



# FIRM FOUNDATIONS

## INTRODUCTION

This document attempts to answer some questions which we are often asked by churches embarking on a project and seeking a loan from Baptist Building CIO. However, a church should not simply rely on the answers given here; *they are for guidance only*.

### DISCLAIMER

Baptist churches and chapels are self-governing and frequently own their own premises. Decisions about insurance, repairs and building work are made by them alone as also are decisions about raising money for these things. Decisions should also be taken by churches to obtain advice from qualified professionals with adequate professional indemnity insurance, in case negligent advice is given. **THE ROLE OF THIS CHARITY IS SOLELY THAT OF LENDER.** BBCIO charges no lending fees and, while it obtains financial and architectural advice, it does so for its own purposes, and at its own cost if need be, to enable it to decide whether to lend or not. **UNDER NO CIRCUMSTANCES CAN THIS CHARITY, OR ANYONE WORKING ON ITS BEHALF, BE REGARDED AS AN ADVISER TO THE BORROWER NOR CAN THE FACT THAT BBCIO OBTAINS ITS OWN ADVICE BE REGARDED AS SUBSTITUTE FOR THE BORROWER OBTAINING ITS OWN PROPER ADVICE IN ADVANCE AND PROPERLY SUPERVISING AND INSURING WORK IN PROGRESS.**

## OVERVIEW

Any church in the UK or Ireland being either in membership of an approved Baptist Association in the UK (BUGB, BUW, BUS, GBTC, ABCI) or an independent Baptist Church with an ultimate trust in favour of a Baptist cause is eligible to make application to Baptist Building CIO (BBCIO) for a loan.

Projects for which BBCIO makes loans are usually of one of three types –

- New church buildings or extensions to existing church buildings
- Repairs and renovations to church buildings including updating heating systems and conversion to greener energy
- Purchase of a building for church use (BBCIO may lend for purchase of land to build a church)

*Please note: it is not currently our policy to make loans for the purchase of or repairs to a manse or similar building.*

Many of the questions arising from the first two of these types of projects are very similar and are dealt with first. Purchases give rise to different questions.

## GENERAL REQUIREMENTS FOR OUR LOANS

### *What are the main requirements for loan applications?*

- Any church in membership of an approved Baptist Association in the UK (BUGB, BUW, BUS, GBTC, ABCI) or independent Baptist Churches with an ultimate trust in favour of a Baptist cause\* is eligible to make application to Baptist Building CIO (BBCIO) for a loan.

*\*This means there is a clause in its trust deed that clearly favours something Baptist if the church should close (known as the “ultimate trust”). You are advised to check this point before applying for a loan. If you are not sure, please let BBCIO have a copy of the relevant part of the trust deed to check for you.*

*BBCIO does not recognise FIEC membership as fulfilling the criteria of a Baptist cause.*

- It is a general requirement of receiving a loan that a church satisfies the Trustees of BBCIO that all statutory permissions have been obtained and that the church has adequate protection against any liability that might arise and put BBCIO’s loan at risk. In practice, this means that when the loan is for a building or renovation project, the church ensures that: -
  - Planning consent, listed buildings consent (if needed) and building regulations approval have been obtained;
  - Satisfactory arrangements are made to comply with the Construction (Design & Management) – “CDM”- Regulations;
  - Professional advisers (architect, quantity surveyor, etc) have adequate professional indemnity insurance (at least £500,000);
  - Appropriate arrangements have been made with the church’s insurers for adequate cover during the period of the contract.

If the church is purchasing a property, it is suggested that an independent professionally qualified person(s) or firm(s) carries out a full structural survey and valuation.

- The church should provide satisfactory evidence that it has the ability to fund the remaining cost of the project and to repay the loan over 10 years.
- The church must ensure that its Holding Trustees give approval to what is proposed.
- The church must begin the project within 1 year of the date of the loan offer and use its own specified funds for the project prior to receiving our loan funds.
- The church should agree to our loan conditions, including any requirements for security for a loan, and in passing a formal resolution at a church meeting after a loan offer is made. This includes a reference to the church being treated as a business. *Please note this is not imply that the church is trading, the term ‘business’ is much wider and HM Revenue and Customs regard charities as carrying on a business. Please note that unless the church is prepared to be treated as a business for the purposes of the loan, we will be unable to make a loan. If you are in any doubt on this point, we suggest you take independent legal advice.*

Our Trustees will request evidence that these points have been attended to during the loan process.

