

## Representative Body Report

Mr Henry Saville

Archbishop

Thank you for giving me the opportunity to present the report of the Representative Body for the year to 31 December 2018 ... and my thanks also to the members of General Synod for suspending Standing Orders to allow me to make this presentation.

### INTRODUCTION

When consideration of this report is concluded there will be put to Synod a motion seeking approval to the proposed allocations of funds which are critical to the continued functioning of the Church of Ireland as we currently recognise it; the capacity to make these allocations is the direct legacy of the responsibility devolved upon the Representative Body in 1870, and the preservation of that capacity to continue providing these allocations must surely be one of the primary points of focus for the Representative Body.

### ACTIVITIES

Whilst it is critical to ensure that there are the financial resources to fund allocations there is also a broad range of practical functions and activities to be overseen and delivered from Church House, including the familiar areas:

- Support for property transactions
- Administration of trusts
- Investment management
- Treasury management
- Payment of (some) clergy stipends
- Administration of Clergy Pension Fund and payment of pensions
- Provision of legal support
- Library

Other activities arise from time to time and the most time consuming of those in the current year was probably dealing with the outworking of **General Data Protection Regulations (GDPR)**.

And reflecting the degree of cross over throughout the year between the trustee body and Standing Committee other significant areas require input, including in particular the support developed and provided in the continuing minefields of both **charity legislation** and **safeguarding**. The necessity of **complying with charity legislation** in both jurisdictions and the critical importance of **diligent and effective introduction and implementation of safeguarding guidelines** in all church activities are two areas where the availability from within Church House of advice and support for parishes is a much valued and very active link. The demands in this area were reinforced during the past year by the extension of Safeguarding responsibilities beyond Child Safeguarding to cover also Safeguarding of Vulnerable Adults.

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

### FINANCES

The financial aspects of the year under review reflect a differing outturn to the immediately preceding years; for some years I and my predecessors as Chair of the Executive have been able to report increased total balances on General Funds annually. This trend has reversed in the year under review and I will deal more fully with that in a few moments. On the other hand our apparent historic

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inability to “live within our means” has been brought more under control in the current year and is forecast to remain so in 2019.

I spent some time in previous years reports talking about the concept and application of total return based management of financial withdrawals from General Funds; [this slide] repeats some of the information set out in the table on page 24 of the Book of Reports and whilst the excess withdrawal in 2018 was significant, much of this was due to the exceptional item of €3.35m relating to the closure of the Staff defined benefit pension scheme. The outturn before that exceptional item was an excess withdrawal of some €60,000, a reduction of €500,000 from the prior year.

There are two reasons for this improvement:

- A reduction in cost of operations and allocations of almost €300,000
- An increase in incoming resources of just over €200,000

There are a number of points worth making:

- The reduction in costs and allocations reflects a fall in both these figures; and whilst any reduction in the costs element is to be commended this fall is **primarily** as a result of the reallocation of external fund manager costs; the reduction in allocations is a movement in the wrong direction and continues a trend that has been the case for some time. [This slide] illustrates that trend, with occasional upturns but the graph is clearly downward. One of our objectives must surely be to attain a level of financial resilience and performance to create the opportunity for a growth in allocations.
- The increase in incoming resources reflects the increase in total general funds being based on the 5-year moving average of the year end figure; the permitted withdrawal may be expected to continue to rise for a number of years but that trend will be negatively impacted in the future when this year’s fall in total funds will impact on future withdrawals.

It would be wrong to talk only of the outturn before exceptional items without making reference to the exceptional items which totalled €3,350,000 and which related in their entirety to the closure of the Staff Defined Benefit pension scheme; the make-up of this figure is explained on page 24 of the Book of Reports.

A final comment on finance – the budget outturn for 2019 projects a small surplus of permitted withdrawals over cost of operations and allocations – but within that figure there is a continuing squeeze on the total allocations figure; as I have already said it must be a priority to reverse that trend.

### INVESTMENTS

For the first time in some years the value of total general invested funds fell from a total of €184.4 million at 31 December 2017 to €167.7 million at 31 December 2018; clearly this fall went beyond the notional excess withdrawal already mentioned; the last quarter of 2018 was a very difficult period for equity investments and whilst the RB portfolios are positioned somewhat defensively they were nonetheless hit hard in this period; I am pleased to be able to say that the funds also recovered strongly over the first quarter of 2019 reaching a figure of €178.7 million by 31 March 2019. The investment market continues to be somewhat volatile partly reflecting an uncertain economic outlook globally and more particularly local (i.e. European in its broadest sense) political uncertainty and the knock-on effects.

It is difficult to predict future investment returns and the volatility in the recent past highlights the fact that the good growth in funds over recent years can not continue unchecked; at the same time, whilst the current “permitted” total return withdrawal percentage is 3.5% it is possible that this figure may also reduce in future years which would further squeeze our ability to continue to provide – never mind grow – the services needed by the Church.

