

**GENERAL SYNOD 2009**

**REPORT OF THE REPRESENTATIVE CHURCH BODY**

**Proposed by Mr Sydney Gamble, Diocese of Derry**

**EMBARGOED UNTIL DELIVERY, SATURDAY 9 MAY 2009**

**CHECK AGAINST DELIVERY**

Your Grace,

Adam Smith wrote “The Wealth of Nations” in 1772 (he was born a couple of years after the South Sea Bubble and the Louisiana Scandal of the early 1700’s). Before publishing “The Wealth of Nations” he wrote about non-profit values in his first book “The Theory of Moral Sentiments” published exactly 250 years ago. While stating that “prudence” was “of all virtues that which is most helpful to the individual”, Smith went on to argue that “humanity, justice, generosity and public spirit are the qualities most useful to others”.

In the context in which we find ourselves to-day it might have been appropriate for Bertie Ahern, Gordon Brown and many others to have memorised my third and final quote from Adam Smith “The rate of profit is always highest in the countries that are going fastest to ruin”.

This year in presenting the Report of The Representative Church Body I am acutely aware that no one in this House is immune from the effects of the most severe world economic downturn of the last 60 years. It is of little consolation that other people in other countries are facing comparable distress. I do feel however a strong obligation to view our current situation in the context of the history of our church and in particular the

conduct of the RCB since its incorporation by charter in 1870 following disestablishment in 1869. Whether we examine the success of the RCB in terms of prudence or reflect on its work in terms of its humanity, justice, generosity and public spirit, the outcome is broadly the same.

Over recent years we have watched our Balance Sheet growing inexorably in value. Last year I reported a landmark value of funds in excess of € 660 million. This level of funds has decreased by year end 2008 in value by some 42% to € 385 million.

Likewise over recent years we have seen our incomes expand at a significant rate due mainly to good results from our investments in financials.

However disturbing the dramatic drop in the value of our funds, it is the sudden dramatic increasing loss of income which is more significant in the short to medium term. The loss of capital may be replaced over time but the reduction in income impacts immediately on the ability of the RCB to meet its obligations to serve and support the Church. I will address the situation at year end 2008 in terms of the ability of the RCB to continue to function at levels of support as heretofore. Whilst we face substantial challenges, we are also afforded opportunities to review what we do and determine if we can operate more effectively. We must examine if we can do things differently.

The financial activities of the RCB can be best described under three headings.

1. General Funds
2. Pensions
3. Other Trust Funds

1. General Funds are the free funds available to the RCB for use towards the support of Ministry and activities of the wider church. Traditionally it is the income rather than capital which is used from these funds. At year end 2008 the capital values of these funds were €125 million against some €218 million in 2007. More importantly the income for 2009 is currently estimated to be down by over 20% on the €8.2 million earned in 2008. We are confronted with an inescapable challenge of trying to balance income and expenditure.

In addressing this challenge I must highlight the prudence exercised over recent years of transferring sufficient income to our Allocation Reserve. You will be aware that year on year we try to maintain this Reserve at a level equivalent to one year's Allocations (currently the Reserve amounts to €4.6 million). Clearly we must now use this Reserve to begin to provide compensation for the loss of income. Equally however we must all be aware that any subvention by the Allocations Reserve Fund will have time limited availability. We have to endeavour not to allow this resource to become fully exhausted. I would wish to pay tribute to the Allocations Committee and would ask all those members of Synod who will be consulted on potential cost-savings to approach this issue with full cognisance of the financial situation which I outline to-day.

This year and for the foreseeable future, significant decisions will have to be taken to prioritise where available incomes should be spent and to identify where activities may be curtailed or suspended. Significant reviews have already been undertaken to identify areas of expenditure reduction in the following:

- (a) Staff Salaries – staff offered in December 2008 a voluntary freezing of salaries for 2009 and I would wish to acknowledge this substantial gesture on behalf of Synod and the membership of the wider church.
- (b) Minimum Approved Stipend – it is proposed that there will be no increase for 2010 – again I wish to acknowledge and recognise that in practice this will provide financial hardship for Clergy

- (c) Staff Pensions – I report the closure of the Staff Pension Plan to new entrants and I report that additional personal pension contributions are now having to be made by existing staff members.
- (d) Clergy Pensions – Synod yesterday set in train proposed additional levels of pension contributions in 2010 by members of the Clergy as well as the Dioceses.
- (e) Staff employments – staff are developing a voluntary programme of “options” to enable them individually to agree changes to their terms and conditions of employment which would provide consequent cost savings to the RCB as employer.

2. Turning to the second major financial activity of the RCB, that of Clergy Pensions. - Here again the situation is very challenging. Pensions rely on the level of capital funds available to meet long term liabilities. At year end 2008 the estimated level of underfunding, that is the excess of liabilities of €122 million over assets of €77 million was €45 million under Minimum Funding Standard rules. These rules are set out by the Irish Pensions Board and as Trustee the RCB has an obligation to provide a plan as to how this underfunding situation is to be addressed. As a consequence the RCB is prepared to commit to making during 2010 a capital injection of not less than €5 million into the Fund. At the same time the Dioceses and Members of the Fund, with effect also from 2010, are being asked to increase their total annual contributions by 3.6% to 26% of Minimum Approved Stipend.

In 2011 the level of annual contribution by the RCB will be reduced to reflect the capital injection. Subsequently in light of the forthcoming Actuarial Valuation in September of this year, the magnitude of further capital injections that might be required will have to be assessed as will the need for increases to the level of 26% contribution rate. Specific proposals will be brought annually to Synod in 2010

and in 2011 where further contribution changes will be required to provide for the full future funding rate (currently anticipated to be circa 30%).

