

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

May 2009

PROPOSED DELIVERANCE

The General Assembly:

1. Receive the Report and thank the Trustees and Staff.
2. Reappoint Mr J G G Lees as a Trustee.

REPORT

1. Aim of the Fund

1.1 The Fund exists to support retired Church of Scotland ministers, and widows, widowers, and separated or divorced spouses 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, additional 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% 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 : 2008

2.1 Assistance provided during 2008 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 253 houses at the end of 2008. 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 2008 four houses were still being marketed for sale.

2.3 Apart from leases granted prior to 1989 (where rents continue at unchanged rates of 70% of fair rents for ministers and 35% for widows or widowers of ministers), rents charged for houses provided by the Fund are at a level of 50% of the open market rent for ministers, and 25% for widows and widowers of ministers.

3. Loan Transactions : 2008

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

3.2 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.

3.3 Shared Appreciation Loans, which link loan 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 £122,500. Currently rates of interest for such loans are two and half per cent for ministers and one and a quarter per cent for widows or widowers of ministers.

3.4 Short Term Bridging Loans are granted for a fixed period, and in specific circumstances, at the discretion of the Trustees. Interest is charged at a rate equivalent to that permitted by H.M. Revenue & Customs without liability for benefit-in-kind taxation. At the time of writing this was six and a quarter per cent, but was due to be reduced to four and three quarters per cent at the beginning of March 2009.

3.5 Details of each of the three types of loan outstanding as at 31 December 2008 are given in Appendix 3.

4. H.M. Revenue & Customs

4.1 Commissioners will recall from the Supplementary Report to the General Assembly of 2008, that negotiations were ongoing with H.M. Revenue & Customs concerning the taxation of the benefit-in-kind, perceived by H.M. Revenue & Customs to be implicit in the rates of interest charged by the Fund on its various Loans. Despite representations and offers of negotiation having been made by the Church's Tax Consultant to H.M. Revenue & Customs, no effective progress has been made as at the date of the submission of this Report.

5. Donations, Bequests etc.

5.1 The Trustees have to report that during 2008 they received a total sum of £54,798 by way of donations, bequests and gifts.

6. Funds

6.1 In accordance with the requirements of the charity regulator (OSCR), significant modifications in the preparation of the annual accounts have taken place. The net cost of house purchases less house sales during 2008 was £541,920. The net increase in long-term loans during 2008 was £675,450.

6.2 Investments at market value, and cash balances, at 31 December 2008 amounted to £3,378,666. Due to the downturn in the global financial markets, unrealised investment losses for the year amounted to £782,370.

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 2008, which will require to be met from funds can be found at Appendix 4. Further, the number of ministers due to retire within a five to ten year period from 31 December 2008 and whose names have been placed on the Preliminary Applications List for assistance can also be found at Appendix 4.

7.2 Mindful both of the current state of the housing market, and equally of its obligations towards the Church and the proper and appropriate stewardship of its resources, the Trustees considered carefully the parameters for granting assistance with housing to rent, and assistance by way of housing loans, in December 2008. As a result, and particularly bearing in mind the marked slowing of the housing market in Scotland generally, and the

decrease in house prices, it was agreed that the parameters for 2009 would include a maximum price for a house to rent of £175,000 and the maximum price, or value, of a house in respect of which a loan would be given of, similarly, £175,000. The Trustees remain 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.

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.

9. Budget Allocation

9.1 The Trustees will, as previously reported, require to continue to draw down £500,000 per annum for each of 2010 and 2011 from Congregational Contributions to the Parish Staffing Fund, an amount still within the two per cent of stipend limit allocated by the General Assembly for use by the Fund previously.

10. Staff

10.1 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.

In the name of the Trustees

J G Grahame Lees, *Chairman*
Lin J Macmillan, *Secretary*

ADDENDUM

Mr R D Oakes, CA, ACMA, MCIM

The Trustees were greatly saddened by the death in January 2009 of Mr Ronald Oakes, who as Secretary of the Baird Trust had served as a Trustee of the Housing and Loan Fund since 1997. Ronnie was well known throughout the Church community because of his involvement with a number of different bodies and organisations all of which he served with enthusiasm and diligence. His wise counsel and his quiet sense of humour at the meetings of the Housing and Loan Fund will be greatly missed.

J G Grahame Lees, *Chairman*

APPENDIX 1**Assistance provided**

	2008	2007
Number of Ministers retiring (and therefore eligible to apply to the Fund)	48	50
Percentage assisted with a house to rent	15%	30%
Percentage assisted with a house purchase loan	19%	14%
Total percentage assisted	<u>34%</u>	<u>44%</u>
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	16	16
Ministers already retired	3	5
Widow(er)s	3	4
Spouses of Ministers	1	2
Total	<u>23</u>	<u>27</u>
Tenants as at 31 December		
Ministers	159	158
Widow(er)s	78	76
Spouses	8	8
Commercial rental	1	0
Vacant	7	7
Borrowers as at 31 December		
Ministers	86	80
Widow(er)s	56	55

* Assistance may not be provided in the same calendar year in which the Minister actually retires

APPENDIX 2**Rental Housing**

	2008		2007
Total number of houses owned at 1 January	249		236
Houses purchased during year	11		17
Total cost of purchases	£1,761,830		£2,896,459
Average house price	£160,166		£170,380
Houses sold during year	7		5
Total amount realised	£1,219,910		£778,260
Average proceeds	£174,273		£155,652
Houses bequeathed/gifted during year	0		1
Houses relet during year	1		2
Total number of houses owned at 31 December	253		249
Average market rent of property purchased during year	£7,255		£7,029
Average rent of new tenancies – Ministers/Spouses	£3,633		£2,812
Average rent of new tenancies – Widow(er)s	£1,440		£1,560

APPENDIX 3**Housing Loans**

	2008		2007
Long term loans outstanding at 1 January	135		139
Value of loans outstanding		£4,176,950	£4,086,265
New loans granted during year	12		6
Additional loans granted during year	1		2
Value of loans granted		£815,500	£324,000
Loans fully repaid during year	7		10
Loans partially repaid during year	4		6
Value of loans repaid		£140,050	£233,315
Long term loans outstanding at 31 December	140		135
Value of long term loans outstanding		£4,852,400	£4,176,950
Short term Bridging Loans outstanding at 1 January	2		4
Value of Bridging Loans outstanding		£92,000	£130,000
Bridging Loans granted during year	10		4
Value of Bridging Loans granted		£595,000	£570,000
Bridging Loans repaid during year	8		6
Value of Bridging Loans repaid		£504,000	£608,000
Short term Bridging Loans outstanding at 31 December	4		2
Value of Bridging Loans outstanding at 31 December		£183,000	£92,000

APPENDIX 4**Outstanding Commitments**

	2008	2007
For next 5 years		
Houses to rent	47	45
Housing Loans	30	29
Value of outstanding commitments	£11,225,000	£11,178,500

Preliminary Applications

	2008	2007
For those retiring between 5 – 10 years	9	6