

EMBARGOED UNTIL FRIDAY 7 MAY 2010

General Synod 2010

Report of the Representative Church Body

Proposed by S Gamble, Diocese of Derry and Raphoe, Chairman, RCB Executive Committee

Your Grace

Growing up in Strabane in the 1950s, I developed certain habits which have persisted to this day. One of them derived from worshipping in our Parish Church. We had as our rector the then Archdeacon of Derry, the Venerable Thomas Baird. In those days we did not have PowerPoint presentations, more often than not we didn't even have lantern slides! To relieve the boredom of a blistering sermon I would study the numbers on the Hymn Board above the pulpit. I would play with the numbers in different mathematical ways. I may have missed the message of the sermon but it did wonders for my mental arithmetic.

Given that we are meeting today in Christ Church Cathedral I thought I might revert to numbers on a Hymn Board to convey the thrust of the Representative Body's Report to Synod. Be assured, Your Grace, that this is not a flippant or light-hearted approach. You will see from the numbers that we confront an extremely serious and challenging situation.

Let us look at the dramatic change of fortunes which has overtaken us. You will see that the numbers today convey something of the turmoil which has occurred in our finances.

Starting with the net value of our Balance Sheet – and remember these figures are in millions of Euro:

2006	750	
2007	662	(down 12%)
2008	386	(down 42%)
2009	448	(up 16%)

It is clear that the main fall in value happened in 2008. As will be apparent later on, income was not hit until 2009. The net value has now started to recover and the 2009 figure is up €60m on year end 2008.

It is important to remind ourselves that the finances of the RCB are essentially split between:

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

Whilst the RCB has responsibility for the total assets, it has income from less than one-third of this total available to fulfil its primary role to serve and support the Church's ministry. Looking at the makeup of the 2009 value of €448m, we see that:

- General Funds account for: €146m
- Clergy Pensions and associated funds: €97m
- Owned by Parishes and Dioceses: €205m

When we examine our income and expenditure figures, we see in starkest terms the impact of the dramatic income drop on our ability to fulfil our primary mission. In summary terms, in 2008 we had a surplus of €614,000 compared with a deficit of €751,000 for 2009. This deficit in reality would have been worse, were it not for subventions from other funds. A one-off subvention of €200,000 was received from the Stipends Fund, whilst a one-off contribution of €75,000 was received from the Royalties Fund. We are indeed most grateful for this assistance.

Looking in some detail at the negative impacts:

Income dropped by 25% from €8.17m to €6.16m.

Falls in fees and charges made for services, together with an increase in actuarially calculated pension costs, also contributed negatively to the outturn for the year.

On the positive side, in addition to the contributions from the Stipends and Royalties Funds, I would acknowledge the savings achieved through the reduction of €300,000 in operating costs within Church House, both through the efforts of our office staff and a reduction in the cost of central meetings. Coupled with a return of unexpended allocations for the previous year of €338,000, these adjustments helped to reduce the deficit to €751,000 as mentioned earlier.

The outlook for income is for modest growth, and there is a €1.5m gap to be bridged. Income growth will not achieve that on its own, as that would need 4% per annum growth in excess of inflation over five years, or cumulatively 22%. Looking, therefore, at the changes to date in allocations, the summary totals (before support from other funds and unexpended allocations) are as follows:

2007	€6.12m
2008	€5.37m
2009	€4.81m

These totals are distorted by changes in exchange rates and the negative impact of the Ministry Training Project on training costs in 2007 and 2008. These costs are temporarily back to pre-project norms, but will be increasing again in 2011, due in the main to the additional cost of the planned intern year.

The problem is that, while action is rightly being taken to reduce Church House costs (which action will deliver a further €250,000 or so per year of savings from the 2009 level), action to contain and/or reduce allocations further will take longer to implement, and will impact on a combination of Episcopacy costs, clergy training costs, Synod costs and other allocations.

If half the 'gap' were to be bridged by a recovery in income – say €700,000 – then the other half needs to be achieved by a combination of reducing Church House costs and allocations from the 2009 level. Church House costs reduced by €300,000 in 2009, and are planned to be at a level about €250,000 below that by 2011. This would imply that allocations, picking up the rest of the gap, would have to reduce by around 10% from the level charged in 2009 to provide for spend in 2010.

This is where the impact hits the rest of the Church. Either the Church is prepared to pay to keep these costs at 2009 levels, or they have to be cut. Either way, the wider Church is impacted. I will return to some of these issues later.

However challenging these figures are, of equal concern is an attitude of mind which prevails in many quarters, that it is "business as usual" albeit on a reduced level. There is a constituency in our Church who, like those in the commercial world who headed many of our major financial

institutions, simply “don’t get it” as far as our current predicament is concerned. I will return to this issue later.

Now, however, I wish to refer to some of the areas which are being addressed in order to significantly reduce our operating costs.

