications. The scheme was indeed reopened in the second week of December 2015 and, as at the closing date for applications on 26 February in excess of 30 congregations had sought Letters of Support from the

General Trustees. Although it was not a requirement of the scheme that the General Trustees scrutinise individual applications from congregations, it was once again apparent that in the majority of cases there was continuing water ingress into the buildings concerned and in some cases causing damage over a prolonged period. There was a good geographical spread of applicant congregations this year and it was clear that, given the time available, rural congregations had made an excellent effort in seeking professional advice and reports on their buildings. However the grant process has once again underlined the importance of congregations taking early measures to address Urgent items in the quinquennial (professional) reports to avoid new or sustained damage not only to listed buildings but to all ecclesiastical properties.

### **3.6 Listed Places of Worship VAT Grant Scheme**

**3.6.1** In one shape or another, the Scheme has been operating since 2012 and following VAT changes in 2014, congregations can be reimbursed for the amount equivalent to VAT which they have incurred in respect of repairs and alterations to Listed church buildings. The Scheme is guaranteed only for the lifetime of the current UK Parliament.

### **3.7 Development Appraisal**

**3.7.1** During the course of each year, the Trustees deal with the disposal of redundant churches, halls and manses. From time to time, they come across cases, usually involving redundant churches, which prove difficult to sell for a variety of reasons. Sometimes they are in a dilapidated condition while others have no water supply or drainage. When such a building is eventually disposed of, the price is usually modest. In some cases, the Trustees and congregations have then seen such buildings being put back on the market or going to auction.

**3.7.2** The Trustees have set up a working group to investigate the scope for undertaking various measures prior to disposal which might materially improve marketability and sale value. There is a major cost

implication as well as a potential risk that the measures do not prove to be cost effective. The Trustees are currently engaged in a pilot exercise with one congregation to assess the feasibility of preparing a former church site for sale as individual serviced residential plots. It is important to note that the Trustees are not proposing to engage in speculative property development or investment.

### **3.8 Inspiring Examples**

The Trustees have the privilege of working with a large number of congregations who are keen to redevelop existing buildings or to provide new facilities as resources for mission in their communities. Brief details of some recent examples are contained in Appendix 4. More detailed information, in the congregations' own words, can be read in the online version of this report [http://www.churchofscotland.org.uk/about\\_us/general\\_assembly/general\\_assembly\\_2016/reports-and-minutes](http://www.churchofscotland.org.uk/about_us/general_assembly/general_assembly_2016/reports-and-minutes).

## **4. Chance to Thrive**

**4.1** The Project is now in its second phase under its new Co-ordinator, Rev Fred Vincent who was appointed to the post in July 2015. Six congregations have joined the project, two of which are in Glasgow Presbytery and the other four from other Presbyteries. All congregations are in Priority Areas but the other common feature is that they all share a desire for faithful living and service in communities where the statistics of deprivation can appear to be overwhelming. The focus is therefore on mission although it is well recognised that buildings play a critical role.

**4.2** Many of the congregational members who are at the heart of the project are already heavily committed in their congregations and communities. The project offers them support through mentoring using individuals with relevant experience to encourage, guide and focus congregations. The mentors' commitment is usually over a two or three year period during which time they are committed to accompanying congregations through the process. In addition there is a group of enablers who have particular expertise and who can therefore offer specific

skills at particular stages in the process. Representatives of Ministries Council and the Trustees serve on the Steering Group which in addition to monitoring the overall project also provides peer support and encouragement.

**4.3** Funded by the Carnegie UK Trust, the Baird Trust and the Bellahouston Bequest, in-depth research has been undertaken which has tracked the impact on each congregation participating in the project and identifying key elements which will be relevant to the wider Church. The research has also identified those elements which have not been as successful as originally anticipated or which have developed in unexpected directions. In particular, greater clarity about the differing roles of mentors and enablers will benefit the additional congregations which have come into the project.

**4.4** As Rev Fred Vincent stated at a recent meeting of the Trustees' Board the opportunity to thrive congregations and the communities they serve is not just for Priority Areas but for the whole Church. The project is an opportunity to model what works so that congregations and communities can experience the fullness of life promised by Jesus in the Gospel.