**Please see the following pages for answers to some frequently asked questions regarding our requirements.**

*NOTE: The Baptist Union Corporation also publishes an excellent set of Guideline leaflets re building projects, which give more information on many of these matters.*

## BUILDING AND RENOVATION FAQs

### ***1. Does the church need to appoint an architect or building surveyor?***

For any building work, normally yes. It is important that your consultants are professionally qualified, have adequate professional indemnity insurance in place and have appropriate experience. Depending on the size and nature of the project, it may also be appropriate to appoint directly or indirectly other professional advisers, such as a Quantity Surveyor (QS) or Structural Engineer.

If you don't know of a suitable person or practice, your Association or the Baptist Union Corporation may be able to advise.

### ***2. How much will the professional team charge?***

This will vary according to a number of factors. However, you should make sure that you have agreed the level of fees before the architect etc. does any work for you. The recommended scales of the professional bodies are a good starting point.

### ***3. What about repairs and/or renovations?***

A Surveyor would be able to assess what is needed and to prepare a report and specification. This is then a basis for obtaining quotations.

### ***4. We have an architect (surveyor) in the church membership, should we appoint him/her?***

Be careful - if the person you have in mind is a Deacon/managing trustee or a close relative or business partner of theirs, you may be breaking charity law if they charge more than the direct (prime) costs of providing the service, as they should not profit from providing services to the church. Some payment is likely to be necessary so that the person's professional indemnity insurance policy (PII – see below) applies to the job.

If a member of the church acts as architect or surveyor (whether paid or not) and things go wrong, there could be pastoral problems! It may be better to involve such a person on your Project Committee, or as the link person between the church and the professional advisers/contractor.

### ***5. How important is Professional Indemnity Insurance (PII)?***

Very important. If one of your professional advisers gets it wrong through negligence, PII may help you to recover the cost of putting right the consequences of the mistake. Without PII they may not have the resources to meet your claim. Copies of the PII certificates must be sent with your application.

### ***6. What level of PII is appropriate?***

BBCIO requires *at least* £500,000 in place. However, for a large project the cover may need to be more. Bear in mind that PII should not be limited to the cost of the project. If there is a problem, there may be consequential costs, such as demolishing some of the completed work, or damage to adjoining buildings – some of which may belong to someone else who could make a claim against the church.

### ***7. Whose permission do we need for the project?***

- Your custodian or holding trustees, with whom you should discuss your proposals at a very early stage.
- The local authority – if you are not sure, ask them. You may need both Planning Permission and Building Regulations consent.

- Listed Building Consent, if applicable. For a church building in trust with the Baptist Union Corporation or an Association trust body, this is done through them. Otherwise it is a matter for the planning authority.

In addition:

- The title documents should also be checked to ensure there are no restrictive covenants in place or rights over the land.
- Any conditions in respect of previous planning consents also need to be considered.
- Checks should also be made in respect of any land contamination issues
- The location and routes of gas, sewage and water pipes, and electricity and telecoms cables above, below and adjoining any site needs to be considered

Copies of all the above consents/documentation should be sent with your application, or as soon as they are available.

If Planning Permission or Listed Building Consent is required for your project, please do not submit the application until such approvals have been received. This is to prevent unnecessary professional time being spent on examining projects that subsequently have to be significantly changed.

### ***8. Do we need to consider Health and Safety issues?***

The 'Construction (Design and Management) (CDM) Regulations' apply to many building projects. Broadly, if the project meets *any* of the following criteria, then you have to follow these Regulations and in many cases notify the Health and Safety Executive BEFORE work starts:

- Demolition is involved
- The project will last for 30 days or more#
- There will be more than 500 person days of work involved#
- Five or more people will be working on the project at any one time#.

*# Any use of voluntary labour is included in these figures.*

Your architect or other professional adviser should be able to advise you on what is required.

There is also a *Guideline* leaflet published by the Baptist Union Corporation.

Under these Regulations you will have to appoint a 'Planning Supervisor' who should have his/her own PII.

