

# GENERAL TRUSTEES

## May 2015

### PROPOSED DELIVERANCE

#### The General Assembly:

1. Receive the Report and Accounts of the General Trustees.
2. (a) Appoint Mr David Menzies CEng, MIStructE as a General Trustee. *(Section 1.3)*  
(b) 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 £1,660 to each of them as Chairman and Vice-Chairman for the past year. *(Section 1.4)*
3. Instruct financial boards of congregations with holdings in the Consolidated Fabric Fund to review whether the monies, both capital and accrued revenue, are optimally invested in light of likely current and future fabric needs and bearing in mind the range of Funds offered by the Church of Scotland Investors Trust. *(Section 2.2.3)*
4. Approve the principle of the creation of a Manse Fund and instruct the Trustees to bring to the 2016 General Assembly proposals for the regulation and financing of the Fund. *(Section 2.3.4)*
5. Affirm that the Church is anxious to make safe its buildings and the activities in them as an expression of care and encourage the Trustees to develop practical and proportionate measures to assist congregations to deal with health and safety matters. *(Section 3.2.2)*
6. Note with concern that the Listed Places of Worship Roof Repair Grant Scheme exposed weaknesses in the implementation of the planned inspection and maintenance system and highlighted the scale of outstanding roof repairs. *(Section 3.6)*
7. Note
  - the completion of the first phase of the Chance To Thrive Project;
  - the lessons for the whole church including that buildings projects should be undertaken in the context of congregational mission;
  - the commitment of the Trustees to further development of the Project in partnership with the Ministries Council. *(Section 4.2)*

### REPORT

#### 1. Introduction and Composition of Trust

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

1.2 The Trustees report the retirement of two of their number, namely, Mr R Gavin Burnett and Mr William H H Cruickshank who were appointed in 1995 and 2003 respectively. Mr Burnett brought his experience as a Chartered Accountant in private practice and as a member and Chairman of the Investors Trust. He served on the

Trustees' Finance Committee which he convened from 1999 to 2004 and on the Chairman's Committee. He was also a Director of the Church of Scotland Insurance Company Ltd for many years. Mr Cruickshank, an estate factor with many years' experience, has undertaken considerable work on behalf of the Trustees as a factor member of the Glebes Committee carefully supervising the condition and rental income of glebes in the Presbyteries of Abernethy, Buchan, Inverness and Moray. The commitment and diligence of both have been greatly appreciated by the Trustees.

1.3 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 the following Advisory Members during the year, Rev Sheila M Kirk, Rev Janet S Mathieson and Rev David J Taverner. The Trustees respectfully recommend that Mr David Menzies CEng MStructE who was co-opted as an Advisory Member in 2013 be appointed as a full member of the Board.

1.4 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 £1,660 as authorised by Section 38 (1) of the 1925 Act.

## 2. Fabric Funds

### 2.1 Central Fabric Fund

2.1.1 The Fund provides grants and loans to congregations towards the cost of repairing and improving the buildings for which they are responsible. As at 31 December 2014, the capital of the Fund stood at £13,885,000 out of which the Trustees voted new loans totalling £3,681,000. Almost all 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. The Trustees are able to finance grants 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. In 2014 standard grants totalling £901,000 were approved (2013 - £1,418,000).

2.1.2 In addition, in response to the Assembly's policy that resources be targeted at those most in need, the Trustees made available priority grants to support the repair and improvement of buildings used by congregations in Scotland's most deprived urban and rural areas. In 2014, priority grants totalled £1,235,000 (2013 - £433,000).

2.1.3 A detailed breakdown of grants and loans made from the Fund during 2014 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.

2.1.4 During 2014, the Trustees received £433,000 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 Ministries Council's *Go For It* Fund.

### 2.2 Consolidated Fabric Fund

2.2.1 The Fund has two distinct 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 2014, the value of the

Consolidated Fabric Fund holdings amounted to £49,379,000;

- (b) The capitalised value of heritable assets comprising churches, halls and manses is now required by charity accounting regulations. As at the end of 2014, the capitalised value amounted to £463,737,000 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 2013 figures is contained in Appendix 3.