## **5. Strategic Finance and Resource Allocation Review**

**5.1** The working group set up by the Council of Assembly (and on which the General Trustees are represented by the Secretary, the Vice-Chairman and Mr Alan F K Kennedy) will report in detail as part of the Council of Assembly Report. However, it has been agreed that this report should focus on the two areas of the Review which are of direct relevance to the Trustees.

**5.2** Arising out of the 2014 General Assembly, the Trustees considered two matters, one being a suggestion that the capital arising from manse sale proceeds and rental income from the letting of vacant manses might be applied for 'ministry purposes'. The matter was referred to the working group as part of its Review. The Trustees reported to last year's Assembly which accepted that

capital and revenue derived from manses should continue to be applied to help congregations meet buildings-related expenditure.

**5.3** The second issue was an instruction to review the Trustees' Investment Strategy for the Consolidated Stipend Fund. In their Report to last year's Assembly, the Trustees made some preliminary points in relation to the operation of the Consolidated Stipend Fund promising that once the working group had had an opportunity of reviewing the matter, a more detailed report would follow this year.

**5.3.1** The Consolidated Stipend Fund (CSF), originally known as the Consolidated Stipend Endowment Fund, was set up by 1981 Regulations and subsequently amended. The administration of the CSF is now governed by Regulations 5 1995.

**5.3.2** The CSF is largely derived from the sale of glebe land since 1925 as well as transfers of surplus capital out of the Consolidated Fabric Fund and from the investment of new monies by individual congregations. Almost all congregations have a holding in the CSF. It has a capital value of over £77m as against a starting capital of just over £9m on 1 January 1982. Almost all congregations have a holding in the CSF. The revenue generated on each holding is applied towards that congregation's share of parish ministry costs.

**5.3.3** The underlying investment, as with all monies under the Trustees' administration, is through the vehicle of the Church of Scotland Investors Trust and is almost wholly invested in the Growth Fund. Historically, the Growth Fund has delivered both a reasonable income yield as well as capital growth. Every three years, the Trustees obtain independent, professional advice to ensure that this remains the most effective investment strategy. The next such review is due to take place later this year. The annual income of the CSF contributes around 7% of the total stipend bill of the church.

**5.3.4** The 1995 Regulations referred to contain a very significant provision which enables the Assembly to apply the assets under the Trustees' control and the investments derived from them more widely than the immediate requirements of the parish or its neighbourhood. This increased flexibility was promoted by the General Trustees through the passing of UK Parliamentary legislation in 1995. It was this Act and the Assembly legislation which enables surplus stipend capital held for a congregation to be reallocated for buildings-related purposes or to the National Stipend Fund for the benefit of congregations throughout Scotland.

**5.3.5** As the definition of Parish Ministry has been widened in recent years so that it no longer refers only to Ministers of Word and Sacrament, so the scope of the CSF has been widened in order that the income is available to meet the cost of any post designated in a Presbytery Plan.

**5.3.6** As it appears to the Trustees that it is the view of the wider Church that Parish Ministry requires to be paid for into the long term, they regard the CSF as an integral element in achieving this objective. The Trustees are firmly of the view that diminishing the capital in the CSF would significantly restrict the ability of many congregations to contribute to the cost of Parish Ministry, the support of which is one of the Trustees' main charitable objectives. The Trustees would regard any attempt to diminish the CSF as conflicting with their obligations as trustees under Scots Law and as charity trustees. As was expressed in an Opinion of a previous Procurator of the Church: the General Assembly cannot direct the Trustees to do anything which cuts across their trusteeship responsibilities.

**5.3.7** The Trustees believe that the capital of the CSF should be retained and should continue to be invested for the long term.

**5.3.8** Nonetheless, the Trustees believe that there is scope to introduce greater flexibility in the powers of reallocation of surplus monies from the CSF to the Consolidated Fabric Fund and vice versa. The power to

reallocate surplus capital was first introduced by Regulations V 1995. Such allocations cannot readily be reversed. How 'surplus' is defined and what scope there is for widening the circumstances in which reallocations can be implemented are some of the issues which need to be reviewed and they propose to engage with the Ministries Council and the Council of Assembly's Finance Group with a view to bringing amending legislation to the 2017 Assembly.

