

# THE CHURCH OF SCOTLAND GENERAL TRUSTEES

## ADMINISTRATION OF CONSOLIDATED FABRIC FUND MONIES

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### 1. Introduction

The Consolidated Fabric Fund was set up with effect from 31st March 1996 when it replaced the previous system under which what had been known as “Special Funds” were held by the General Trustees mainly for fabric or kindred purposes for behoof of Congregations. Most Special Funds were derived from the sales of redundant properties. When the proceeds of sale of certain types of property come to hand these will either be added to existing holdings in the Consolidated Fabric Fund for behoof of the Congregation concerned or a new holding will be created. The types of property involved are (a) those which are vested in the General Trustees (b) those which are not vested in the General Trustees but are held under titles which contain an Assembly control clause and (c) properties which are subjected to Assembly control by virtue of Section 3 or Section 4 of the Church of Scotland (Property and Endowments) Amendment Act 1933.

### 2. Application of Funds

Under the previous system the use to which any monies could be put was governed by the terms of an Act or Deliverance of the General Assembly, a Determination of the General Trustees or some other instrument. This system has now been superseded and monies in the Consolidated Fabric Fund are to be used for purposes which have been laid down by the General Assembly and which are set out in Appendix A annexed.

### 3. Investment of Funds

The system of having Capital and Revenue Accounts which was operated with regard to Special Funds has been retained but while under the previous system there could be more than one Fund held for the same Congregation there is now only one Capital Account, although part of it may be held in a separate Investment Account, and a corresponding Revenue Account. Income on the Capital Account (and indeed on the Revenue Account) is added to the Revenue Account.

The norm for monies held in Capital Accounts is that they are invested by the General Trustees as a block with about 50% in the Growth Fund of the Church of Scotland Investors Trust, 25% in the Income Fund of the Trust and 25% in the Deposit Fund, the aim being to provide for the possibility of capital growth while seeking a reasonable return and preserving a degree of liquidity to make for flexibility and provide for withdrawals.

The Assembly of 2003 gave scope for the General Trustees to set up individual Investment Accounts into which capital held for the benefit of a Congregation may be placed. The object of Investment Accounts is to provide greater flexibility where the circumstances of the Congregation concerned may make the investment mix in the

block holding inappropriate. For instance, if the capital is likely to be expended within a short timescale investment in the Deposit Fund may be more appropriate. Monies in Investment Accounts may be held in the Growth Fund, Income Fund or Deposit Fund or any combination of these.

Revenue Account balances are held in the Deposit Fund but if a substantial balance has built up there is scope for transferring part of it to the Congregation's Capital Account to obtain the advantage of possible capital growth.

Dividends are normally credited to Revenue Accounts half yearly in May and November except in the case of dividends on Income Fund units in Investment Accounts which are credited in May and September. Interest is also credited to Revenue Accounts in February, May, August and November, calculated on month end revenue balances.

#### 4. Release of Funds

Requests for the release of monies held in the Consolidated Fabric Fund should be directed to The Secretary, The Church of Scotland General Trustees, 121 George Street, Edinburgh, EH2 4YR and the following general points should be noted:-

- (a) All requests for release of monies from the Fund must be accompanied by the relevant vouchers (or copies) such as utilities' bills, contractors' invoices, tradesmen's bills, professional fee-notes, Interim and Final Payment Certificates and the like.
- (b) Revenue may be expended on any Congregational property regardless of the vesting of that property; capital can be released in respect of expenditure only on properties which are either vested in the General Trustees or under Assembly control. If, therefore, a request is being made for the release of capital in respect of work at a property, the titles to which are not held in the Church Offices, the titles should be sent in with a view to the position being checked.
- (c) Requests for the release of any amount of capital or the release of revenue in excess of £10,000 require the support of Presbytery and should be accompanied by an appropriate Extract Minute. It should be noted that while so far as the General Trustees' administration is concerned requests for the release of revenue of £10,000 or less do not require the support of Presbytery this general rule in no way affects the responsibility of a Congregation to comply with any rule laid down by its own Presbytery on the level above which Presbytery approval for expenditure is required.
- (d) The Assembly of 2003 provided for the possibility of accrued revenue being released for non fabric purposes in certain circumstances which are set out in paragraph 5 of Appendix A. The base figure fixed by the Assembly is currently £50,000. All requests for the release of revenue for non fabric purposes must be supported by relevant Extract Minute of Presbytery stating that Presbytery when

considering whether or not to give such support has satisfied itself that the purpose

for which the monies are being sought is within the spirit of the “ChurchWithoutWalls” Report.

5. Review of Funds

Legislation approved by the General Assembly of 1995 provided for balances held in the Consolidated Fabric Fund being reviewed on the basis that if the amount held was in excess of the reasonable fabric requirements of the Congregation there might be an allocation for the benefit of that Congregation’s stipend requirements and if these also were fully provided for then to assist the Central Fabric Fund. Reviews are carried out by Presbyteries in the first instance and the base figure which has been set by the General Trustees as that which has to be exceeded for the case to be reviewed is £60,000. If new capital comes to hand the case will normally be reviewed only if the amount of the new capital exceeds £5,000. The mechanics for such reviews are operated by the General Trustees.