**2.2.2** The Trustees in general seek to invest the monies under their administration 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** Since 2003 all new capital derived from the sale of redundant buildings has initially been held on deposit and congregations have been given the power to determine how the capital should be invested. At the moment, the rate of interest earned on deposit is very low and unlikely to rise significantly in the near future. When monies are held on deposit to meet impending fabric project costs, low interest rates are of little consequence but monies held for the medium or longer term will not achieve capital growth nor will they generate income as great as the rates available on the Growth and Income funds of the Investors Trust. It is a concern to the General Trustees that much of the money held on behalf of congregations in the Consolidated Fabric Fund remains on deposit often for lengthy periods and often with no withdrawals being made for qualifying fabric expenditure. This suggests that

many congregational financial boards do not review whether the underlying investments are appropriate to the fabric needs of the congregation. Boards are responsible for investment decisions and it is they which have the authority and duty to advise the General Trustees if they wish to make changes to the investment of their holdings in the Fund. This may be in response to their particular need for monies such as when major repairs or alteration projects are required. The Trustees are in discussion with the Board of the Church of Scotland Investors Trust as to how the operation of the Trust and investment considerations might be better communicated to treasurers and boards.

**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. More information on the Stipend Fund can be found later in the report.

### **2.3 The Creation of a Manse Fund**

**2.3.1** In recent years the Trustees have dealt with a number of applications seeking significant grant assistance from the Central Fabric Fund well above the average level of grant towards two aspects of manse costs: the repair and upgrade of manses and the shortfall in financing the purchase of replacement manses. In the former, basic repair and maintenance has sometimes been neglected so that major problems such as dry rot have had to be dealt with. It is recognised that Ministers sometimes feel unable to insist on necessary work being carried out but that merely stores up problems for the future. The problems can be compounded where a manse is over-large, or energy-inefficient. In some instances, repairs have proved to be uneconomic resulting in the need to purchase a replacement, the financing of which is rendered more costly due to the depressed value of the existing manse. The Trustees also regret that Presbyteries sometimes fail to adequately monitor and supervise which exacerbates the problem. The Trustees also deal with

occasional cases where through no fault on the part of the congregation a replacement manse in a more suitable location has to be provided but where the existing manse value is significantly below the cost of a replacement.

**2.3.2** Over the past seven years, the Trustees have made available 226 grants towards a variety of costs associated with manses. Of these, 14 cases have accounted for grants amounting to £1,090,700 which represents 54% of all grants awarded for manse work.

**2.3.3** A review undertaken by the Trustees has concluded that the Central Fabric Fund can no longer sustain this level of disbursement due to the impact on the cashflow of the Fund. In addition, however, they are concerned that at least in some cases the giving of grants is effectively rewarding failure to look after manses properly. In recent years, the Trustees have taken steps to encourage congregations to care for all their buildings including manses and to make it easier for Presbyteries to monitor and enforce compliance with the stewardship responsibilities which the Assembly expects congregations to discharge. As mentioned elsewhere in this report, the Trustees have begun a programme of seminars for congregational property conveners. Other resources are readily available including briefing papers, visits to congregations who are seeking advice and guidance and the giving of financial assistance. Nevertheless, the Trustees believe that it is not enough to rely on these processes. The situation will not change overnight and the consequences of past failings will have to be dealt with for some time to come. In the meantime manses still have to be provided to the standards laid down by the Assembly.

**2.3.4** The Trustees therefore have in mind to create a Manse Fund which would be able to provide assistance in appropriate cases. The conditions which would have to be attached to an offer of funding and how the Fund might be financed will require careful thought. The Trustees therefore seek the Assembly's encouragement before undertaking further work.

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

**3.1.1** During its 11 meetings each year, the Trustees' Fabric Committee deals with a large number of cases involving repairs and/or alterations to churches, halls and manses. Committee members also spend considerable time and effort in working with congregations and their professional advisers to develop proposals with a view to maximising the creative and imaginative use of buildings whether by way of adaptation and conversion or through a new building. This approach is integral to the Trustees' aim that buildings should be welcoming, affordable and sustainable tools and resources which are fit to support congregations in mission and outreach. Appendix 4 contains a sample of such cases which have come before the Trustees in recent years.

**3.1.2** The Trustees are aware of the often unsung hard work and responsibilities undertaken by financial boards and individual officebearers in looking after and improving the buildings for which they are responsible. The Trustees are privileged to interact with members of congregations during their many deputation visits throughout each year and would wish to take this opportunity of thanking all those who contribute at the local and Presbytery level to keeping buildings in good condition and fit for purpose.

**3.1.3** The Trustees have introduced a single General Form for applications to carry out work and/or for financial assistance required under the Regulations regarding Work at Ecclesiastical Buildings. During the first six months of 2014, the Trustees undertook five seminars around the country designed to benefit congregational representatives with responsibility for property and buildings-related matters. In total, 484 representatives attended. The feedback has been very positive and the Trustees will be following these up with further seminars. In addition, the Trustees are always willing to speak at seminars organised by individual Presbyteries in relation to general or specific concerns.