**5.4** At the end of 2015, the CSF had a capital value of £77,012,000 (£76,440,000 – 2014). With the concurrence of the Ministries Council, the Trustees have agreed a dividend rate of 0.189p per share for 2016. The dividend represents a return on capital of approximately 4% per annum. Statistics showing the historical income and dividend position are set out in Appendix 5.

## **6. Glebes**

**6.1** General Assembly legislation reflects the fact that glebeland historically formed part of a minister's living. Income from glebe rents as well as capital receipts upon sale are credited to the benefit of congregations' holdings in the Consolidated Stipend Fund. Income from the Fund assists congregations in meeting their parish ministry costs. Net rental income in 2015 was £361,000 (2014 - £330,000). The Trustees wish to express their appreciation of the work undertaken by members of the Glebes Committee and in particular those who have direct experience of the rural and agricultural sectors as farmers, legal specialists and land agents. Each of these "Factor Members" has responsibility for glebes in a particular area of Scotland. Their considerable expertise ensures that tenants pay realistic levels of rental income for the benefit of individual congregations.

**6.2** The Factor Members always take into account local and regional elements when reviewing rent levels and in the last year have agreed that where appropriate there should be no rent increases in those areas which have been badly affected by the adverse weather conditions experienced during the year.



**6.3** The level of glebe sales continues to be low largely as a result of the depressed housing development market. Proceeds totalled £43,000 in 2015.

**6.4** The Trustees continue to monitor the possible adverse impact on Glebes of legislative changes to certain forms of agricultural holdings proposed by the Scottish Government. As the legislation is still going through Parliament at the time of writing this Report, the Trustees may bring a Supplementary Report to the Assembly.

## **7. Land Reform**

**7.1** As reported to last year's Assembly, the Trustees highlighted a number of aspects of the Scottish Government's desire to pursue land reform. One issue which caused particular concern to the Trustees was a proposal that charity trustees should be under a duty to engage with the 'local community' before taking any decisions on the management, use and transfer of any land and buildings forming charity assets. The Trustees felt that this was unworkable as drafted and would severely disadvantage both the Trustees and individual congregations noting that there was no similar proposal in respect of private or public sector landowners. At the time of writing this report, the Trustees were relieved to note that the Land Reform Bill did not include an obligation of consultation but instead provided for the working up of statutory guidance to encourage such consultations by all landowners and not just charities. The Trustees are continuing to scrutinise the draft legislation.

### **7.2 Completion of the Land Register**

**7.2.1** In last year's Report, the Trustees gave warning of the major cost and resource implications not just for the Trustees but also for all congregations whose buildings are owned by local trustees of the Scottish Government's intention to complete the process of registering title to all land and property-holdings in Scotland. As a result of a pilot exercise involving the voluntary registration of a number of the Trustees' titles, a clear picture is emerging of the extent of the resources, both personnel and financial, which the Church locally and nationally will have to

allocate to deal with the matter. Title registration is dependent on plans of sufficient quality being submitted in support of applications for registration. The cost of obtaining such plans will be a very significant element but other costs include the time of the solicitors in the Church of Scotland Law Department, the knock-on effect on the other areas of that Department's work as well as the various charges levied by the Keeper of the Registers.

**7.2.2** Property owners have two basic options. One is to voluntarily apply to register title to any hitherto unregistered land and buildings which involves the property owner bearing the expenses of the process. It is not surprising that the Keeper has been encouraging major landowners including the likes of the Forestry Commission and local authorities to co-operate in the completion process by agreeing to put forward their properties for registration. Disappointingly, the Keeper is not prepared to encourage voluntary registration by offering any significant reduction in registration charges. The second option involves leaving it up to the Keeper to undertake the registration process at a time of the Keeper's choosing and based on the Keeper's assessment of what should be included in the title. This is known as Keeper-induced Registration or KIR. While the advantage of KIR is that the Keeper will not charge registration dues to the property owner, there will be little or no recognition of any boundary disputes, title queries or title specialities and the property owner will simply have to accept the title which he is given.

