

GENERAL SYNOD 2017

Representative Church Body Report Speech by Mr Henry Saville, Chairman, RCB Executive Committee

**Embargoed Against Delivery
Check Against Delivery**

Your Grace, members of Synod,

This is my first year as Chair of the Executive Committee and consequently also the first year in which I have the (possibly doubtful – and certainly daunting) privilege of presenting to you the report of the RB for the year 2016.

Included in the Book of Reports is a very detailed account of the work carried out by and on behalf of the Representative Body; indeed the RB report accounts for almost half of the printed volume; clearly I only have time to focus on a few significant areas in the course of this speech and I have no doubt that there will be other issues that I don't touch on that may be raised from the floor in debating this report.

Some of what I highlight will already be familiar to many of you but there may also be members of Synod for whom this is new information – and indeed some of the information bears repetition on an annual basis because of its importance and its complexity.

The RB is the trustee body for the Church of Ireland and was established in 1870; its main activities include, but are not limited to:

- Administration of trusts
- Investment management
- Treasury management
- Payment of (some) clergy stipends
- Administration of Clergy Pension Fund and payment of pensions
- Allocation of funds and resources to support the work of the Church
- Support for property transactions
- Legal support
- Library

And to support all of the above there is clearly a need for a strong and effective management team incorporating in particular financial management and human resource management.

Management of the finances of the RB is critical to the continuing ability to provide support to the work of our Church. Those of you with not too long memories will remember the position the Church was in just 10 years ago with General Funds totalling almost €250 million and what was at that time a healthy Clergy Pension Fund.

In the financial crash of 2007-2008 the value of General Funds fell by some 50%. In addition the solvency of the CPF was savaged both by a corresponding fall in the value of invested assets accompanied by a steep increase in the valuation of fund liabilities as a result of falling bond yields.

In the period since 2008, as a result mainly of sustained high levels of return achieved on the invested General Funds there has been a recovery in the total value of General Funds to the current figure of some €188.6 million and this is after paying special contributions of some €25million over these years to support the Clergy Pension Fund.

By any yardstick the increase in value of General Funds has been a good outturn but there are at the same time underlying issues of concern.

In 2012 the decision was taken to move to what is known as the total return basis of investment management which allows capital gains on investments to be accumulated with income from investments (dividends, interest etc.) and the whole treated as income which may be used for charitable purposes; the change in approach meant greater flexibility was possible in the types of investment that could be made so that investments generating capital profits as well as investments generating traditional income flows were equally valid vehicles and the greater range of options available were intended to support higher sustainable income levels.

The successful operation of a total return system of management requires assumptions to be made about sustainable long term rates of return and the permitted rate of withdrawal annually from funds generated; in the case of the RB the original parameters were set at an anticipated long term rate of return of 4% with a permitted withdrawal rate to meet all overheads and allocations set at 3.5%.. As can be seen in the intervening period that withdrawal rate has moved upwards to the point where it now stands at 4.5%; the adverse impact of the higher than projected withdrawal rate has been masked by the very high rates of return achieved on our investments; at the same time the sustainable long term average rate of return now anticipated for the future has fallen from 4% to 3% which would clearly result in significant withdrawals of capital on an annual basis to meet continuing outgoings at the current levels.

It is clearly a critical point of focus for the Executive Committee of the RB to ensure that the services required by the wider Church continue to be delivered going forward; this will only be possible with a continuing focus on efficient delivery of services, reorganising and reengineering where necessary and possible, and with a prudent management of costs. And what are those costs? All our expenditure falls into one of two categories: either service delivery costs or funds allocated to support the work of the Church. Our service delivery costs comprise approximately 48% of outgoings and allocations total some 52% under the three main headings of episcopacy and chaplaincy, training of ordinands and General Synod. I will return to this topic a little later.

Investments

Turning to investments: the RB has for some time operated an 'environmental, social and governance policy' in making investment decisions and that policy is set out on pages 100 and 101 of the Book of Reports.

In addition this year the in house investment team and the Investment Committee formalised a revised policy on climate change and this new policy, as adopted by the RB, is set out on pages 102 and 103 of the Book of Reports.

The degree to which this whole field is changing rapidly is reflected in the fact that notwithstanding the new climate change policy referred to above, the Investment Committee on behalf of the Executive is happy to support the motion being brought forward later this afternoon by Mr Stephen Trew which will further develop the approach to dealing with climate change issues within the investment activities.

In case anyone should think that we have ignored the importance of increasing exposure to investment opportunities in situations that are both focused on delivering satisfactory returns and also contributing to a sustainable and ethical future this slide identifies a number of situations where we have already adopted an active policy of investing in companies that will stimulate the transition to a low carbon economy.

Unit trusts

Both unit trusts continue to perform well; in the Republic of Ireland fund there was the capacity to put through a further small increase in the distribution rates to a total of 11.5 cent annually. In the Northern Ireland fund there was not enough headroom in income to provide for an increase in the distribution rate, which remained at 10.3 pence but there was a very significant increase in capital value (11.1% in the year to 30 June).

In both unit trusts the continuing good results need to be viewed particularly in the context of a prudent approach to investment.