### **3.2 Making our buildings safe**

**3.2.1** Legislation requiring buildings to be safe places of

work has been with us for a long time but despite this, the Church's general attitude to health and safety matters is not one of which we can be especially proud. The subject is often regarded as a burdensome irrelevance which we hope we can avoid having to think about or deal with. Two serious accidents which occurred on church premises in the latter half of 2014, one of them fatal, have prompted the Trustees to consider making the issue of "safe buildings" a priority matter over the next 5 years. This is as much to do with changing the culture of the Church as has happened successfully in recent years in relation to the provision of disabled access and the safeguarding of children and vulnerable adults.

**3.2.2** A Working Group comprising members of the Trustees with professional and practical experience of dealing with health and safety matters has begun to address a range of measures to encourage a practical and proportionate response to health and safety issues within congregations which is where the primary responsibility for implementing the legislation lies. This will include providing appropriate advice, making available suitable materials and resources, using simple and effective communication and even adopting a more suitable language. The process is likely to be a long-term one but the Church should be anxious to do what it can to make its buildings safe as an expression of care for all who come and go about its buildings. The Trustees intend to present a more detailed report to next year's Assembly.

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

The Trustees express their thanks to those Presbyteries which have reported diligence for the twelve-month period to 30 June 2014 in terms of the Care of Ecclesiastical Properties legislation. A revised form was introduced this year designed to identify additional information including situations where the schedule of 5-yearly professional inspections has fallen behind. The Trustees intend to engage with Presbyteries where this or other issues emerge in an effort to identify what support and assistance might be needed. At the time of the completion of this report, the statistics show:

- 36 out of 44 Presbyteries submitted a Diligence Report.
- Out of 1,053 Congregations, 993 Property Registers and 765 Manse Condition Schedules had been inspected by Presbytery Property Committees.
- 163 professional 5-yearly inspection reports had been completed and issued.
- There were 7 Presbyteries where the scheduled professional inspection reports had not been obtained.

### **3.4 Historic Scotland/Heritage Lottery Fund**

**3.4.1** Congregations are able to apply to the Grants for Places of Worship Scotland Scheme for financial assistance towards repairs to Listed church buildings. The Scheme does not cover alteration works such as the installation of new central heating systems for example. The Scottish Government has promised to make available sufficient financial provision for a continued programme of grants for a further two years. Thereafter the position is less clear as much will depend on the priorities set by Historic Environment Scotland, the new organisation which will be formed by the merger of Historic Scotland and the Royal Commission on Ancient and Historic Monuments in Scotland and which becomes operative on 1 October 2015. The current Scheme is administered by the staff of Heritage Lottery Fund Scotland which accepts applications four times in each year. The Trustees hold regular meetings with Historic Scotland and Fund officials to discuss issues of mutual interest and concern.

**3.4.2** Historic Scotland and the Trustees have developed a good working relationship over many years and many congregations have cause to be grateful for the very significant level of public funding which they have received. The Trustees therefore express their thanks to Historic Scotland. It will be a challenge to ensure that these benefits are not lost, that the Trustees are able to contribute to the shaping of heritage policy and strategy and that the Church demonstrates it can work collaboratively with the new public body.

### **3.5 Historic Churches Working Group**

The Trustees are the owners of the largest number of listed

buildings in Scotland, most of them churches. They are concerned about the resources which are available to ensure the ongoing maintenance and upkeep of those church buildings which have more extensive functions than simply providing a place of worship for a local congregation. Some have significant elements of mediaeval fabric and are therefore important from an architectural perspective. Many play a civic role where the wider community both local and national enacts its rites of passage such as the Kirkin' of a Council or as a war memorial. They are often a key part of the local tourist infrastructure and therefore have an economic and historic role. However, these elements do not often make a sufficient contribution to the running costs. The Trustees have therefore set up the working group to consider the matter in liaison with a small group of congregations that face these issues. The Trustees are also engaging with Historic Scotland which faces similar issues in the maintenance of Glasgow Cathedral. A further report will be made to the 2016 Assembly.

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

In mid-December 2014, the UK Government issued details of a £15m time-limited scheme to provide grants of between £10,000 and £100,000 towards repairs to roofs and gutters of listed places of worship which had first been announced without prior warning or consultation by the Chancellor of the Exchequer in his Autumn Statement. The Secretary's Department alerted all congregational and Presbytery property committee conveners to the scheme prior to 22 December which was the date from which applications could be submitted. As the deadline for applications was 30 January 2015, congregations and the Trustees' staff faced an extremely difficult task in complying with the Scheme requirements for supporting documentation including professional reports identifying the repairs as essential. Nonetheless, by the deadline, the Trustees had issued 72 formal letters in support of applications. What should be noted is that the total costs identified in the applications exceeded £2.5m. Even if all receive a grant, many of the congregations will still face the prospect of raising finance to meet the balance of the cost. The Trustees anticipate that the Chairman will be able

to report further to the Assembly on the outcome of the applications.

