

**EMBARGOED UNTIL FRIDAY 10 MAY 2013**

**General Synod 2013**

**Report of the Representative Church Body**

**Proposed by Robert Neill, Diocese of Glendalough,**

**Chairman, RCB Executive Committee**

Your Grace

My report deals firstly with the Finances and then with other issues. There's a whole lot about finance, but I hope you'll bear with me as it is important that we all understand where we are.

## **GENERAL FUNDS**

First of all General Funds, which are those funds available to the RCB to support the ministry of the Church. The figures on p.66 ff of the Book of Reports summarise the results. The operating deficit was €5.7m. This demonstrates that we continue to live beyond our means. The deficit year on year has increased by €1.3m, largely on account of reduced income from investments of €1m, but also on account of a higher number of students in training for the ministry. In each of

these years there is included a special contribution to the Clergy Pensions Fund of €5m and the plan is that this will be repeated this year and next as part of the Funding Proposal.

The €1m reduction in income was expected and arose for 3 reasons - an exceptional receipt in 2011 from a bond swap, reduced earning capacity following a further capital transfer to the CPF and our change in investment strategy to a Total Return basis. I will come back to Total Return later.

The story on the balance sheet side is more encouraging. The value of the General Funds Balance Sheet has increased by €12m to €152m, after absorbing the loss of €5.7m. General Funds have thus recovered the loss of capital in 2011 and capital growth has compensated for the €5m pa transfers to the Clergy Pensions Fund.

For the RB to service the operational needs of the Church, it needs to generate about €7m annually of which, in 2012, about €6.2m came from General Funds and €0.4m from sundry income and subventions from other funds, leaving an income shortfall of €0.5m.

The €7m expenditure breaks down as:

The RB contribution to the costs of the Episcopacy and University Chaplains	€1.5m
Non capital contribution to CPF	€0.5m
Training of Ordinands	€1.4m
General Synod activities	€0.9m
RB/Church House irrecoverable overhead	<u>€2.7m</u>
Total	€7.0m

We are grateful to Standing Committee for curtailing the costs incurred under the General Synod heading.

There are only 2 items to which the parishes/dioceses contribute. These are the balance of the cost of the Episcopacy and the total cost of child protection officers, as shown here, levied as an amount per cure.

		Republic of Ireland	Northern Ireland
Based on number of cures		195	254
		€	£
Episcopal Levy	6.00% of MAS	2,173	1,560
Child Protection Levy	0.50% of MAS	181	128
<b>Total Levies</b>		<b>2,354</b>	<b>1,688</b>

Parishes make diocesan contributions which include these levies; the rest of the diocesan contribution goes to meet stipends, pensions and other diocesan outgoings.

There is no cross subsidisation between one diocese and another, except to the extent that some dioceses have more cures than others.

## TOTAL RETURN

We introduced the new “Total Return” policy for General Funds last year. It is described under “Reserve Policy” on page 16. The policy allows the managers to create a more diversified portfolio in pursuit of a long term sustainable return, measured in terms of both capital and income, instead of chasing income as a goal in itself. Total Return is a tool and one which is employed by many leading Foundations and Trusts.

## INVESTMENTS

Investment performances for the Funds under management all outperformed the market indices. Page 24 shows the performances relative to the benchmarks. The different funds

showed returns from 17% to an outstanding 30% for the portion of General Funds managed in-house.

## UNIT TRUSTS

The two Unit Trusts greatly exceeded their bench marks (as shown on page 24). They are an invaluable resource for the dioceses and parishes of our Church and for other specific charitable trusts, holding assets between them of €235m. They are managed in-house and deliver a dividend yield currently of 3.75% pa on current unit values. The Unit Trusts retain a Dividend Equalisation Reserve which is needed to support the level of distributions during a recession, but it has to be rebuilt as markets recover and before distributions can be increased. I commend the Unit Trusts to all treasurers as cost effective instruments and as suitable homes for wider Church funds. Free funds can be realised at a month's notice without any RCB constraints. The full reports can be found on pages 95 and 103.

## SOCIALLY RESPONSIBLE INVESTMENT

The Socially Responsible Investment statement on page 92 has been further expanded. The fifth paragraph replaces “end

weapons” with “strategic military sales” and a definition of them. The rest of the statement is unchanged.

