

Your Grace (Archbishop), members of Synod

Thank you for giving me the opportunity to present to you the report of the Representative Body for the year to 31 December 2017.

The RCB, established in 1870, is the trustee body for the Church of Ireland and as is evident from the Book of Reports of which you all have a copy, its work and responsibility is extensive indeed; that the report of the Representative Body comprises almost half of the Book of Reports for last year is not a reflection of any sense of self-importance but is a yardstick of the breadth of the activities carried out and the range of services delivered by those members of staff and volunteers comprising the RB.

Those activities include, but are not limited to:

- Investment management
- Support for property transactions
- Administration of trusts
- 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
- Provision of 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.

There are other activities that fall outside the above categories but which have become increasingly prominent in the day and daily work within Church House and some of which are much more visible by way of interaction with the Church at large; I don't intend to steal the thunder of Archdeacon Wilkinson but in seconding this report I believe he will touch on some of those areas.

And there is in my view a further change of focus not evident from the list of activities already given; within the confines of Church House there are two broad categories of activities: the workings of General Synod, overseen over the course of the year by Standing Committee as reported on in this hall yesterday and the work of the Representative Body as trustee. For a variety of reasons, not least the impact of state legislation, there is an increasing degree of cross over between the trustee body and the work of Standing Committee: the most striking recent examples of this are in the support developed and provided in the minefields of coping with both charity legislation and also safeguarding.

Finances

Having ranged rapidly over a number of areas it will be no surprise if I say that I wish to focus mainly on financial issues, incorporating both how we spend our funds and how we generate them through stewardship of our asset base by way of management of our investments.

Careful management of our finances is clearly critical to the RB's ability to continue providing support to the mission of the Church.

And whilst it is pleasing to be able to report further growth in the balance of general funds at the year end, we continue to struggle to live within our means, whether measured by traditional methods or under the total return approach.

I will deal first with our generation and expenditure of resources – income and expenditure are the broadly equivalent traditional descriptions.

To repeat what I said last year: the decision was taken in 2012 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 funds 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.

In 2017 the amount “permitted” to be withdrawn from our funds under Total Return was €5.42m; this figure shows a slight increase on the prior year (€5.39m) as the calculation starts to reflect the growth in general funds over the last number of years. Taken with an increase in other operating income this meant that total incoming resources increased by almost €300k; at the same time, whilst the cost of operations and allocations increased marginally, a significant reduction in exceptional pension costs meant the total withdrawal figure was down by €140k and the excess withdrawal reduced by €430k though still at an unacceptably high level of €910k

The budget figure for 2018 shows further excess withdrawals, though reducing to a figure of just below €600k. This reduction is welcome but it remains the goal of the RB to eliminate the excess withdrawals over a 2 to 3 year period; given the logic of average long term rates of return, spending in excess of the notional permitted withdrawal rate simply mortgages our future ability to sustain delivery of services.

During 2016/2017 a review was conducted of the Total Return approach which concluded that the long term sustainable target rate of return was likely to be 3.5% rather than the 4.0% that had previously been anticipated; at the 4.0% rate, withdrawal had been allowed for at 3.5% which created the capacity to accumulate additional capital; at the now presumed rate of return of 3.5% there is no capacity currently to create savings to allow for long term capital accumulation.

#### Investments

If excess withdrawal of funds is the bad news the continuing delivery of positive returns in excess of our permitted withdrawal rate means that for the time being our total general funds balance continues to show year on year increases. For General Funds the increase amounts to some €4.7m in 2017 resulting in a total general funds balance of €184.4m. This figure reflects a total return performance for the year of 5.5% versus a benchmark of 6.8% with the variance largely being due to a defensive positioning of the fund as a result of which our equity holdings are less than the benchmark component; we in the RB continue to be haunted by the very severe depletion of capital that happened in the global collapse in 2008 when our general funds were reduced by almost 50%. Since that time, protection of capital has been as important to us as generation of income or exposure to short term gain with the result that as equity markets, particularly in the US, continue to outperform markets generally, our conservative approach, whilst providing a very satisfactory return, appears to have underperformed, measured against a benchmark that doesn't sit comfortably with our priorities. The rationale for the composition of our portfolios is explained clearly within the body of the report.

The same comments apply to both Unit Trusts as to General Funds: very good absolute performances over 1, 3 and 5 years appear less satisfactory when measured against benchmarks that don't sit totally comfortably with our placing a high priority on capital protection.

ESG (Environmental, Social and Governance) issues continue to feature in the management of the investment portfolio; our approach is primarily to engage with companies to encourage improvement in their policies; this approach is delivered in the main through our involvement with significant lobbying groups such as Church Investors Group and the Institutional Investors Group on Climate Change; the Church Investors Group participated in the September meeting of the Investment Committee to share with the Committee how its support facilitated the lobbying efforts undertaken by Church Investors Group.

