

TRUSTEES OF THE CHURCH OF SCOTLAND HOUSING AND LOAN FUND FOR RETIRED MINISTERS AND WIDOWS AND WIDOWERS OF MINISTERS May 2017

PROPOSED DELIVERANCE

The General Assembly:

1. Receive the Report and thank the Trustees and Staff.
2. Appoint Mr G Burt as a Trustee of the Fund.

REPORT

1. Aim of the Fund

1.1 The Fund exists to support retired Church of Scotland ministers, and widows, widowers, separated or divorced spouses and separated or former civil partners of Church of Scotland ministers, in need of help with housing. The Trustees endeavour to provide assistance by way of either a house to rent or a house purchase loan in accordance with guidelines set, and regularly reviewed by the Trustees. Guidance Notes incorporating these guidelines are available on the Church of Scotland website or can be requested from the Secretary at the Church offices. The Secretary is always happy to meet with potential applicants to discuss their particular situation, and the assistance which the Trustees may be able to provide to them.

1.2 The Trustees own, and regularly acquire, houses for leasing at concessionary rents to those with insufficient resources to enable them to purchase houses for themselves. Alternatively, loans at favourable rates of interest are granted up to 70 per cent of a house purchase price, subject to an overriding normal maximum of

£25,000 for Standard Loans, and £122,500 for Shared Appreciation Loans.

2. Housing Transactions: 2016

2.1 Assistance provided during 2016 to ministers, widows and widowers, and separated and divorced spouses, is detailed in Appendix 1 annexed to this Report. The percentage of those eligible to apply, and who were granted assistance, is similarly shown in Appendix 1. All those who applied and who fell within the financial parameters of the Fund were provided with assistance.

2.2 The Trustees owned 234 houses at the end of 2016. The houses purchased and those sold by the Trustees during that year, are detailed in Appendix 2, which also shows the average price of the houses so purchased, and the average price of the houses disposed of. At the end of 2016, 10 houses were still being marketed for sale.

3. Rents and Rental Reviews

3.1 Rents charged for housing provided by the Fund are set, at the beginning of the tenancy, at 50% of the Market Rent (as professionally assessed at that time), for Ministers,

and at 25% for widows and widowers of Ministers. The exceptions to this are leases granted prior to 1989 where rents continue at rates of 70% of Fair Rents for Ministers and 35% for widows and widowers of Ministers.

3.2 The Trustees considered carefully the level of annual rent increase, in the light of an inflation figure of 1.2% (as at 31 December 2015). The Trustees were however mindful that the Pension Trustees had not been able to apply a discretionary increase to those with pensions earned up to 1997. Many of the Fund's tenants are in this category of pensioner. The Trustees therefore decided that rents should not be increased in 2016.

4. Loan Transactions: 2016

4.1 The Fund provides loans by way of Standard Loans, Shared Appreciation Loans, and Short Term Bridging Loans.

4.2 Standard Loans are granted up to a normal maximum limit of £25,000 at a rate of interest of four per cent for ministers and two per cent for surviving widows or widowers of ministers.

4.3 Shared Appreciation Loans, which link loan repayment values over their term to the value of the property concerned over the same period, may be granted up to a normal maximum limit of now, £122,500, following the revision of parameters (see 7.2 below). Currently rates of interest for such loans are two and a half per cent for ministers and one and a quarter per cent for widows or widowers of ministers.

4.4 Short Term Bridging Loans are granted for a specific period, and in specific circumstances, at the discretion of the Trustees. Interest is charged at a rate equivalent to that permitted by HM Revenue & Customs without liability for benefit-in-kind taxation. At the time of writing this was three per cent.

4.5 Details of each of the three types of loan outstanding as at 31 December 2016 are given in Appendix 3.

5. Donations, Bequests etc.

5.1 The Trustees are gratified to report that during 2016 they received a total sum of £150,367 by way of donations, bequests and gifts.

6. Funds

6.1 The amount realised from sales of houses, less the expenditure on house purchases, during 2016 was £2,222,166. The net increase in long-term loans during 2016 was £48,300.

6.2 Investments at market value, and cash deposits, at 31 December 2016 amounted to £11,199,144.

7. The Future

7.1 Those Ministers who are within five years of retirement are encouraged to contact the Fund if they feel they may need to avail themselves of the Fund's assistance. Similarly the Trustees always welcome an initial approach from those who are within five to ten years of retirement. Such approaches not only assist the Trustees with financial forecasting, but can help to alleviate some of the anxieties which ministers and their spouses may experience in respect of housing as they contemplate their future after retirement. Details of commitments for the provision of either a house to rent, or a loan, during the next five years, and approved at 31 December 2016, which will require to be met from funds, can be found at Appendix 4. The number of ministers due to retire within a five to ten year period from 31 December 2016 and whose names have been placed on the Preliminary Applications List for assistance can also be found at Appendix 4.