### ***10. Need we approach more than one builder/contractor?***

Normally tenders should be sought from at least three potential contractors. Advice should be sought from the architect or surveyor in selecting the builders, who should have appropriate experience.

### ***11. Do we need a contract with the builder/contractor?***

We would expect loan applicants to have a contract with their builder before work starts but contracts should not be signed unless the church is certain it will have the funds to meet the contractor's invoices when they are presented (see also Financial FAQs). The contract should normally be in a standard form, which the architect or surveyor can advise.

### ***12. Will we have to pay VAT?***

That depends on the project. In certain circumstances the whole or part of the project may be zero-rated. Where substantial work is involved it may be worth taking advice to see whether simple modifications to the scheme could result in part of the work being zero-rated. The VAT offices publish advice leaflets, but, if there is any doubt, a VAT specialist adviser should be consulted.

VAT for certain work on listed buildings may be partially reclaimed through a government grant. (Contact: Listed Places of Worship Grant Scheme, PO Box 609, Newport NP10 8QD or [www.lpwscheme.org.uk](http://www.lpwscheme.org.uk))

## PROPERTY PURCHASE FAQs

### ***13. Do we need to have a survey and valuation?***

Yes, your holding trustees should require this since they will be signing the legal documents. BBCIO will also require to a copy of the report. Any valuation should be undertaken by a suitably qualified Chartered Surveyor and meet the requirements of the Charities Act. Both the trustees and BBCIO will need to be satisfied that you are not paying too much for the property.

### ***14. Can we purchase a lease on a property?***

**Possibly.** Your trustees will have to be satisfied with the length and the terms of the lease. BBCIO will consider a loan if the lease is a long one.

### ***15. What about a property as an investment?***

You will need legal advice to establish whether such a purchase is within your charitable objects. BBCIO is most unlikely to lend for such a purpose.

## FINANCIAL FAQs

### ***16. What financial papers will BBCIO need to see?***

- Accounts for the past three years (audited or certified by an Independent Examiner as appropriate) and the church budget for the current year.
- Costings of the project together with a budget showing how it is proposed to pay for it.
- A list, without names, of pledged gifts or regular giving towards the project.
- A draft cash flow projection for the next few years is always helpful both to BBCIO and to the church.

### ***17. Why does BBCIO want all this?***

Like the church, we are an independent charity. Therefore, we have a duty to take all reasonable steps to ensure that our funds are safeguarded. So, we need to consider whether the church can afford the project and will be able to repay our loan – even if that means asking some of the same questions as other lenders. Really, our interests are similar as those of the church!

### ***18. How much will BBCIO lend?***

Please see our website for our current loan amounts. In deciding how much it can lend, the BBCIO Trustees will take into account the general finances of the church, the cost and viability of the scheme and any other loans.

BBCIO will never lend the whole amount of a scheme. Our loan must comprise at least 75% of external borrowing for the project. However, we will not lend the whole amount of the project cost. Normally we look for an amount of at least 30% of the cost to be raised within the church. However, if there are particular local circumstances, we try to be flexible.

*Note: if you are a small church planning a small scale project, you might want to consider applying to our Empowering Change Fund (which offers grants in the range of £5,000-£25,000 to eligible projects). See our website for more details [www.baptistbuilding.org/grants.htm](http://www.baptistbuilding.org/grants.htm)*

**19. How much interest does BBCIO charge?**

BBCIO seeks to work in partnership with churches who are carrying out building projects for mission. We do not charge interest on our loans. However, we would appreciate a thank-offering donation on repayment of the loan, both to cover our administration costs and to help our funds to grow so that we can bless more churches in their work for God's kingdom. Our suggested donation amount would be an additional year's payments once the loan has been repaid.

**20. What are the conditions of the loan?**

If your application has been successful you will be asked to fulfil a number of conditions before we issue the loan, including:

- Passing a formal resolution at a church meeting agreeing to the loan (we will provide the form of words for this).
- Obtaining all statutory permissions and having adequate protection against any liability that might arise and put BBCIO's loan at risk before the loan is made.
- Starting the project including spending specific church funds you have set aside for the project, using your own funds prior to accessing our loan.
- Permitting BBCIO's interest in the loan to be protected - this may be by way of a legal charge on the property or by a restriction noted on the property title (which ensures that we are notified in the event of any moves to change the ownership of the building) and/or a guarantee. We ask the church to cover our reasonable costs (including legal costs) in arranging this.
- Permitting us to use details of your project as an example in our publicity on our website, social media and other promotional material.
- There may be additional conditions specific to the circumstances of your church project.

