

THE REPRESENTATIVE BODY OF THE CHURCH IN WALES

An extraordinary meeting of the Representative Body of the Church in Wales was held via video conference on 27 April 2020.

Present:

Ex officio members

The Archbishop of Wales

The Most Reverend J D E Davies

Chair of the Standing Committee

Mrs E M Perkins

Chairs of the Diocesan Boards of Finance

Bangor: The Venerable M K R Stallard

St. Davids: Mr N C P Griffin

Llandaff: Mr M A Lawley

Monmouth: Mr P E Lea

Swansea & Brecon

Brecon

Elected members

St. Asaph: The Very Reverend N H Williams, Mrs H Wiseman

Bangor: The Very Reverend K L Jones, Dr H Parry-Smith

St. Davids: Mrs J A P Hayward, the Venerable P R Mackness

Llandaff: Mr G I Moses, the Venerable C B W Smith

Monmouth: Miss P R Brown, the Venerable J S Williams

Swansea & Brecon

Brecon

Nominated members

Mr J J Turner (Chair)

Mr R Davies

Mr P D Kennedy

Apologies:

Apologies were received from Mrs H Jones, Mr T O S Lloyd, Mr T J P Davenport and Mr L James.

In attendance:

The following members of staff were present:

The Provincial Secretary, the Head of Finance, the Head of Legal Services, the Head of Property Services, the Governance Officer and the Finance and Governance Officer.

Prayers:

Opening prayers were led by the Venerable Alan Jevons, Archdeacon of Brecon.

Conflicts of interest:

All clergy present declared that they had an interest in Clergy Pension Scheme (item 20/33). Mr M Lawley declared that, as DBF Chair, he had an interest in the item concerning St Teilo's Church, Cathays (item 20/36).

The Chair welcomed Archdeacon Mary Stallard to her first meeting of the Representative Body since her appointment as Chair of the Bangor Diocesan Board of Finance in February 2020.

Procedural rule on electronic meetings

20/30

The current situation

The Head of Legal Services introduced a paper concerning the holding of meetings by electronic means, as currently necessitated by the coronavirus pandemic and the resulting restrictions on gatherings of people and travel.

The Head of Legal Services referred to key clauses within both the Representative Body's Royal Charter, which neither permitted or prohibited meetings being held by electronic means, and the Constitution of the Church in Wales. The Constitution required the Representative Body to meet on at least two occasions per year but gave it the ability to hold additional meetings as necessary and to decide the place and date of meetings. The Constitution currently included no definition of 'meeting', although the word had, hitherto, been interpreted as a meeting in person.

Also, the Charity Commission had published guidance concerning electronic meetings, indicating that:

Where there is no such clause in your governing document and you decide to hold meetings over the phone or using digital solutions, we will understand but you should record this decision and that you have done this to demonstrate good governance of your charity.

Ordinary or extraordinary

While it was lawful that the Representative Body could meet by electronic means, the distinction between ordinary and extraordinary meetings was significant. As the Representative Body was required by the Constitution to meet ordinarily twice per year it was arguable that an ordinary meeting could only take place via electronic means with the Governing Body's permission, but that outside these ordinary meetings, the Representative Body was able to itself resolve to meet electronically. The Representative Body had already met ordinarily once during 2020 (on 5 March) and future meetings were planned.

The meeting taking place on 27 April 2020 was therefore designated to be an extraordinary meeting and would not count towards the required minimum of two ordinary meetings of the Representative Body during 2020.

Resolution

During the following discussion firm support was expressed for the Representative Body and its committees, as well as other Church in Wales bodies, to be able to meet regularly and legitimately via electronic means, with members recognising the environmental benefits as well as the obvious time and financial efficiencies. The possibility of amending the Constitution to ensure the legitimacy of meetings being held by electronic means would be explored.