7.2 In December 2016 the Trustees considered carefully the parameters for granting assistance with housing to rent, and assistance by way of housing loans, taking into account the current state of the housing market, the numbers of ministers due to retire, and equally the Fund's obligations towards the Church and the proper and appropriate stewardship of its resources. As a result, it was agreed that the house purchase price limits for 2017 be increased by £5,000 so that the **maximum** price for a

house to rent will be £175,000 and the **maximum** price, or value, of a house in respect of which a loan would be given, will similarly be £175,000. The Trustees are satisfied that such parameters will enable appropriate housing to be purchased for rental, or with the aid of Fund loans, in the current housing market for those who are eligible for assistance from the Fund. Applicants for whom assistance is to be granted by way of a house to rent are reminded that the figure of £175,000 is a **limit, and not a target**, and separately they are requested to consider, first, the Fund's vacant properties before the Trustees will be prepared to purchase a house for them.

8. Diligence

8.1 The Trustees confirm that the staff have routinely and progressively monitored their stock of rental housing, and housing over which loans have been secured, and have continued to support all of their tenants and borrowers. No significant problems have been identified or encountered.

8.2 The number of empty properties currently held by the Fund continues to present challenges, as the Fund follows good practice by ensuring that they are all checked regularly, and heated during cold weather, a practice underlined by the Insurers' requirement for such precautions. Garden upkeep and payment of council tax

add significantly to the costs of maintenance for such properties. Strenuous efforts are made to try and relet such properties but, for a variety of reasons, this is often not practicable.

9. Staff

9.1 The Trustees wish to place on record their indebtedness to the work of the staff of the Fund, and in particular the care and support afforded by staff to all those who apply to, or have been assisted by, the Fund.

10. Membership

10.1 One Trustee is retiring at this year's General Assembly.

10.2 Mr Ronald Wright was appointed as a Trustee of the Housing and Loan Fund in 2008. His background as a senior executive in a major pensions company has been of enormous benefit to the Fund in a number of ways, and his quiet but forensic analysis of financial matters has proved invaluable to his fellow Trustees.

In the name of the Trustees

IAN TAYLOR, *Chairman*
MARYANN RENNIE, *Deputy Chairman*
LIN J MACMILLAN, *Secretary*

APPENDIX 1

Assistance provided	2016	2015
Number of Ministers retiring (and eligible to apply to the Fund)	37	39
Percentage assisted with a house to rent	16%	10%
Percentage assisted with a house purchase loan	11%	21%
Total percentage assisted	27%	31%
Percentage of individuals eligible to apply who fell within the Fund's financial parameters and who received assistance	100%	100%
Instances of assistance provided*		
Retiring Ministers	11	11
Ministers already retired	3	5
Widow(er)s & Civil Partners	1	1
Spouses	1	2
Total	16	19

* Assistance may be provided in a different calendar year to that in which the Minister actually retires

<i>Tenants as at 31 December</i>	2016	2015
Ministers	142	152
Widow(er)s & Civil Partners	63	69
Spouses	13	12
Commercial rental	3	3
Vacant	13	14
<i>Borrowers as at 31 December</i>	2016	2015
Ministers**	82	86
Widow(er)s & Civil Partners	44	47
Spouses	0	0

** 3 Ministers have dual loans

APPENDIX 2

Rental Housing				
	2016		2015	
Total number of houses owned at 1 January	250		249	
Houses purchased during year	5		12	
Total cost of purchases		£783,489		£1,594,923
Average house price		£156,698		£132,910
Houses sold during year	21		10	
Total amount realised		£3,005,655		£1,423,611
Average proceeds		£143,126		£142,361
Houses bequeathed/gifted during year	0		0	
House relinquished during the year	0		1	
Houses relet during year	2		1	
Total number of houses owned at 31 December	234		250	
Average market rent of property purchased during year		£7,320		£7,490
Average rent of new tenancies - Ministers/Spouses		£3,675		£3,840
Average rent of new tenancies - Widow(er)s		£1,800		£1,350

APPENDIX 3

Housing Loans				
	2016		2015	
<i>Long term loans outstanding at 1 January</i>	133		135	
Value of loans outstanding		£6,469,750		£6,415,200
New loans granted during year	7		4	
Additional loans granted during year	0		1	
Value of loans granted		£509,000		£212,000
Loans fully repaid during year	14		6	
Loans partially repaid during year	2		1	
Value of loans repaid		£460,700		£157,450
Long term loans outstanding at 31 December	126		133	
Value of long term loans outstanding		£6,518,050		£6,469,750
<i>Short term Bridging Loans outstanding at 1 January</i>	0		2	
Value of Bridging Loans outstanding		£0		£148,000
Bridging loans granted during year	3		1	
Value of Bridging Loans granted		£125,000		£50,000
Bridging loans repaid during year	2		3	
Value of Bridging Loans repaid		£110,000		£198,000
Short term Bridging Loans outstanding at 31 December	1		0	
Value of Bridging Loans outstanding at 31 December		£15,000		£0

APPENDIX 4

Outstanding Commitments at year end	2016	2015
For next 5 years		
Houses to rent	22	27
Housing Loans	11	11
Value of outstanding commitments	£4,691,000	£5,285,000
Preliminary Applications		
	2016	2015
For those retiring between 5 - 10 years	5	6