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

The Trustees reported to last year's Assembly that the Scheme had been revised to enable congregations to be reimbursed for the amount equivalent to VAT which had been incurred on both repairs and alterations to listed church buildings. The Trustees are concerned that there are treasurers who are unaware of the Scheme and the financial benefit which it represents and would encourage financial boards to take full advantage of it. The Scheme is guaranteed only for the lifetime of the current UK Parliament.

### **3.8 Committee on Church Art & Architecture (CARTA)**

In their Report to the 2014 Assembly, the Trustees referred to their input to the work of the CARTA Review Group and their support for the Group's recommendations. The Assembly encouraged CARTA and the Trustees to consider how best to improve the service provided by both bodies to congregations. In implementation of this, representatives of each have met regularly and the detail of what is proposed is set out in Appendix III of the Mission & Discipleship Council's Report. In brief this includes the running of joint events, a clarification of the respective roles of CARTA and the Trustees, revision of Guidelines on Work at Buildings, the introduction of a single gateway for applications, a simplified application form, and more effective communication to congregations. The Trustees are pleased to report that these practical improvements are being implemented and will be monitored. It is anticipated that formal amendments to the Work At Buildings Regulations will be brought to a future Assembly.

### **3.9 Water Charges**

**3.9.1** As reported to last year's Assembly, the Scottish Government began a consultation on the future framework of the Exemption Scheme on Water Charges having given a commitment to continue to provide a Scheme in some form or other. Although the Trustees recognised that the Scheme which had been in place since

2001 had a number of failings and required considerable overhaul, the initial proposals would have resulted in the majority of congregations losing the exemption. In their own name and through the Scottish Churches Committee, the Trustees argued for the retention of exemption for congregations. Congregations and Presbyteries were urged last year to contact their MSPs regarding their concerns and many did so.

**3.9.2** At the beginning of this year, the Government announced details of the revised Scheme. The Trustees were pleased to see that a number of suggestions had been taken on board to the extent that the vast majority of congregations should receive full exemption while those congregations whose gross annual income is between £200,000 and £300,000 will benefit from a 50% exemption. Many of the anomalies under the previous system have been resolved. Details of the new Scheme which takes effect from 1 April 2015 can be viewed and downloaded from the Law Department's Circulars section of the Church's website. The Trustees thank all those who contributed to the successful outcome.

### **3.10 Review of the Residential Tenancy Sector**

**3.10.1** In October last year, The Scottish Government opened a consultation on proposals for a new framework for private sector residential tenancies. Although the Trustees had little difficulty with the general thrust they were very concerned at two particular proposals in light of the fact that, at the time of the closure of the consultation period on 28 December 2014, they were the landlords in 140 manse tenancies. Under current legislation, a residential tenancy runs for an initial fixed period – usually six months. If not terminated either by landlord or tenant at that point, the tenancy will continue on a roll-over basis without the need for any further paperwork. The tenancy as a contract can then be brought to an end upon the giving of two months' notice by the landlord. It is now being suggested that landlords should not be allowed to terminate tenancies in this way. This proposal when linked to another, namely, removal of the Trustees' ability to recover possession of a manse (again upon a minimum period of two months' notice) for the induction of a parish

minister would make it virtually impossible for manses to be let during vacancies.

**3.10.2** The Trustees responded in detail arguing that the letting of vacant manses represents good and prudent stewardship of charity assets. They also pointed out that the loss of this resource to the private rented sector would run counter to the avowed aim of the Government to encourage more tenancies particularly as many manses are located in rural areas where there is little alternative accommodation particularly for families. The Trustees hope that the Chairman will be in a position to update the Assembly on the Government's response which is scheduled to be published towards the end of March.

## **4. Chance To Thrive**

**4.1** As has been reported to previous Assemblies, the Trustees have been closely involved in the Chance To Thrive Project (CTT) in partnership with the Ministries Council which began as a five-year venture in 2011 with Rev R Russell McLarty as the Project Co-ordinator. It was a response to a number of concerns shared by the Council and the Trustees including the difficulties encountered by office-bearers and ministers in dealing with building-related issues in the context of mission rather than as a separate problem. The Church has proved that it is good at running projects to refurbish and improve congregational buildings once approvals are in place but many office-bearers and ministers struggle to articulate and develop ideas and plans for the better use of their buildings with the result that nothing gets done and paralysis and disillusionment sets in. Although most clearly identifiable in Priority Area congregations, the issue is common throughout many congregations, large and small, urban and rural. Eight pilot congregations were chosen and mentors were appointed to work with them to develop the confidence and the skills to work up mission-oriented proposals in which works to buildings will be required. Significant lessons have been learned about the potential to thrive both the congregations **and** the communities in which they operate even when the outcomes have not been as anticipated. On the positive side, these include a development of skills such as leadership and of confidence

