

TRUSTEES OF THE CHURCH OF SCOTLAND HOUSING AND LOAN FUND FOR RETIRED MINISTERS AND WIDOWS AND WIDOWERS OF MINISTERS MAY 2018

Proposed Deliverance

The General Assembly:

1. Receive the Report and thank the Trustees and Staff
2. Re-appoint Rev MA Rennie 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: 2017

2.1 Assistance provided during 2017 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 222 houses at the end of 2017. 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 2017, 12 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 2.49% (as at 31 December 2016). 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 2017.

4. LOAN TRANSACTIONS: 2017

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 £122,500. 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 2017 are given in Appendix 3.

5. DONATIONS, BEQUESTS ETC.

5.1 The Trustees are gratified to report that during 2017 they received a total sum of £204,068 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 2017 was £1,792,120. The net decrease in long-term loans during 2017 was £61,900.

6.2 Investments at market value, and cash deposits, at 31 December 2017 amounted to £13,145,097.

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 2017, 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 2017 and whose names have been placed on the Preliminary Applications List for assistance can also be found at Appendix 4.

7.2 In December 2017 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. The Trustees agreed that the house purchase price limits for 2017 be maintained at the same level as in 2016 so that the **maximum** price for a house to rent remains at £175,000 and the **maximum** price, or value, of a house in respect of which a loan would be given, similarly remains at £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. CONGREGATIONAL CONTRIBUTIONS

8.1 For a number of years, the Fund has been fortunate to receive Congregational Contributions to support its work in providing assistance with retirement housing to Ministers and their spouses. Originally, the level of Congregational Contributions was set at a figure which represented 2% of what became the National Stipend Fund (NSF), now the Parish Ministries Fund (PMF). In recent years, the Fund has agreed to Congregational Contributions that represent a lower percentage of the NSF/PMF. Indeed in 2017, the amount of Congregational Contributions received by the Fund was, at £400,000, approximately 0.96% of the PMF.

8.2 The Trustees have recognised that whilst the Fund is currently in a healthy monetary position, other parts of the Church are facing financial pressures and challenges. Whilst ever mindful of protecting the future work of the Fund, the Trustees have, after considerable deliberation, agreed, with the Ministries Council and the Council of Assembly to suspend the requirement to receive Congregational Contributions for 2018, 2019, 2020 and 2021, with a view to reinstating the Contributions in 2022, if required.

8.3 To ensure that good dialogue takes place timeously amongst all the relevant parties, the Trustees have further agreed with the Ministries Council and the Council of Assembly that a review of the Fund's position and the anticipated level of demand for assistance from the Fund, be carried out during the first quarter of 2020. This should allow adequate time for the necessary adjustments to budgets.

8.4 Furthermore, to assist in this process, the Trustees have agreed that the Fund will collaborate with the Ministries Council to carry out research relating to the projected retirement plans of Ministers. This should enable both the Council and the Fund to have a clearer picture of the effects of such retirements on both the Fund, and the wider Church.

8.5 The Trustees are confident that commitments already made for the next five years can be comfortably accommodated, and that there is a sufficient financial cushion to ensure that other commitments can be taken on during this period.

9. CHANGES TO TENANCY LAW

9.1 The Private Housing (Tenancies) (Scotland) Act 2016 came into force on 1 December 2017, and introduced the Scottish Private Residential Tenancy which replaces the Short Assured Tenancy and the Assured Tenancy. This has no effect on existing tenants of the Housing and Loan Fund. Standard leases have been amended accordingly for all new tenancies, and the Fund's Guidance Notes have been updated to reflect the change in the law.

10. DILIGENCE

10.1 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.

10.2 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. Commercial rental of such properties is only undertaken rarely, where the prospect of a sale, is for market reasons, highly unlikely.

11. STAFF

11.1 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.

12. MEMBERSHIP

12.1 Rev MA Rennie has served an initial four-year term as a Trustee. Under the terms of the Fund's Constitution, she is eligible to serve a further four-year term. The Trustees would be pleased if the General Assembly would agree to her re-appointment.

In the name of the Trustees

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

Appendix 1

Assistance provided	2017	2016
Number of Ministers retiring (and eligible to apply to the Fund)	45	37
Percentage assisted with a house to rent	11%	16%
Percentage assisted with a house purchase loan	13%	11%
Total percentage assisted	24%	27%
Percentage of individuals eligible to apply who fell within the Fund's financial parameters and who received assistance	100%	100%
Instances of assistance provided*	2017	2016
Retiring Ministers	9	11
Ministers already retired	1	3
Widow(er)s & Civil Partners	2	1
Spouses	0	1
Total	12	16

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

<i>Tenants as at 31 December</i>	2017	2016
Ministers	138	142
Widow(er)s & Civil Partners	59	63
Spouses	10	13
Commercial rental	3	3
Vacant	12	13
<i>Borrowers as at 31 December</i>	2017	2016
Ministers**	77	82
Widow(er)s & Civil Partners	41	44
Spouses	0	0

** 3 Ministers have dual loans

Appendix 2

Rental Housing				
	2017		2016	
Total number of houses owned at 1 January	234		250	
Houses purchased during year	5		5	
Total cost of purchases		£733,438		£783,489
Average house price		£146,688		£156,698
Houses sold during year	17		21	
Total amount realised		£2,525,558		£3,005,655
Average proceeds		£148,562		£143,126
Houses bequeathed/gifted during year	0		0	
House relinquished during the year	0		0	
Houses relet during year	2		2	
Total number of houses owned at 31 December	222		234	
Average market rent of property purchased during year		£6,960		£7,320
Average rent of new tenancies - Ministers/Spouses		£3,525		£3,675
Average rent of new tenancies - Widow(er)s		£1,650		£1,800

Appendix 3

Housing Loans			
	2017		2016
<i>Long term loans outstanding at 1 January</i>	126		133
Value of loans outstanding		£6,518,050	£6,469,750
New loans granted during year	2		7
Additional loans granted during year	1		0
Value of loans granted		£211,000	£509,000
Loans fully repaid during year	7		14
Loans partially repaid during year	1		2
Value of loans repaid		£272,900	£460,700
Long term loans outstanding at 31 December	121		126
Value of long term loans outstanding		£6,456,150	£6,518,050
<i>Short term Bridging Loans outstanding at 1 January</i>	1		0
Value of Bridging Loans outstanding		£15,000	£0
Bridging loans granted during year	3		3
Value of Bridging Loans granted		£106,000	£125,000
Bridging loans repaid during year	4		2
Value of Bridging Loans repaid		£121,000	£110,000
Short term Bridging Loans outstanding at 31 December	0		1
Value of Bridging Loans outstanding at 31 December		£0	£15,000

Appendix 4

Outstanding Commitments at year end	2017	2016
For next 5 years		
Houses to rent	21	22
Housing Loans	10	11
Value of outstanding commitments	£4,482,000	£4,691,000
Preliminary Applications		
	2017	2016
For those retiring between 5 - 10 years	3	5