**7.2.3** Why does this matter? If every one of the Church's properties was a modern house in a residential estate then it would be appropriate to await registration by KIR. However, many ecclesiastical titles are not simple or straightforward and boundary anomalies and title problems are common. This applies not just in rural areas but also in a surprising number of urban situations. The registration process gives an advantage to the property owner who registers his title first as a result of which there is a significant risk of 'land grab'. Although there is a

compensation process, it would be far better to avoid getting involved in the first place.

**7.2.4** The Trustees would wish to emphasise that this is not just a problem for them but will affect the Financial Boards of every congregation with locally-owned land or buildings. The Trustees estimate that there are at least 1,200 locally-owned properties including churches, halls, manses, church officers' houses and the like. The Trustees have three times that number as well as all the Glebes. In Appendix 6 is an example which shows the importance of registering title.

**7.2.5** The requirement over the next decade for unregistered titles to be transferred onto the Land Register provides an opportunity of addressing the problems arising from the fragmented nature of property ownership within the Church. The Trustees wish to suggest that combining the registration process with transferring title to the Trustees presents a unique opportunity to radically simplify the administrative effort in running different forms of ownership. The Trustees are well aware of the historical sensitivities which attach to the question of 'who holds the title deeds?' but the fact of the matter is that the whole of the Church will be involved sooner or later in grappling with the issue of title registration. The burden on congregations with locally-owned properties would be virtually eliminated if this process is also combined with the transfer of title to the Trustees.

**7.2.6** The Trustees wish to draw the attention of the Assembly as well as individual congregations to the resourcing implications of the Scottish Government's requirement that the Land Register be completed. In light of the potential problems, the Trustees would also wish to encourage debate and discussion on the related question of simplifying the way in which titles to churches, halls and manses are held with a view to a further report to the 2017 Assembly. In the meantime, the Trustees will continue to voluntarily register titles where they judge this to be essential or expedient to do so, for example where a Glebe is zoned for housing development and they will

investigate cost-effective options for the production of title plans.

## **8. Energy**

### **8.1 Energy Conservation Advice**

**8.1.1** The Trustees' Heating Consultant, Mr Andrew W MacOwan assists congregations in conservation of energy and reduction in carbon use. He carries out independent surveys of heating systems giving advice on improving the standards of comfort and efficiency and on saving energy costs. Approximately one-third of the cost of such surveys is grant-aided by the Trustees. During 2015, Mr MacOwan carried out 44 surveys comprising 31 initial and 11 repeat surveys of churches and/or halls and 2 for other denominations as well as 7 manse surveys.

**8.1.2** In addition to advice through surveys Mr MacOwan also provides practical assistance to congregations through checking specifications for heating proposals and answering a wide range of enquiries relating to heating issues and problems.

### **8.2 Procurement of Electricity, Gas and Heating Oil**

**8.2.1** In November 2015, the Trustees terminated the agency contract with Argyle Energy LLP and engaged directly with eight energy suppliers with a view to setting up a new contract for the supply of electricity to non-domestic premises such as churches and halls. After a tender process involving detailed analysis of levels of standing charges, tariff rates and the Feed in Tariff, the Trustees entered into a contract with SSE plc through its Scottish Hydro trading brand for a three-year fixed-price arrangement to start on 1 April 2016. At the time of the writing of this report, the vast majority of congregations who were already participating in the existing purchasing scheme have elected to take up the new supply contract. The Trustees are also finding that the new contract is proving attractive to a number of congregations which are not members of the Trustees' scheme.

**8.2.3** The current contract for the supply of gas to non-domestic buildings runs until 31 March 2017. The Trustees

will be undertaking a similar contract renewal process later this year.

**8.2.4** Those congregations which have for several years taken advantage of a separate scheme for the supply of heating oil to their non-domestic premises will continue to be serviced by Argyle Energy LLP through its Scottish Churches Group scheme.

**8.2.5** The Trustees' scheme is in respect of energy supplies to non-domestic premises only and accordingly manses cannot be part of the scheme. As a result of the work undertaken with the electricity supply renewal, a number of manses were identified which were erroneously in the scheme. At the time of the writing of this report, arrangements are in hand to transfer these to the scheme administered by Argyle Energy LLP.