The RCB’s Allocations Committee, chaired by Mr Graham Richards, clearly has the most difficult role in the current economic climate. As you know, the Allocations Committee is charged with examining requests for financial support and making recommendations to the Representative Body. It keeps a “watching brief” on the use and deployment of resources allocated to committees and organisations. It plans ahead as it reflects changing levels of income. In all its work, the Committee co-ordinates action with other financial bodies. Those in this House who sit on our various committees will already be aware that the Allocations Committee in June 2009 sought reductions of up to 20% in applications for allocations. Here I would acknowledge the positive response from the Standing Committee and in particular the Budget Sub-Committee, under the Chairmanship of Mr Wilfred Baker. They achieved a targeted 20% reduction.

Similarly I would acknowledge the cost reductions being achieved in Church House administration. All staff salaries have been frozen since April 2008 and senior management volunteered and have implemented a reduction in their own salaries. A programme of voluntary redundancy is in progress to permanently reduce operating costs. Pension contributions by members of the staff pension scheme have increased from being non-contributory to 6% within the past four years.

These issues bring about considerable pressure on the level of services provided to the working of our Church on a day-to-day basis. All of us have been impacted by the current recession, but when it comes to loss of employment and reduction in income, it is only possible to fully understand the ramifications when they are actually experienced on a personal level. I would wish to assure the staff of Church House that their efforts in providing a wide raft of services to the Church at large are valued enormously, and that the pain which they currently confront is understood and deeply appreciated.

I said that the impact of cost savings would reduce the level of services available from Church House. I feel that we should make the positive response that “Out of adversity comes opportunity”.

If you are involved with, and can influence, any of the groups and organisations which obtain funding via the Allocations Committee, look at your level of spend. Do not spend it if you don’t need to. Consider returning some of your allocation, to better protect the funds available for next year and the year after. Keep a focus on the continuing pressures. May I give an example of a positive out-turn through the availability of revenue reserves. The major project of refurbishment of the Church of Ireland Theological Institute was achievable through the availability of RB funds conserved over previous years. I would wish to pay tribute to the Chairman of that project group, Mr Robert Neill, and the other members of the group. They delivered an outstanding result both on time and on budget.

As usual, the Book of Reports to General Synod commences with the report of the Representative Body. This year the report of the RB, together with the report of the Church of Ireland Pensions Board, accounts for 200 out of a total 470 pages, that is almost 50%. Much of what is included this year relates to changes in the relationship between the Representative Body as Trustee and the Clergy Pensions Fund. It is not my intention to draw down the salient alterations to the Pension Scheme. These will be well aired and debated as the proposed new Chapter Fourteen of the Constitution is taken through its various stages at this Synod. I do, however, wish to highlight two matters.

Firstly, the commitment on the part of the Representative Body to transfer €5m this year and each of the following four years, taking account of prevailing market conditions, to help restore the solvency of the Pensions Fund. This represents an enormous commitment by the RCB in these difficult financial times. It will erode the capital of the RCB at a time when the demands for financial support continue largely unabated throughout the Church.

The second matter which I wish to highlight in relation to the Clergy Pensions Fund follows from my earlier remarks. In 2007 the RCB Executive Committee set up a Working Group in consultation with the Church of Ireland Pensions Board. This Group was charged with bringing forward proposals to restore the solvency of the Pensions Fund. It was further charged with reviewing the changing obligations of the scheme in terms of its compliance with the laws pertaining to the administration of such a Pensions Fund in this jurisdiction.

I wish to acknowledge the tremendous efforts of this Working Group, and in particular the immense amount of meticulous work of its convenor, Mr Terry Forsyth. I trust the members of the Working Group will forgive me mentioning Mr Forsyth's input in particular.

As we consider the challenges of the continued reduction in our income levels, I wish to highlight two of the largest elements of cost for which the Representative Body is liable. These are: Theological Training and the cost of the Episcopacy.

Theological Training accounts for 24.5% of the cost of allocations for 2010. We need to ask the questions:

- Is the current level of block allocation for training sustainable?
- Do we need to examine alternative methods of funding?

In the Book of Reports you will see that funding costs of the Episcopacy constitute 29% of allocations for 2010. The Episcopal levy will account for €785,000 of a total cost of €1.721m. Again I pose the questions:

- Is this situation sustainable?
- Do we need to examine and alter the current split in funding costs between the centre and the individual dioceses?

We need to address the question of what sort of structures are required for the Church of Ireland in the twenty-first century. Are the present structures, which have existed largely without alteration since Disestablishment 140 years ago, appropriate to today? Are we being realistic in thinking that they continue to be needed and that they are affordable?

If we persist in the view that simply tweaking allocations year on year might take us through to a future where good times return then I think we delude ourselves. If adversity brings opportunity then we can surely continue to observe the principles of Christian giving and stewardship but do it in a way which better reflects our current and future condition.