generally while challenges include communicating the CTT vision and plan to Kirk Sessions, congregations and communities. Independent academic research has been commissioned, paid for by a very large grant from the Carnegie UK Trust which has been convinced of the potential benefits not just for the Church but other organisations as well. The Scottish Government has also expressed interest in view of the “bottom-up” approach to creating sustainable communities without repeating the traditional top-down approach of central and local government funding. The Trustees are delighted for example that as a result of its participation in the Project, the Glasgow: Castlemilk congregation has succeeded in producing financially-viable proposals for a new church centre to replace the former East and West buildings which should come to fruition in the near future.

**4.2** Mr McLarty has now stepped down having completed his term as Co-ordinator and the Trustees would wish to acknowledge his tremendous effort and drive which has brought matters to the point where the Trustees and the Ministries Council can consider moving to the next phases. These include:

- rolling the Project out to a further four congregations in 2015 and another four in 2016 with the participants being selected from the congregations added to the Priority Area List by the 2014 General Assembly.
- appointing a new Co-ordinator whose role would focus on supporting building projects including the working up of strategies to ensure on-going maintenance and funding. It is anticipated that the postholder will work more directly with the Trustees’ executive staff and will attend meetings of the Fabric Committee.
- providing practical support, jointly with Ministries Council, by way of a funding commitment for a further three years and through the Joint Steering Group.

**4.3** The Trustees remain committed to sharing the lessons and applying the principles for the benefit of all congregations.

## **5. Energy**

### **5.1 Energy Conservation Advice**

**5.1.1** Through Mr Andrew W MacOwan, the Trustees’ Heating Consultant, congregations can receive assistance in conservation of energy and reduction in carbon use. Mr MacOwan carries out independent surveys of heating systems giving advice on improving standards of comfort and efficiency and saving energy costs. Approximately one-third of the cost of such surveys is covered by way of a grant from the Trustees. During 2014, Mr MacOwan carried out 49 surveys comprising 10 initial and 32 repeat surveys of churches and/or halls as well as 7 manse surveys which compares to a total of 46 surveys in 2013 comprising 12 initial and 30 repeat church and/or hall surveys and 4 manse surveys.

**5.1.2** In addition to advice to surveys, Mr MacOwan provides practical assistance to congregations through the checking of specifications for heating proposals and answering a range of enquiries relating to heating issues and problems. He spoke about church heating issues at the Trustees’ property seminars held around the country in 2014 with particular reference to Renewable Heating options.

### **5.2 Renewable and Sustainable Energy Sources**

The Trustees remain willing to provide practical support in the form of financial assistance for congregations which are considering the installation of renewable and sustainable energy sources but there is a concern that not all of the claims made as to efficiency savings are proving to be accurate. As a result, the Trustees require that energy use and performance of the buildings is carefully monitored after installation.

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

The Utility Purchasing Group contract for the supply of non-domestic gas and electricity to congregations is with Scottish Hydro. The electricity contract runs until 31 March 2016 and the gas contract until 31 March 2017. Under a separate scheme, congregations which are members of the Heating Oil Group obtain favourable prices for heating oil from the contracted supplier, currently Brogan Fuels.

## 6. Strategic Finance and Resource Allocation Review

6.1 On the Supplementary Report of the Council of Assembly, last year's Assembly agreed to a review of Strategic Finance and Resource Allocation. Although this was prompted at least in part by concerns over aspects of the Ministries & Mission Allocation system, two matters which came up under the Trustees' Report were also referred to the Review Group for consideration. The Trustees, represented by their Vice-Chairman Mr Roger G G Dodd, Rev Dr James A P Jack, Mr Alan F K Kennedy and their Secretary & Clerk, have participated fully in the various meetings of the Group.

6.2 The Assembly instructed the Trustees to review the restrictions on the use of manse sale proceeds and rental income from manse lets "to ensure these are available for ministry purposes". The relevant legislation is Regulations 7 1995 (as amended) which requires sale proceeds and rent to be credited to the Consolidated Fabric Fund for the benefit of the congregation or congregations concerned. Increasingly, congregations in linkages will have contributed to the purchase of the shared manse or to major improvements and upgrades so each will be entitled to their respective share of the sale proceeds or rental income. Both the capital and the revenue are available to help congregations meet a wide range of expenditure on the buildings for which they are responsible. The Trustees have reviewed the matter and have concluded that they do not believe that monies which many congregations rely on to help keep their buildings in good order and fit for purpose should be diverted instead to meet ministry costs:

- The Trustees would suggest it is wrong to assume that paying for ministry posts is somehow more important than ensuring that functional buildings used by congregations are repaired and improved.
- By using accrued revenue and capital to meet fabric costs, congregations can free up general income and general reserves for other purposes such as ministry.
- Assembly legislation already allows monies in the Consolidated Fabric Fund to be used creatively –

- (a) they can be shared with other congregations in the same linkage or Presbytery which need help with fabric expenditure;
- (b) accrued revenue can be used for any non-fabric purpose which falls within the spirit of the Church Without Walls Report, an example being a parish appointment such as a Children & Families Worker;
- (c) surplus monies can be re-allocated to a congregation's holding in the Consolidated Stipend Fund to assist it in meeting parish ministry costs.