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## APPENDIX A

### Use of Monies in Consolidated Fabric Fund

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1. Subject to what is said in paragraph 5 below, funds held within the Consolidated Fabric Fund for behoof of a congregation shall be held and applied to meet (a) fabric expenditure as after defined and (b) capital payments for the benefit of ministers retiring in the interests of readjustment and annual payments for the benefit of ministers who have so retired in the past or their spouses.
2. Such funds will be applied at the discretion of the General Trustees who will administer the same in accordance with their existing practices or, subject to what is said herein, in such other ways as they may deem appropriate, any significant alterations to the existing practices not to be brought into effect unless and until the same are either printed and issued in a Report of the General Trustees to the General Assembly or intimated in writing to each Presbytery of the Church.
3. The capital of funds in the Consolidated Fabric Fund shall be expended only on properties where the trustees holding the same are in terms of the titles thereof subject to the regulation and direction of the General Assembly as regards the management and disposal thereof or alternatively are the General Trustees, the General Trustees having discretion as to the application of the revenue on such funds on properties not so held or vested.
4. The term “fabric expenditure” is defined as follows:-
  - (a) Fabric expenditure will be primarily expenditure on the provision, repair, alteration and renewal of heritable properties and the heritable fittings and fixtures therein, the term alterations including demolition and partial demolition, extension, reconstruction, restoration and redecoration. Also included within the scope of fabric expenditure will be the acquisition of a property or the superiority thereof, repayment of a debt secured over a property, the redemption of a ground burden affecting the same and legal expenses relating to heritable subjects.
  - (b) It is stipulated for the avoidance of doubt that:-
    - (i) Central heating systems and organs are deemed to be heritable.
    - (ii) Property includes boundary walls and fences, grounds and roads and footpaths serving or *ex adverso* the same. The laying out of a drive or a car park would thus fall within the definition as would the laying out of a new garden. The cost of maintenance work at grounds pertaining to, say, a church or hall, would qualify but ordinary maintenance work at the garden of a manse or other residence would not.
    - (iii) The cost of providing and maintaining labour saving devices including all forms of grass cutting equipment would qualify as fabric expenditure. Notwithstanding what is said in sub-clause (ii) above grass cutting

equipment for manses or other residences will be covered by this sub section.

- (iv) Furnishings generally do not qualify but floor-coverings, blinds, curtains, cookers, washing machines and dish washers are treated as coming within the scope of fabric expenditure provided they are the property of the congregation. When new church or hall accommodation is being provided the cost of furnishings such as tables and chairs will be treated as qualifying but the repair or replacement of such items will not. The cost of providing, repairing and tuning a piano will qualify provided the piano is situated in the place of worship and is the usual instrument used there for the leading of praise.
  - (c) In the case of a linked charge, it will be competent for a congregation for behoof of which funds are held to apply for the release of monies in respect of fabric expenditure in relation to buildings of a linked congregation.
  - (d) It will be competent for a congregation for behoof of which funds are held to apply with the support of the Presbytery for the release of monies in respect of fabric expenditure in relation to buildings of another congregation within the Presbytery.
  - (e) With regard to the costs of heating and lighting and cleaning (including the provision of equipment relating thereto), the premiums on insurance cover over heritable subjects (but not premiums in respect of moveables or liability cover), the cost of hiring heritable subjects and annual ground burdens in respect of which a congregation has a liability such will be treated as fabric expenditure but only to the following extent:-
    - (i) Such expenditure will qualify for the possible release of revenue but not capital.
    - (ii) Heating and lighting costs will qualify only if the congregation has had an Energy Survey carried out by the Trustees' Energy Consultant.
5. In the event of the value of a Congregation's holding in the Fund exceeding a base figure fixed by the General Assembly, the General Trustees are empowered to release revenue for non-fabric purposes subject to the following provisos:-
- (a) The purpose for which the money is to be released is one which has been approved by Presbytery as being within the spirit of the Report of the Special Commission anent Review and Reform to the General Assembly of 2001.
  - (b) Revenue may be released only to the extent that the value of the holding at the time exceeds the base figure.

Approved by General Assembly of 1995 and amended by General Assemblies of 1997 and 2003.