#### Climate change

Until recent years all of the discussion on the RB report dealing with environmental issues focused exclusively on investments; in the recent past we have come to acknowledge that there are things that we can do, apart from managing our approach to investments, to help reduce our environmental impact; initiatives taken have included

- a pilot scheme to identify potential energy efficiency initiatives within parishes
- waste reduction – eg reusable coffee cups in our offices
- promotion of remote meetings through a conference hub in the Belfast office to complement the existing facility in Church House in Dublin
- and, the location of beehives on RCB property to improve urban pollination

Doubtless over the coming months and years there will be many more similar initiatives.

#### Property and trusts

This is probably that area of the RB's activities that has most interaction on a day by day basis with parishes and dioceses; in 2017 alone some 400 transactions were processed; some will be very minor transactions but some will be very substantial and all of them will have legal, planning, maybe trustee, and certainly procedural issues to be dealt with or verified. All of this work has created a level of expertise and depth of knowledge about property matters and particularly about potential sources of funding that is an invaluable resource for those charged with on the ground responsibility.

The report contains valuable information on the range of grant funding available including both church derived schemes (such as Church Fabric and Development Fund and the Marshall Beresford Fund) as well as a myriad of state funded support in both Northern Ireland and the Republic of Ireland including the Listed Places of Worship Grant Scheme in NI ( now extended to 2020) , the Heritage Lottery programme also in NI which provides grants under a number of headings; in ROI similar state funded schemes include the Built Heritage Investment Scheme and the Structurers at Risk Fund; in 2017 churches and properties vested in the RCB were awarded €365,282 and €180,000 respectively from these schemes.

I have already mentioned initiatives to tackle climate change; potentially one of the most significant of those initiatives, developed within the property department, was a pilot Buildings Energy Management Scheme in 10 parishes in Northern Ireland; the results of the pilot are awaited with interest and will determine the progress of the initiative whether in its current form or with modifications.

#### Campus review

Included in last year's report was reference to the Church of Ireland College of Education Fund Trust for which trustee responsibility was assumed in 2016; the assets of that Trust includes both financial assets and substantial property assets – the former site of the college in Rathmines. This situation

creates both an obligation to examine how best to manage trust assets and a potential opportunity to review the needs of the property assets directly under the control of the Representative Body – including Church House, the Theological Institute and the Library. Any proposals that might come forward will need to combine

- the trustee responsibilities obligations under the Trust deed
- the future needs of the Church
- and take account of interaction with the broader community outside the church in any proposed uses

This is clearly a potentially very significant and substantial proposition and will be taken forward with care. The project is at an early stage and is being overseen by a subcommittee of the Executive Committee, the Campus Review Group, with appropriate external specialist professional support.

#### Library

One of the possibly underappreciated responsibilities of the RCB is the Library; whilst the principal focus of the Library's work may be on the provision of resources for ministerial training the Library also manages and makes available to external researchers a significant resource based on parish, diocesan and cathedral records, a large collection of ecclesiastical manuscripts and the non-current records of the dealings of both General Synod and the RCB.

The Library also undertakes conservation of early printed books as necessary – and maybe as funds permit – as well as having curatorial responsibilities for both church plate and episcopal portraits – that most important of responsibilities!

As well as having an academic focus on training and supporting research both within the church community and for third parties the Library engages in outreach activity in support of Diocesan activities, engagement with PRONI, supporting the digitisation process of the Cof I gazette and possibly most visibly through the 'Archive of the Month' feature which regularly introduces hidden gems of previously undiscovered aspects drawn from the collections in its care.

#### Church House staff

Before closing this speech it is the practice to express publicly our appreciation to all the staff within the organisation for the professionalism and commitment they bring to their work and I will do all of that in a few moments; however I know that may ring hollow with staff this year in light of the recent decision to wind up the Staff defined benefit pension scheme.

Along with other members of the Executive Committee I have attended a number of meetings over the last few weeks that leave us in no doubt as to the current state of staff morale.

Notwithstanding all of the expressed anger and frustration I, and the other members of the Executive Committee remain convinced that the decisions taken were not just in the best interests of the RCB, as a Trustee body, but also in the interests of all staff.

We do regret the current state of morale and we are committed, with management, to restoring the normal, mutually respectful, relationships that have existed within Church House.

Close

Finally I would like:

- to express thanks on behalf of the whole Church to the many volunteers who give so willingly of their time and talents to support the work of the Representative Body;
- and also, whilst acknowledging that these comments may not be accepted in the spirit in which they are extended, I do particularly want to acknowledge the dedication of all of the staff of the RB, wherever situated, for their willing and professional delivery of services; I want to thank them for that dedication

To you all – our grateful thanks.

Your Grace/Archbishop and members of Synod – I commend the report to you most sincerely.

Henry Saville