- Monies from the Fund are spent on the repair and improvement of manses. The Trustees' experience is that a well-maintained manse which is regularly upgraded is a key factor in enabling an effective parish ministry.

6.3 The Trustees do not propose any amendment to the Fund Regulations.

6.4 The second matter which the Trustees were encouraged to review was the policy on treating the Consolidated Stipend Fund as a permanent endowment for investment purposes. The issue is addressed under the following section.

## 7. Stipend Matters

### 7.1 Consolidated Stipend Fund

7.1.1 The capital of the fund is derived largely from the sale of glebeland but also from transfers out of the Consolidated Fabric Fund and from the investment of new monies by individual congregations. Around 1,400 congregations have holdings in the Fund which is under the Trustees' administration. In recent years the General Assembly and the Ministries Council have agreed that the Fund should be administered by the General Trustees as a permanent endowment for investment purposes. There are a number of reasons for this:

- The capital is derived largely from the sale of the finite resource of glebe land;

- The single largest recurring expense of the Church is the cost of paying for a professionally-trained parish ministry;
- 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 Fund has been widened in order that the income is available to meet the cost of any post designated in a Presbytery Plan;
- The income from the investment of the Fund capital contributes around 7% annually to the overall annual stipend bill of the Church so it is incumbent on the Trustees to administer the Fund as effectively as they can;
- There is no sign of the Church adopting a radically different ministry model, and indeed the Ministries Council is devoting considerable resources to encouraging an increase in entrants to ministry in the Church.

From time to time, the Trustees obtain independent professional advice which has consistently indicated that the most effective investment strategy is to invest the Fund monies primarily in equities which, over the long term, have generated both capital growth and income yield. For some time the equity investment has been placed through the Growth Fund of the Church of Scotland Investors Trust.

**7.1.2** At the end of 2014, the Stipend Fund had a capital value of £76,440,000 (2013 - £73,565,935). With the concurrence of the Ministries Council, the Trustees have agreed a dividend rate of 0.1935 for 2015 which represents a fractional increase on the dividend rate of 0.188 for 2014. 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.

**7.1.3** Turning to the review of their investment strategy for the Fund, the Trustees consider that for the reasons identified in 7.1.1, a long-term investment strategy is entirely appropriate. Their investment policy should reflect

the view of the wider Church that it still requires to pay for a professional ministry into the long-term and that the Fund is integral to achieving this objective. If the SFRA Review Group was to suggest that the capital of the Fund was not required and should instead be released for some other purpose, then the Trustees would require to consider how this might be achieved taking into account their legal and fiduciary obligations. The Review Group has not yet had an opportunity to consider this element of resource allocation and accordingly the Trustees propose that a full response should be made to a future Assembly in light of the Group's final report.

## **8. Glebes**

**8.1** Historically, glebeland formed part of a minister's living. General Assembly legislation reflects this by directing that income from glebe rents as well as capital receipts upon sale are credited to the benefit of congregation's holdings in the Consolidated Stipend Fund. Income on the Fund helps congregations to meet their parish ministry costs. Net rental income in 2014 was £406,000 (2013 - £361,000). 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 them has responsibility for glebes in a particular area of Scotland. They use their considerable expertise to ensure that tenants pay realistic levels of rental income for the benefit of the individual congregations.

**8.2** One major sale for residential development contributed to glebe receipts totalling £1,015,000 during 2014. Although the position contrasts favourably with receipts of £93,000 in 2013, the state of the housing development market remains generally poor.

**8.3** The Trustees remind congregations that upon the recommendation of Presbytery and with the concurrence of the Ministries Council surplus stipend capital can be reallocated for fabric purposes in appropriate circumstances.

## 9. Land Reform Review

**9.1** The Scottish Government has committed itself to major review of various aspects of land reform all of which will have a greater or lesser impact on the Trustees and on individual congregations. Since last year's Assembly, the Trustees have responded to the following consultations and they will continue to monitor the responses of the Government and evaluate the ramifications for the Church.