**8.2.6** The Trustees will receive an annual introducer's fee from SSE plc for the duration of the contract. The primary application of the fee will be to cover the additional administration costs which the Trustees will incur.

## **9. Insurance**

### **9.1 The Church of Scotland Insurance Services Ltd**

**9.1.1** The Company is wholly owned by the General Trustees and is authorised and regulated by the Financial Conduct Authority. The Company arranges cover for most classes of general insurance for Church of Scotland congregations as well as congregations of other denominations.

**9.1.2** During 2015 the Company approached a large number of insurers to review the terms of the Church Insurance Scheme. The outcome of the review has enabled the Company to introduce a number of cover enhancements to the Scheme which became effective from 1 January 2016. A new rating structure has also been introduced from that date which means that most policies insured under the Scheme benefit from a reduction in premium at renewal. Unfortunately, this is offset by an unwelcome rise in the rate of Insurance Premium Tax which the Government increased substantially to 9.5%. For

more information regarding these changes please visit the Company's website at [www.cosic.co.uk](http://www.cosic.co.uk).

**9.1.3** The Trustees also received a very welcome contribution of £2,378,000 under Gift Aid from the Company during 2015.

**9.1.4** The Trustees again wish to record their appreciation of the significant financial contribution made by the Company towards the Trustees' work. None of the General Trustees who are Directors of the Company receive any remuneration for their services.

**9.1.5** In accordance with current accounting requirements, the 2015 Annual Accounts of the Company have been consolidated with those of the Trustees.

## **10. Determinations made under Regulations V 1995**

These Regulations provide a mechanism to reallocate the capital held by the General Trustees for the benefit of congregations in the Consolidated Fabric and Stipend Funds. The following reallocations were made during 2015: Creich - £80,000 from fabric to stipend.

## **11. Determinations under Act VII 1995**

The Trustees report that under the powers delegated to them by Act VII 1995 (as amended by Act XIII 1996) and IV 1998) they have made 55 Determinations as set out in Appendix 7.

## **12. Finance**

### **12.1 Accounts**

The General Trustees' Accounts for the year 2015 as audited by the Auditor of the Church will be laid on the table at the Assembly. Copies of the Annual Report and Financial Statements are available from the Secretary. The Trustees intend that the firm of registered Auditors appointed to audit the Accounts of the Unincorporated Councils and Committees for 2016 should also be appointed to audit their accounts for that year.

### **13. Mrs Janette S Wilson, Solicitor of the Church**

The Trustees wish to record their appreciation of Mrs Janette S Wilson, the Solicitor of the Church, who retires at this year's General Assembly after almost 35 years of service to the whole Church. A very considerable amount of her time, energy and first-class legal expertise has been devoted to the work of the General Trustees not only in connection with the sale, purchase and lease of buildings but in ensuring that grant contracts with the likes of Historic Scotland and the Heritage Lottery Fund were in proper order, engaging with politicians and civil servants over matters such as water charges exemption and submitting numerous responses to Government consultations on diverse matters including, very recently, land reform and registration of title. Through all of her endeavours, the Trustees and congregations have benefitted greatly. Her service has been characterised by utter integrity and a wholehearted commitment to the

work of the Church. Janette's wide ranging knowledge not just of the Law but also of the operation of the Church over many years has informed and enlivened the meetings of the Trustees' Board and Chairman's Committee.

It is difficult to over-estimate Janette's contribution and the Trustees wish her a long, healthy and happy retirement.

The Trustees would also wish to take this opportunity to offer their congratulations to Miss Mary E Macleod on her appointment as Janette's successor and they look forward to working with Mary in the years ahead.