**21. When is the loan paid to the church?**

BBCIO will not pay the loan until it is needed and the loan conditions have been met. We expect that significant expenditure will have been incurred on the project by the church from its own funds before the loan can be paid. However, there is flexibility when necessary, for example in the case of a purchase the loan can be available after contracts have been exchanged and paid (if necessary direct to the solicitors) in time for completion.

While every effort is made to meet the church's preferred timetable for drawing down the loan, contracts should not be signed unless the church is certain it will have the funds to meet the contractor's invoices when they are presented. Normally loans are made available to churches in the order in which their completed applications were received.

See also note 24 below regarding our loan process.

**22. What are the loan repayment arrangements?**

Loans are normally repaid over 10 years in a maximum of forty quarterly instalments. The first of these is due one year after the loan is paid to the church. You will be expected to set up a standing order with your bank to make these repayments.

Some churches find they are in a position to overpay or fully repay their loan early during the loan term, and there is no penalty charge for doing so.

## HOW TO APPLY FOR A LOAN

Download our application form from our website or ask our Administrator via [admin@baptistbuilding.org](mailto:admin@baptistbuilding.org). Our application form asks about the scheme and the church finances. The form lists various documents that should accompany the form when you return it. These include church accounts for the last three years (audited or independently examined), the church budget, a cash flow forecast, plans and /or specifications, the church's mission plan etc.

If you have any questions, you can contact us on the above email or call 07506663761.

The completed application form should be submitted with all necessary documentation to the Administrator via email.

## LOAN REVIEW PROCESS

### ***23. How are the loan applications reviewed?***

Once the completed application form has been submitted with all necessary documentation to the Administrator, they will arrange for the application to be considered by two of our trustees:

- One will look at the finance aspects to make sure that the numbers stack up and that the church has the ability to repay the proposed loan;
- One will look at the building side to ensure that you have all the correct procedures in place as far as your professional team is concerned. It is not usually our policy to comment on actual plans.
- The Administrator will investigate the ultimate trust position and will also contact your Regional Minister or appropriate person to confirm your church's standing and ask for their commendation of the project.
- A visit may be arranged to view the project.

Once all these reviews have been completed a report will be made to the BBCIO Trustees to ask them for approval of the loan. In some circumstances, this may require a formal Trustee meeting.

### ***24. How long does the loan review process take?***

Please be aware that this process can take up to 6 months from receiving your completed application, or longer if the application is not straightforward or further information is needed. We will let you know the outcome of your application once the Trustees have made a decision.





## ABOUT BAPTIST BUILDING CIO

Baptist Building CIO has taken over the assets and activities of The Baptist Building Fund (BBF) which was established in London in 1824. At first it made grants and loans only to churches in the London area. Within a few years it was expanded to cover the whole of the British Isles. Over the years many churches in the UK and Ireland have benefited from loans to help build new premises or develop existing premises to assist mission.

In the early years of BBF the trustees required a church to nominate the charity to receive the proceeds of sale of the building if the church closed. Although this is no longer the case, from time to time we receive such proceeds which is used to fund our ongoing work

How this money is employed has changed over the years as we have responded to differing needs. Currently our policy is that:

- 75% of the net sale proceeds are allocated to loans, and
- 25% of the net sale proceeds are allocated to the Empowering Change Fund, which will make grants to small churches in rural and deprived areas to enable them to adapt buildings to transform their mission

Baptist Building CIO is an independent charity which seeks to co-operate with all the Baptist Unions and networks in the UK including, but not limited to The Baptist Union of Great Britain, Baptist Union of Scotland, Baptist Union of Wales and Grace Baptist Trust Corporation. Any church in proper standing with its own Union or Trust is eligible to make application for a loan or grant.

You can find more information about us and stories of churches we've helped on our website: [www.baptistbuilding.org](http://www.baptistbuilding.org)

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