To regularise the current situation, the Representative Body resolved to make the following additional rules which would regulate the procedure for its meetings and meetings of its committees:

- a) *A meeting (other than an ordinary meeting) of the trustees of the Representative Body may be held by a quorum of the trustees who are not all in one place but each of whom is able to speak to and be heard by each of the other trustees (directly or by means of telephonic, video or other electronic communication). A trustee taking part in such a conference will be deemed to be present in person at the meeting and be entitled to vote and be counted in the quorum. The meeting will be deemed to take place where the largest group of trustees is assembled or (where no such group is assembled) at the registered office of the Representative Body.*
- b) *Subject to paragraph (c) below, any meeting of any committee or sub-committee of the Representative Body may be held by a quorum of the members who are not all in one place but each of whom is able to speak to and be heard by each of the other members (directly or by means of telephonic, video or other electronic communication). A member taking part in such a conference will be deemed to be present in person at the meeting and be entitled to vote and be counted in the quorum. The meeting will be deemed to take place where the largest group of members is assembled or (where no such group is assembled) at the registered office of the Representative Body.*
- c) *The trustees of the Representative Body may from time-to-time designate a minimum number of meetings of any particular or committee or sub-committee which must be held as a physical meeting and where the provisions in paragraph (b) above shall not apply in any calendar year.*

Training, Formation and Ministerial Development Committee

20/31

The Governance Officer reminded the Representative Body that at its meeting in March 2020 (item 20/04) it approved revised powers and duties for the Training Formation and Ministerial Development Committee as the committee with governance responsibility for St. Padarn's Institute. Membership criteria for the Committee included two bishops, appointed by the Bench of Bishops, one of whom would Chair the Committee.

The Governance Officer confirmed that since that meeting the Bench of Bishops had met and discussed episcopal representation on the Training, Formation and Ministerial Development Committee, appointing:

- The Archbishop as the Chair of the Committee; and
- The Bishop of Monmouth, the Right Reverend Cherry Vann, as the second episcopal representative.

The Representative Body endorsed both appointments.

The Governance Officer noted that the Bishop of Monmouth had recently been allocated by the Bench as the bishop with responsibility for the ministry portfolio of work, and the Archbishop, as an *ex officio* member of the Representative Body, would provide a direct link between the Committee and the Representative Body. Both bishops would jointly provide a direct link between the Committee and the Bench, which had strategic oversight of St. Padarn's Institute.

The Representative Body noted that enquiries to identify a suitable appointee as its second representative on the Committee were continuing.

Financial positions of the Representative Body and dioceses

20/32

Provincial situation

The Provincial Secretary introduced a comprehensive paper updating the Representative Body of the financial impact of the coronavirus pandemic, which was discussed. It was confirmed the Investment Committee had met with each of the Representative Body's investment managers and investment property agent to ascertain the impact on the investment portfolio.

Reductions in dividends were forecast to reduce by up to as much as 50% and income from rental properties may reduce by 50%. Revised financial forecasts for 2020 and 2021, together with cashflow forecasts had been produced and, based on the anticipated reduction in investment income, the annual deficit for 2020 was forecast to increase from £2.762million to £7.8million, and the deficit for 2021 was likely to increase from £2.26million to £8million.

Diocesan situations

Meetings with the Chairs of the diocesan boards of finance and the diocesan secretaries had also taken place to establish the dioceses' financial positions. The Bench of Bishops had also been consulted. It was noted that, currently, the Representative Body was in a strong cash position, cash which could be provided to dioceses should it be required to assist with diocesan cashflow.

All dioceses had expressed concern about falling levels of income both from investment income and from the collection of parish share, particularly in quarters 2 and 3. To help mitigate this an online system had been launched to allow parishes and individual parishioners to register to give via the electronic Gift Direct system.

Discussion and decisions

Detailed and wide-ranging discussion of the current situation and the assistance the Representative Body could provide to dioceses followed. It was noted that the current coronavirus pandemic came in addition to the considerable pressures congregational decline was already placing on parishes and dioceses and that financial support from the Representative Body was imperative in order to ensure financial relief in the immediate term.