*On behalf of the General Trustees*

IAIN C DOUGLAS, *Chairman*  
ROGER G G DODD, *Vice-Chairman*  
DAVID D ROBERTSON, *Secretary and Clerk*

**APPENDIX 1****SYNOPSIS OF CENTRAL FABRIC FUND GRANTS AND LOANS VOTED IN 2015**

		Churches/Halls		Manses		Total	
		no	amount	no	amount	no	amount
			£		£		£
Grants	Standard	111	701,000	12	157,000	123	858,000
	Priority	42	1,013,000	5	64,000	47	1,077,000
Loans	5%	14	1,055,000	6	216,000	20	1,271,000
	3%	1	72,000			1	72,000
	Interest Free	15	757,000	8	577,000	23	1,334,000
Bridging Loans		-	-	1	225,000	2	225,000

**APPENDIX 2****CENTRAL FABRIC FUND**

Comparative figures for loans and grants voted over the past three years:

	2015	2014	2013
	£	£	£
Interest-bearing Loans	1,343,000	1,982,000	1,607,000
Interest-free Loans	1,334,000	1,578,000	792,000
Bridging Loan	225,000	-	370,000
	<u>2,902,000</u>	<u>3,560,000</u>	<u>2,769,000</u>
Standard Grants	858,000	901,000	1,418,000
Priority Grants	1,077,000	1,235,000	433,000
	<u>1,935,000</u>	<u>2,136,000</u>	<u>1,851,000</u>

**APPENDIX 3****VALUE OF HERITABLE ASSETS VESTED IN THE GENERAL TRUSTEES**

	2015		2014	
	£		£	
Glebeland	31,362,000	(12,545 acres)	52,150,000	(12,545 acres)
Churches including integral halls	178,702,000	(1,353)	183,686,000	(1,366)
Halls	19,324,000	(199)	21,840,000	(201)
Manses	253,557,000	(838)	259,448,000	(842)
	<u>482,945,000</u>		<u>517,124,000</u>	

## APPENDIX 4

### INSPIRING EXAMPLES

- Helensburgh Parish Church – the creation of new halls with first-class modern facilities linked to the adjacent church has given the recently-united congregation a base in and from which it can develop new and creative ways of engaging with the community in mission and outreach.
- Irvine: Fullarton – Fullarton ConneXions – after a decade of preparation and planning the congregation has realised its vision of a refurbished and modernised church and hall complex serving an area of multiple deprivation. The new facilities have transformed the buildings into a hub for the parish.
- Manish-Scarista, Isle of Harris – the minister and members of a small congregation in a locality where significant numbers of members and adherents have left the Church of Scotland have been supported and encouraged in their faith and witness by a grant from the General Trustees towards the cost of renovating the manse roof.
- Motherwell: South – The Keystone Project – following a union in 2007, the congregation realised that the church and hall buildings which had been retained had to be improved and enhanced. After a difficult inward-looking period prior to the union, the congregation wanted to face outwards into the community. Phase 1 of the Project has seen the completion of a new sanctuary, a community coffee bar as well as office and ancillary accommodation. Second and subsequent phases will see the transformation of the former sanctuary into hall, meeting and storage facilities.
- Dornoch Cathedral – Creag Mhor (Big Rock) Project – a new chapter in the life and work of the

congregation has begun with the refurbishment of the tired and outmoded West Church Hall inspired by the congregation's vision to help people to become whole in body, mind and spirit. A small Highland community has raised very significant sums to complete the first and second phases of the project while the infrastructure for the third phase has been prepared. The availability of the new facilities has triggered a level of demand far higher than originally anticipated particularly from user groups working with those in the community who are side-lined through learning disabilities and mental and physical health issues.

## APPENDIX 5

### CONSOLIDATED STIPEND FUND

Capital		Total Value	Value of Share
31 December 2011		£59,206,116	£3.8220
31 December 2012		£62,402,389	£4.0482
31 December 2013		£73,565,935	£4.7268
31 December 2014		£76,440,828	£4.9099
31 December 2015		£77,666,271	£4.9668

  

Revenue	Income	Shares Issued at 31 December	Rate of Dividend
2011	£2,854,521	15,349,101	£0.1852
2012	£2,899,637	15,414,898	£0.1881
2013	£2,930,183	15,563,546	£0.1861
2014	£3,001,209	15,568,718	£0.1880
2015	£2,998,499	15,637,028	£0.1935

During 2015 the sum of £336,747 was admitted to the Fund in exchange for 68,310 shares.

## APPENDIX 6

### A SALUTARY TALE - THE ADVANTAGE OF A REGISTERED TITLE

In 1987, a congregation bought a new manse. Included as part of the property was a walled-in strip of ground at the rear of the garden which had originally been a lane leading to another property.