### 9.2 Agricultural Holdings Legislation Review

How agricultural land is owned, used and managed has long been an issue which has prompted various levels of government intervention over the years. Legislation introduced in 1991 and in 2003 had produced a hotch-potch of models of agricultural tenancy with confusing differences in the way tenancies could be created, terminated, and passed on in succession. The wide-ranging Review undertaken by the Scottish Government investigated whether the landowner/tenant relationship had fundamentally broken down and whether tenants in certain forms of leases should be given an absolute right to buy whether or not a landowner wished to sell. It also considered questions of rent review and determination, types of lease, encouragement of new entrants and dispute resolution mechanisms. The Trustees submitted a detailed response and were pleased to note that their principal concerns had been taken on board to the extent that they are happy to support the recommendations of the Review Group to the Government.

### 9.3 Completion of the Land Register

Despite the introduction of land registration in 1979, more than one-third of public and private land in Scotland remains unregistered. As transparency as to who owns land is a key element of land reform, the Scottish Government has determined that the Land Register should be completed with regard to publicly-owned land by 2020 and with regard to privately-owned land within 5 years thereafter. Given the extent of their largely unregistered landholding throughout the whole country, and the advantages to the Church of being able to register title, the Trustees in tandem with the Solicitor of the

Church have agreed with the Keeper of the Registers to participate in a pilot voluntary registration scheme which will highlight the practicalities of implementing the process. The extensive work which is going to be involved in the pilot scheme and thereafter will have significant cost implications not just for the Trustees but also for those congregations where land or buildings are owned by local trustees.

### 9.4 Land Reform Review Consultation

**9.4.1** The Report of the Land Reform Review Group under the convenership of Dr Alison Elliot which was published in 2014 was followed later in the year by the Consultation Paper from the Scottish Government. Responses were invited on 11 key proposals. The Trustees were aware that in recent years the General Assembly had given broad support to the principle of land reform and associated matters but this was the first time that specific proposals as to how land reform might be implemented had been presented. The Trustees were therefore pleased to collaborate with the Church & Society Council on the preparation of a joint response especially as there were areas of mutual concern over the way in which some proposals had been drafted which would adversely impact on congregations and which might also fail to achieve the objectives of reform.

**9.4.2** In particular, the 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 was felt to be unworkable as drafted and would severely disadvantage the Trustees and individual congregations. It was also noted that there was no similar proposal in respect of private or public sector landowners. A response echoing these concerns was submitted by the Scottish Churches Committee.

**9.4.3** At the time of writing this Report, the Trustees and the Council are awaiting the outcome of Government's consideration of the consultation process and will jointly scrutinise the draft legislation which will follow.

## **10. Insurance Matters**

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

**10.1.1** The Company is wholly owned by the General Trustees and is authorised and regulated by the Financial Conduct Authority. The Company can arrange cover for most classes of insurance and continues to insure Church of Scotland congregations as well as the congregations of other denominations.

**10.1.2** During 2014 the Company changed its name to Church of Scotland Insurance Services Limited to reflect its change in status and business model to an insurance broker. The Trustees received a very welcome contribution of £2,920,000 under Gift Aid from the Company during 2014.

**10.1.3** 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.

**10.1.4** In accordance with current accounting requirements, the 2014 Annual Accounts of the Company have been consolidated with those of the Trustees.

## **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 56 Determinations as set out in Appendix 6.

## **12. Finance**

### **12.1 Accounts**

The General Trustees' Accounts for the year 2014 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 2015 should also be appointed to audit their Accounts for that year.

*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 2014**

		<i>Churches/Halls</i>		<i>Manses</i>		<i>Total</i>	
		<i>no</i>	<i>amount</i>	<i>no</i>	<i>amount</i>	<i>no</i>	<i>amount</i>
Grants	Standard	95	797,000	31	104,000	126	901,000
	Priority	38	1,021,000	3	214,000	41	<u>1,235,000</u>
							<u>2,136,000</u>
Loans	5%	23	907,000	4	280,000	27	1,187,000
	3%	5	275,000	-	-	5	275,000
	Interest free	11	740,000	7	1,528,000	19	<u>2,268,000</u>
							<u>3,730,000</u>

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

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

	2014	2013	2012
	£	£	£
Interest-bearing Loans	1,982,000	1,607,000	1,920,000
Interest-free Loans	1,578,000	792,000	1,318,000
Bridging Loans	-	<u>370,000</u>	<u>307,000</u>
	<u>3,560,000</u>	<u>2,769,000</u>	<u>3,545,000</u>
Standard Grants	901,000	1,418,000	1,827,000
Priority Grants	<u>1,235,000</u>	<u>433,000</u>	<u>420,000</u>
	<u>2,136,000</u>	<u>1,851,000</u>	<u>2,247,000</u>