## APPENDIX B

### Regulations of the Consolidated Fabric Fund

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#### A. *Creation of the Consolidated Fabric Fund*

1. A Consolidated Fabric Fund (hereinafter referred to as “the Fund”) will be created on a day (“the appointed day”) to be appointed by the Church of Scotland General Trustees (“the General Trustees”) by the transfer to it of the whole assets representing all of the special accounts (both capital and revenue) held by the General Trustees for fabric or other purposes in connection with any congregation or interest of the church and which are or may be subject to any determination made or to be made under the Act VII 1995 anent Powers delegated to The Church of Scotland General Trustees; declaring that there will be excepted from the said transfer the whole assets representing (a) realisations of glebe subjects, superiorities, ground annuals and other such endowments held for stipend and (b) particular funds in regard to which the General Trustees have, in terms of the Regulations anent the Application of Stipend and Fabric Endowments held by The Church of Scotland General Trustees, disapplied the operation of section (C) 1 (2) thereof.
2. The Fund will be administered by the General Trustees who will receive donations bequests and others directed to it.
3. The transfer of assets herein provided for and the administration of the Fund will be without prejudice to the rights and duties of the Church of Scotland Investors Trust and any other body in regard to funds or assets vested in them.

#### B. *Valuation, Creation and Administration of Accounts*

1. The value of the whole assets, both capital and revenue, transferred to the General Trustees and as defined in paragraph (A) 1 hereof will be calculated and fixed by the General Trustees on the appointed day.
2. On the appointed day the capital account of each congregation or interest of the Church will be credited in the records of the Fund with the total amount of capital standing at credit of its special account on that day and that in substitution of the special account. Further, the General Trustees will determine the value as at that day of a share of capital in the Fund and shall convert the amount so credited in each account into the requisite number of shares (all fractions to be rounded up).
3. On the appointed day the revenue account of each congregation or interest of the Church will be credited in the records of the Fund with the total amount of revenue standing at credit of its special account at the appointed day and that in substitution

of the special account. The sum at credit of each revenue account will normally be invested in the Deposit Fund of the Church of Scotland Investors Trust.

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4. The capital (or share) and revenue accounts so opened in the records of the Fund together with all further accounts opened on the introduction of new proceeds or funds as aftermentioned are herein referred to wherever the expression “the accounts” is used.
5. The General Trustees shall, prior to 30th April and 31st October in each year declare a dividend payable on the shares for the half-year ending on 31st March and 30th September respectively and each revenue account will be credited in May and in November respectively with the dividend appropriate to the number of shares held in respect of each capital account.
6. All new proceeds or funds accruing after the appointed day to the General Trustees and as defined in this Section (A) will be transferred to the Fund as assets thereof and in terms of these Regulations. The values or amounts of such new proceeds or funds will form additions to existing accounts or will form the initial amounts to be credited to new accounts as appropriate and may be introduced into the Fund at the beginning of each calendar month.
7. The General Trustees as administrators of the Fund will be bound to meet as and when required the amounts standing at credit from time to time of the accounts.

#### C. *Management of Funds*

The funds or assets of the Fund will be managed by the General Trustees in the following way *videlicet*:-

- (1) for meeting the expenses of administration of the Fund, declaring that the General Trustees may, for this purpose, charge commission on the income of the Fund at a rate to determined by them.
- (2) for meeting their liabilities in connection with the accounts
- (3) in respect of the balance of funds, not required for the preceding purposes, for investing in any investment permitted to them in terms of the Church of Scotland (General Trustees) Order Confirmation Act 1921 (as amended) and the Church of Scotland (Properties and Investments) Order Confirmation Act 1994.

#### D. *Introduction of New Capital*

New Capital may be introduced to the Fund at the beginning of each calendar month and the number of shares to be attributed to such new capital will be ascertained by dividing the total value of the capital of the Fund by the number of shares in issue at that date, the share value thus produced being divided into the relevant new capital to determine the new shares.

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E. *Withdrawal of Capital*

Capital may be withdrawn from the Fund at the beginning of each calendar month by the encashment of shares; the value of the shares to be withdrawn will be ascertained by dividing the total value of the capital of the Fund by the number of shares in issue at that date, the share value thus produced being multiplied by the number of shares being withdrawn in order to determine their aggregate value.

F. *Investment Accounts*

The General Trustees are authorised after consultation with the congregation concerned (a) to encash all the shares held in the capital account of that congregation and to move the proceeds to an Investment Account for behoof of that congregation and (b) to place new proceeds or funds accruing after the appointed day in an Investment Account. Monies in Investment Accounts will be invested in such a way as may be determined by the General Trustees and will be deemed to remain part of the capital of the Fund. The revenue accruing on Investment Accounts will be credited to the Revenue Account of the congregation concerned.

G. *Application of Funds*

The amount held in each of the accounts opened on the appointed day or subsequently in the records of the Fund will be held and applied by the General Trustees in terms of Act VII 1995 anent Powers delegated to The Church of Scotland General Trustees and the Regulations 5 of 1995 anent the Application of Stipend and Fabric Endowments held by The Church of Scotland General Trustees.

H. *New Charges*

Any holding in the Fund for the benefit of a congregation which adopts the status of and is constituted as a New Charge shall be transferred by the General Trustees to the Committee on New Charge Development to be held and applied by it for fabric purposes in connection with that Congregation.

I. *Commencement*

These Regulations will come into force on the appointed day which shall be intimated by the General Trustees to each Presbytery of the Church.

Regulations VII 1995 as amended by Regulations VIII 2000 and Regulations V 2003.