We have in existence a Clergy Pensions Scheme which is the result of substantial prudence and a Scheme which in recent years and in the current economic climate is of great comfort to those Clergy in or approaching retirement. The RCB commits itself to protecting and maintaining the Scheme to the best of its ability. This commitment will be reported on in the Report of the Pensions Board to follow this afternoon.

3. The third major financial activity of the RCB is that relating to Other Trust Funds. These are predominantly invested in the Unit Trusts of the RCB. The levels of annual distribution of incomes from these units is very important as they are, in many instances, used by parishes towards meeting their operating costs. Whilst in past years the distribution performance of these trusts has shown significant increases up to and including 2007 (see overhead). The distributions for 2008 in the case of Republic of Ireland units show a small decrease of 1.8%, Unfortunately the 2009 distributions will be significantly reduced by an estimated 27%. This reflects both the significant fall in the value of Sterling when converted to Euro as well as the dramatic reduction in income from financial institutions.

In the case of the Unit Trust N.I, the situation is not so serious as income for 2008 showed an increase over 2007 and income for 2009 is expected to remain unchanged from that for 2008.

In the Book of Reports, reference is made to the work currently in hand to regulate, in terms of governance structures, the trusteeship exercised by the Representative Church Body to meet its statutory obligations under current Pensions legislation. A Working Group has been undertaking a review of the Constitution as it relates to the Clergy Pensions Fund in order to ensure appropriate levels of compliance. At the same time the Working Group is examining how the trusteeship responsibilities might best be

undertaken and administered. I thank the members of the Group for their continuing efforts. It is expected that proposals will be brought to Synod in 2010 to effect both necessary and desirable changes.

I have mentioned earlier in my report the proposals in relation to Minimum Approved Stipend. In a resolution which I will move to at the conclusion of this address, the levels of Minimum Approved Stipend for 2010 will remain unchanged from those of 2009. It is felt that with the severe economic downturn resulting in substantial job losses and low or even negative inflation in 2009 together with reductions in investment incomes, the Church of Ireland should be seen as being aware of the financial difficulties that many of its members and others face in the current economic climate. We are all perhaps too well aware of circumstances where persons known individually to us are suffering financial hardship through income / pension reductions, additional taxation and in some cases even loss of employment.

That part of the Book of Reports relating to matters which are the responsibility of the Representative Church Body includes a substantial portion within the property section on the maintenance and management of the portfolio of See Houses. The policy of the RCB is to continue, as opportunities allow and where it is deemed necessary, with a programme of refurbishment and upgrading of existing accommodations or if appropriate, replacement with new builds or the acquisition of alternative properties. There is continual debate on the appropriateness in terms of both cost and size of proposed buildings. Every endeavour is made to seek diocesan views and to engage with incumbent Bishops as appropriate.

In the case of Armagh and Kilmore Dioceses, the challenge for the Representative Church Body is to balance diocesan sensitivities with available financial resources and to apply “The Theory of Moral Sentiments” of Adam Smith - not an easy task.

Continuing to consider the RCB’s property portfolio, I would draw attention to proposals currently being implemented in relation to the Theological Institute at Braemor Park.

Whilst it has been identified as a stated aspiration that the activities of the Institute and Church House, Dublin should be combined on one site, it has not, despite much work done by our “Facilities Group” tasked with the challenge, proved possible in the immediate future to provide this outcome. Clearly uncertain and volatile economic and property environments dictate against it. Thus it has been decided to upgrade the standard of residential accommodation on the Braemor Park site and to complete the upgrade prior to the intake of Master of Theology students in September of this year. This is expected to be at least a medium term measure. The RCB will continue to try to identify a long term proposal for new facilities over time.

I expect that the debate which follows this report may include some reference to the legislation which seeks to strengthen the regulatory supervision of charities and is currently in place in both parts of Ireland. The intention of the legislation is to improve accountability and the general quality of governance in the voluntary sector and to give added reassurance to the public.

We in the Church of Ireland have a record of clear financial accountability through the parochial and diocesan structures which have been established for many years. We have no concern in principle about conforming to the new reporting requirement. We welcome the introduction of greater openness across the sector.

There is a concern, however, that the way the regulation is implemented could mean a greater burden of bureaucracy and cost, particularly audit cost, which in itself will not add to financial clarity or awareness. The RCB is in a process of engaging with the newly formed regulatory bodies suggesting a Church of Ireland approach which will recognise the benefits of the structures and processes already in place and permit diocesan registration, where that may be preferred by the dioceses, without adding greatly to the burden of reporting and audit already in place.

Much has been written and said about the causes of our current economic woes. No amount of finger pointing and apportioning blame will remedy the situation. A prayer is

read at the commencement of all meetings of the Executive Committee of the Representative Church Body in which we ask God to grant us a clear mind and judgement in all things as we exercise stewardship of the resources of this Church. We ask God to guide us with his wisdom and lead us in the paths of truth. As we continue to encounter new challenges we must renew our efforts to prioritise our responses to these challenges.

I would wish to thank the members of the various Committees of the R.B – the Investment Committee, the Allocations Committee, the Property Committee, the Stipends Committee, the Audit Committee, the Library and Archives Committee and the Legal Advisory Committee and of course the parent of these committees which is the R.B Executive. I talked at the outset of addressing priorities. In this regard I would confirm that the Executive Committee is currently examining the effectiveness of how it does its business. This process will have to be undertaken at every level throughout the Church as we confront the challenges of the next few years.

Your Grace

Before proposing the Report of the Representative Church Body I would extend the gratitude of our Church to all the members of staff for their continuing and much valued contribution to the day-to-day management of our Church's administration.