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

	2014		2013	
	£		£	
Glebeland	52,150,000	(12,545 acres)	45,262,000	(12,559 acres)
Churches including integral halls	183,686,000	(1,366)	189,613,000	(1,390)
Halls	21,840,000	(201)	22,408,000	(206)
Manses	<u>258,211,000</u>	(842)	<u>248,605,000</u>	(855)
	<u>515,887,000</u>		<u>505,888,000</u>	

**APPENDIX 4****EXAMPLES OF ECCLESIAISTICAL BUILDINGS WHICH ARE  
BEING USED CREATIVELY**

Auchtergaven and Moneydie – local health services

Birsay, Harray and Sandwick – Milestone Community Church

Braemar and Crathie – Crathie Opportunity Holidays

Glasgow: Anderston Kelvingrove – shared worship space with other Christian groups

Glasgow: Blawarthill – foodbank

Glasgow: Cranhill – community development facilities

Glasgow: Gorbals – community café

Glasgow: Maryhill – foodbank

Glasgow: Pollokshaws – facilities for asylum seekers

Glasgow: St Rollox – foodbank, credit union, English language classes

Glasgow: St Paul's – youth radio station

Glasgow: South Carntyne – credit union

Isle of Whithorn – heritage centre

Kirkcaldy: St Bryce – facilities for the community and Fife College

Kirkwall: East – community facilities

London: St Columba's – local schools use

Maybole – Carrick Centre

Oathlaw Tannadice – post office

Orwell and Portmoak – community use and conference venue

Stornoway: Martin's Memorial – the Shed Youth Centre

**APPENDIX 5****CONSOLIDATED STIPEND FUND**

	<i>Capital</i>	<i>Total Value</i>	<i>Value of Share</i>
	31 December 2010	£64,498,524	£4.1706
	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
	<i>Revenue</i>	<i>Income</i>	<i>Shares Issued at 31 December</i>
	2010	£2,882,992	15,323,115
	2011	£2,854,521	15,349,101
	2012	£2,899,637	15,414,898
	2013	£2,930,183	15,563,546
	2014	£3,001,209	15,568,718

During 2014 the sum of £24,747 was admitted to the Fund in exchange for 5,172 shares.

## APPENDIX 6

### 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 congregation in the Consolidated Fabric Fund:- Aberdeen: Mastrick – ground at church and hall site; Aberdeen: St Machar’s Cathedral – manse; Annbank – Roger Memorial hall; Ardrishaig – North hall; Ardrossan and Saltcoats: Kirkgate – Barony St John’s church and hall; Ayr: St Andrew’s – manse; Beith – Trinity church; Black Mount – manse; Burra Isle – Meal church; Caddonfoot – manse; Carnwath – hall; Cavers and Kirkton – (1) Kirkton church and (2) hall; Craigie Symington – Craigie church; Craigrownie – Edenkiln manse; Dalbeattie and Kirkgunzeon – Kirkgunzeon church; Dollar – Old School House; Douglas Valley – Rigside church and manse; Dundee: Lochee – ground at High Street, Lochee; Edinburgh: St John’s Colinton Mains – (1) St John’s Oxfangs church and halls (2) manse; Edinburgh: The Old Kirk and Muirhouse – Old Kirk church and hall; Fortrose and Rosemarkie – Fortrose church; Garelochhead – manse; Glasgow: Cathedral – Martyrs’ church and hall; Glasgow Gorbals – manse; Glasgow: Jordanhill – manse; Glasgow: Lochwood – manse; Glencoe St Munda’s linked with Duror – manse at Ballachulish; Hamilton: St Andrew’s (Dissolved)

– manse; Innerleithen Traquair and Walkerburn – hall at Innerleithen; Inch Leslie Premnay and Oyne – Inch manse – Langton and Lammermuir – Cranshaws manse; Lecropt – manse; Lochend and New Abbey – Church House; Lochs Crossbost – manse; Newhills – ground at former manse; Old Cumnock: Trinity – Trinity (Netherthird) church; Orphir and Stenness – Stenness church; Perth: North – house; Pitsligo – Rosehearty manse; Scone – former manse; Tyne Valley – outbuildings at Borthwick; Wellesley – manse at Methil.

**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:- Auchinleck; Auchtergaven and Moneydie; Bengairn Parishes; Cleish; Dores and Boleskine; Isla Parishes; Kirkmichael; Ladykirk and Whitsome; New Cumnock; Norrieston.

**3. Miscellaneous:** The General Trustees made the following miscellaneous determinations: Alloa: Ludgate – discharge of trust conditions; Knockbain – sale of North Kessock Mission Hall and transfer of funds to Mission & Discipleship Council.