The neighbour on the other side of the wall had plans to develop his own property but needed ownership of the strip to provide access. Having failed to buy it from the congregation, he contacted two different sets of solicitors trying to claim unsuccessfully that the congregation's title was defective. Some years later, during an altercation when he starting pulling down the wall, he produced documents from the Registers of Scotland which he claimed showed he owned the ground.

Research at the Registers of Scotland disclosed that the neighbour had conveyed the ground without any warranty to his wife some 7 years before. Because the congregation's title deed was recorded in the Register of Sasines, it was not obvious to the staff at the Registers who processed the neighbour's application that there was a valid, competing title. Had the congregation's title been in the Land Register, the problem would not have happened.

Luckily, the neighbour's ruse was discovered and an application on behalf of the congregation to register the manse title in the Land Register was submitted. This resulted in the neighbour's competing title being cancelled. Had the neighbour's title been on the Land Register for another 3 years without being challenged, it would have been a much more expensive and complicated process to have matters put right.

## APPENDIX 7

### DETERMINATIONS MADE UNDER ACT VII 1995

1. **General Sales:** In the following cases, the General Trustees made determinations authorising the sale or let of the property concerned and directed that the proceeds

should be credited to the benefit of the congregations in the Consolidated Fabric Fund: Abernethy – former manse; Ardrossan and Saltcoats: Kirkgate – former church officer's house, Saltcoats; Ayr: St Columba – house; Cambuslang – former Old Parish Church; Carstairs and Carstairs Junction – former church; Cleland – (1) former manse and (2) Colville Hall; Crossmichael, Parton and Balmaghie – former church at Balmaghie; Cruden – manse at Hatton; Dunoon: St John's – house; Dyke – manse at Brodie; Edinburgh: Portobello and Joppa – (1) former Portobello St James' manse and (2), church and hall; Edinburgh: St John's Colinton Mains – manse; Galston – former mission hall; Gladsmuir – site of church hall; Glasgow: Kelvinbridge – former Lansdowne manse; Glasgow: St Paul's – Rainbow Halls; Glenelg, Kintail and Lochalsh – (1) Kirkton church hall at Balmacara and (2) former Kintail church at Inverinate; Helensburgh – former Park church and halls; Jura – manse; Kilbarchan: West – manse; Killin and Ardeonaig – former Morenish Memorial Chapel at Killin; Kilmodan and Colintrave with Kilfinan with Kyles – former Kilmodan manse; Kirn – former St Margaret's church; Lairg – former manse; Largs: St Columba's – former manse; Leuchars St Athernase – former beadle's cottage; Lochmaben – manse; Lochs-in-Bernera – manse at Breacleite; Mearns Coastal Parish – former church and hall at Johnshaven; Mortlach and Cabrach – church hall in Dufftown; Musselburgh: St Michael's Inveresk – manse; Newport-on-Tay – manse; Ordiquhill and Cornhill – ground at rear of church; South Uist – former lochdar church; St Madoes and Kinfauns – St Madoes manse; Tarff and Twynholm – former manse at Twynholm; Toward – church at Inverchaolain; Walls and Sandness – former church at Mid Setter; Whalsay and The Skerries – former mission house at Out Skerries; Wishaw: St Mark's – manse.

2. **Glebe Sales:** In the following parishes, the General Trustees made determinations authorising the sale of Glebe subjects and directed that the proceeds should be credited to the benefit of the congregation in the Consolidated Stipend Fund: Isla Parishes; Kilmory; Kilmaurs St Maur's Glencairn, Langton and Lammermuir; Lochgoilhead and Kilmorich; Melness and Tongue; Mid Deeside.

**3. Miscellaneous Sales:** The General Trustees made the following miscellaneous determinations: Barr – re-allocation of Barr Motor Car Fund; Cargill-Burrelton – adjustment of Wolfhill Endowment Fund; Culter (Dissolved) – sale of Culter Glebe and funds credited to

National Stipend Fund; Edinburgh: Portobello and Joppa – discharge of trust conditions; Gardenstown (Dissolved) – sale of church and hall and transfer of funds to the Central Fabric Fund.