## OUTLOOK

Our investment outlook is cautionary. The view of our investment committee is expressed on page 26. This caution translates into an investment profile of 60:40 equity: bond mix. But for a different view, turn to page 164 where you will see an external manager who is more bullish about equities.

The full RB Report runs to 40 pages of text and nearly 140 pages of appendices. The staff in Church House work intensively to produce the Report and are to be commended for the clarity and the detail. It is also a very useful resource document, providing details on grants, procedures and web site references for all aspects of property, conservation and archives. And every aspect of Pensions is covered in over 70 pages.

The Introduction on page 14 seeks to give a simple explanation of the responsibilities of the RB. If the Church is a train on the way to the heavenly city, the RCB provides the

wheels. We are here to protect the assets so that we can afford to support the ministry of the clergy and laity in the parishes and dioceses. It is a huge responsibility. Out of our membership of 60 people (12 bishops, 12 clergy and 24 laity elected by the Dioceses and 12 co-opted members), 36 are laity. We rely on those 36 to provide the lay expertise necessary to support the committees responsible for investments, property, allocations, stipends, pensions, legal advisory, library and archives, audit and personnel. It is a small pool on which to draw to populate so many important committees but one which comprises a body of skilled and competent people. When you propose new members at diocesan synods, please consider the skill sets we need and the demands on time and distance for members so that the RB can continue to function effectively. And please be aware that only 1 in 6 of our members are women which makes it difficult to have any gender balance.

I venture with trepidation into the subject of reform. I have sat in the body of this hall on many occasions listening to inspirational speeches from Archbishops and others about

reform. It never happens! The reason I have learned is that bishops can lead and inspire but delivery depends on the elected members of Synod working within the system, which is cumbersome and slow.

Within the RB Executive, we are looking at opportunities for reform of the RB. The Executive Committee met in Belfast in November to explore various topics, one being the possible restructuring of the RB to make its decision making more inclusive and more closely connected with its sub-committees. Another is a streamlining of the system for approving property transactions. This review is a slow burn process especially as we have been fully committed in the last year to clergy pensions.

A new development last year was the appointment of Mr Adrian Clements as Secretary General of the Church of Ireland. This role is to lead the central administration of the church supporting both the RB and the Standing Committee in order to bring a common and unified focus to both bodies. I am grateful to the Honorary Secretaries for their willingness to embrace this change. Having worked with them over the last year, I realise what a valuable and hugely overstretched



resource they are. A lot rests on their shoulders and we should be very grateful for all that they do for the whole Church.

Turning next to assets, the total assets run to over €387 million. 60% of this is invested in Specific Trusts owned for the most part by dioceses and parishes. In reality, I believe we should regard all the assets of the Church as being for the benefit of the Church and Christ's ministry on this island of Ireland. Those assets include General Funds, the Unit Trusts, other Church of Ireland funds, churches, church halls, rectories and other properties. If we individually, as parishes or dioceses, protect what we have for ourselves alone, are we furthering the ministry of Christ's church in this land, are we displaying the characteristics of the early church, or are we really just preserving our tribal identity in our local communities? The concept of sharing resources was described in a report to General Synod 23 years ago as "vital to the health of the Church". I am unaware of any movement since in that direction – except for pooling within individual dioceses. I throw this out to Synod and invite a response. I know the principle is dear to the Primate's heart and it is something that we would like to explore further. [PAUSE]

There have been enormous energies devoted to pensions; we are hugely appreciative and very grateful to the members of the Solvency Working Group and to the Clergy Pensions Trustee for the time and skills given to the cause. The Solvency Working Group members are Terence Forsyth, Geoffrey Perrin, Bob Willis and the Secretary General while the Pensions Trustee has been chaired by Bruce Maxwell and John Wallace.

We owe a special tribute to Archbishop Alan Harper who retired during the year. We greatly appreciated his wisdom and leadership over 5 years. We welcome the Primate, Dr Richard Clarke as our new chairman; he is well steeped in the affairs of the RB having been a member of the Executive Committee for 11 years.

Finally, I wish to thank the staff of Church House and my colleagues on all the various committees who give selflessly of their time, and notably Graham Richards who was honoured by being made a lay canon of Armagh.

Your Grace

I beg to propose that the Report of the Representative Church Body be taken into consideration.