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Underperformance against benchmark as shown in the table on page 92 of the Book of Reports is a feature of the defensive composition of the portfolios – but the pretty severe negative move in the benchmark for the year should be noted and reflects the very difficult 4th quarter.

Similar comments apply to both **Unit Trusts** as to General Funds: negative returns for the year, slightly worse than benchmark in the RoI Unit Trust and somewhat better than benchmark, though still negative, for the NI Unit Trust.

**ESG (Environmental, Social and Governance)** issues continue to feature in the management of the investment portfolio and some detail of the actions taken are given on page 31 of the report; as also reported there the portfolio continues to invest in new “green” initiatives including a number of renewable energy projects as well as divesting elements within the fossil fuel sector – a process which will continue to be reviewed during 2019 in line with the commitment given at Synod 2018. Other ethical investments are also being pursued where the appropriate level of potential investment return is satisfactory – for example, Triple Point Social Housing.

The RCB recognises that investments are only one area where we can reduce our **carbon footprint** or where we can actively support the transition to a low carbon society. Some details of other initiatives are highlighted on page 17 of the Book of Reports.

### PROPERTY and TRUSTS

Those responsible within Church House for dealing with Properties and Trusts are amongst the staff that have most interaction with parishes and dioceses; a significant number of transactions are processed annually, for all of which the correct process is critical to avoid subsequent legal complications – the devil in this case is frequently in the detail!

As is evident from pages 39-43 of the Book of Reports there is a deep knowledge within Church House of available sources of funding to help maintain and develop property assets. These pages reflect the depth and breadth of knowledge of potential funding sources; anyone involved in the maintenance and/or development of Church property should not only study these pages but also discuss any property related activity at an early stage with the staff in Church House.

In 2018 significant grants were made available in the Republic of Ireland from both the Historic Structures Fund and the Built Heritage Investment Scheme.

An important development begun this year is the ‘**Digitisation of Trusts**’ project. The RCB holds information on 13,000 trusts, for most of which it is Trustee; these Trusts have generated some 23,000 trust records, all of which are currently in hard copy; a project has now started to digitise all these records. The potential benefits are significant, including:

- Security of legal records
- Accessibility and resulting increased administrative efficiency
- Long term cost savings

I believe that the benefits of this exercise will rapidly become evident both to staff, but also to anyone in parishes or elsewhere needing information sourced from these records.

### Trevor Stacey

Some of you may be aware that our Head of Property & Trusts, Mr Trevor Stacey, is retiring this month at the end of a career within Church House spanning more than 45 years. Trevor will undoubtedly be very well known to many in the hall – he has been Head of Property and Trusts for more than 20 years; during that time Trevor has not only overseen a number of significant property related projects within Church House but has also been tireless in giving of his time and expertise to

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property committees at both Diocesan and Parish level the length and breadth of the island, travelling regularly to meetings that, as you well know, frequently run late into the evening.

We are deeply grateful to Trevor for all he has contributed to the work of Church House and to the whole Church and we wish him well for a long and happy retirement.

#### **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.

Recognising the national importance of the parish registers as historical records a **project to digitise these records** was approved in principle in late 2017 by the Department for Culture, Heritage and the Gaeltacht; earlier this year a preferred contractor was identified with a view to finalising the contract by midsummer and the initial phase of the project taking place in the second half of this year. Our thanks are due to the Librarian, Dr Hood, and her staff in the library for their work on this project, in addition to their regular workload.

#### **STAFF DB PENSION SCHEME**

Following the decision taken in February 2018 to close the Staff Defined Benefit Pension Scheme there was extensive engagement with the members of that scheme and their representatives throughout 2018 and into the early part of this year; I am pleased to be able to report that agreement was reached in early March 2019 with all of the former active members of the scheme.

I would wish to thank the members of the scheme for their positive and professional approach to the discussions that resulted in a satisfactory agreement being reached. I would also – and somewhat unusually maybe – like to acknowledge the enormous input into this process of two volunteer members of the Executive Committee – Mr Geoffrey Perrin and Mr Terry Forsyth, both of whom committed significant time and emotion to securing an agreed outcome.

#### **RCB STAFF**

As always, I 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 continued dedication through difficult times

#### **CLOSE**

Mr Forsyth was elected as a co-opted member in 2004 and has served on the Investment Committee since 2005. He will be well remembered by many in this gathering today for the input he made and the clarity of presentations he delivered to earlier meetings of General Synod in relation to the Clergy DB scheme. He has also served as a Director of the Clergy Pension Trustee DAC.

Finally, I would like to express thanks on behalf of the whole Church to the very many volunteers who give so willingly of their time and talents to support the work of the Representative Body; without your commitment, expertise and dedication the RCB would not be able to provide the service that it does to the whole Church

To you all – our grateful thanks.

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