These two slides show the performance of both unit trusts on a total return basis – that is including growth in capital value as well as the dividend yield, which in both cases remains above 3%. The exceptionally strong performance on the one-year Northern Ireland unit trust performance is at least partially as a result of depreciation of sterling.

The combination of continuing strong returns underpinned by a prudent approach to risk in the construction of the portfolios makes a compelling case for the investment of any funds you may have available in these unit trusts – and your investment can be realised and repaid to you on demand.

Clergy Pension Fund

Included within the appendices to the report is the report of the Church of Ireland Clergy Pensions Trustee DAC – the corporate Trustee which has five directors – three nominated by the RB and two by the Church of Ireland Pensions Board.

The trustee report deals comprehensively with the current position; the last actuarial valuation of the fund, carried out as at September 2015 and reported on at last year's General Synod, found that although there had been some improvement in the funding position at that date the fund still did not satisfy the minimum funding standard and consequently no changes were recommended at that time to the measures set out in the original funding proposal designed to restore fund solvency by 2023.

That valuation continues to be the guideline for decision making and once again there are no changes proposed in contribution levels and no recommended discretionary increases.

Property and trusts

The in house team dealing with property matters are possibly the individuals in Church House who have most interaction with parishes and dioceses; there is a level of expertise and depth of knowledge about property matters and particularly about potential sources of funding that must be an invaluable resource for those charged with on the ground responsibility. For instance the Listed Places of Worship Roof Repair Fund (a UK Government sponsored fund) paid out £269,800 to just 6 parishes in Northern Ireland in 2016.

An issue that does arise from time to time is the lack of adherence to approved procedures for property transactions; these procedures are clearly set out and they are designed to ensure that

all transactions receive the appropriate authorisation at the correct time and from the right body; the procedures were not established simply to keep someone 'up in Dublin' happy! Probably the most significant development in the area of Trusts was the establishment of the Church of Ireland College of Education Fund Trust with the RCB as the appointed trustee; the share portfolio and the campus of the former Church of Ireland College of Education were transferred into this Trust during the course of the year and the Trust in turn has committed to providing an annual subvention towards certain costs of the new Church of Ireland Centre in the DCU Institute of Education. As indicated in the report the RCB is grateful to the Board of Governors of CICE for facilitating this transfer.

You may remember that at last year's Synod legislation was passed approving changes to what was formerly known as the Church Fabric Fund and is now the Church Fabric and Development Fund.

Regulations governing the administration of the Fund were approved by Standing Committee in January of this year; whereas previously this fund was limited to meeting repair costs, the changes approved at last year's Synod provide for the fund now to be also available for development applications, both centrally and locally. These development applications are intended at both central and local level to facilitate the strategic growth of the Church of Ireland by focusing on mission initiatives both centrally on an island wide basis and at the parish level.

Parish Resources

I hope that many of you will recognise this page from the website and may be already familiar with some of the underlying content. The use of technology means that information can be shared much more quickly and cost effectively and can also be updated more efficiently. This will be a dynamic resource.

You can see that the areas already covered within the Parish Resources section of the website are extensive and incorporate sections that are advisory as well as illustrating potential pro forma documentation; and crucially, rather than have to waste time on phone calls to obtain blank documentation these can simply be downloaded from the website.

It is impossible, on the basis of this single slide, to gauge the effort that went into the development of this resource; we are convinced that the maintenance and extension of this facility will be of huge benefit to those of us out there in parishes and dioceses that are focused on the administration and development of our church activities

This project was possible through the support provided by Allchurches Trust – and we are grateful to the Trust for their continuing support.

Organisational and staff development

This time last year my predecessor as Chair of the Executive Committee paid handsome and well deserved tribute to the outgoing Chief Officer, Adrian Clements, and also welcomed as his successor, David Ritchie. David is the first person for some considerable time to have taken on the role of Chief Officer without first having spent time in some other role within the organisation. One result of this is that he brings a fresh perspective to many aspects of his position and one of the significant areas that he has focused on internally in this first year in post is the whole area of ‘Organisational and Staff development’.

Considerable time has been invested in some of these initiatives: the Mission and Values initiative is very far advanced and has been developed on a broad basis involving staff at all levels; the Manager development programme has also progressed substantially.

And when you consider review of services and process improvement I think we have come full circle as it takes us straight back to the point I mentioned under ‘Finance’ of the need to ‘...focus on efficient delivery of services, reorganising and reengineering where necessary and possible, and with a prudent management of costs.’

I have no doubt that there is great benefit for the organisation in being exposed to management practices honed in a purely commercial context as those practices are brought to bear and adapted for the somewhat different environment of the Church of Ireland’s support services. The management team – and indeed all staff – have engaged very positively in these developments.

In closing I would like to express thanks on behalf of the whole Church to two groups of people:

- to the many volunteers who give so willingly of their time and talents to support the work of the Representative Body;
- and also, and in particular, to the dedication of all of the staff of the RB, wherever situated, for their willing and professional delivery of services and all done with a friendly and engaging enthusiasm

To you all – our grateful thanks.

Your Grace and members of Synod – not being a member of Synod I am not able formally to propose the report be accepted but I do commend it to you most sincerely.