The discussion resulted in the agreeing of a package of financial support to dioceses for the immediate term, with the situation to be kept under continual review and the continuation of dialogue between the dioceses and the province. The Representative Body also agreed a series of principles on which the financial support was based. The resulting decisions are set out within annex 1.

Clergy Pension Scheme – actuarial valuation as at 31 December 2019

20/33

The Head of Finance reported that the triennial actuarial valuation of the Clergy Pension Scheme had taken place at 31 December 2019, the results of which are set out in the following table together with comparisons with the previous two valuations in 2016 and 2013:

	31 Dec 2019	31 Dec 2016	31 Dec 2013
Value of the past service liability	£196.2m	£187.8m	£158.9m
Market value of General Funds	£719.8m	£607m	£512m
Liability as a proportion of General Funds	27.3%	30.9%	31.1%
Employer's contribution (paid by dioceses)	36.5%	38.8%	32.7%

The Head of Finance explained that the valuation had resulted in the proportion of the General Funds required to be set aside to the Clergy Pension Scheme – that is both income and realised gains and losses - had reduced from 30.9% to 27.3%. Based on the 2020 (income and expenditure) budget endorsed by the Representative Body in November 2019 (minute 19/45), this represented a saving of £653,000.

Similarly, the employer's contribution (which represented the current service contribution and was paid by the dioceses) had reduced to 36.5% from 38.8%, representing a potential total saving to dioceses in 2020 of £187,000.

Implementation of the revised contribution rates

The Head of Finance reminded the Representative Body that the usual practice had been to implement the revised contribution rates immediately after the date of the valuation. Anticipating contribution rates increasing, at its meeting in November 2019 (minute 19/46) however the Representative Body had agreed to defer the implementation of any revised rates until 1 January 2021 in order to give dioceses the opportunity to budgetarily plan for this eventuality.

As the actuarial valuation had resulted in reduced contribution rates it was more financially advantageous for the rates to be implemented from 1 January 2020, in line with usual practice. Therefore, it was proposed the Representative Body revoke its decision from November 2019 and agree to instead implement the revised contribution rates from 1 January 2020.

Summary

Following discussion, the Representative Body:

- i. Received and approved the actuarial valuation of the Clergy Pension Scheme as at 31 December 2019;
- ii. Noted the reduction of the employer contribution rate from 38.8% to 36.5%;
- iii. Noted the liability of the Clergy Pension Scheme as a proportion of the Representative Body's General Funds had reduced from 39.9% to 27.3%; and
- iv. Confirmed that the revised contribution rates would be implemented from 1 January 2020, rescinding its decision in November 2019 (minute 19/46).

OneFamily Clergy Additional Voluntary Contribution (AVC) Scheme 20/34

At its meeting in March 2020 (minute 20/24) the Representative Body had noted that the administrator of the scheme whereby clergy were able to make additional voluntary

contributions (AVCs) to their pension provision had indicated that tax free lump sums paid from the AVC scheme to clergy pensioners between 2007 and 2019 (affecting approximately 75 clergy) had exceeded 25% of the value of the AVC fund. This could be deemed by HMRC to constitute an unauthorised payment and therefore attract a significant tax charge for both the scheme members affected as well as the Representative Body as the scheme trustee.

Specialist legal advice was being sought and the Head of Legal Services updated the Representative Body on the current situation.

Following discussion, the Representative Body:

- i. Noted the current situation;
- ii. Authorised officers to discuss with legal advisors the possibility of proactively settling liabilities payable to clergy pensioners; and
- iii. Noted the likelihood that a serious incident report to the Charity Commission would be required.

Timescale for divestment from oil and gas sector stock holdings

20/35

The Head of Finance reminded the Representative Body that at its meeting in March 2020 (minute 20/05) it had approved a number of updates to the Ethical Investment Policy including divesting from any company which derived more than 5% of its turnover from the production or extraction of fossil fuels, stipulating that such divestments should be completed by the end of 2020.

The adverse impact the current coronavirus pandemic had on the financial climate meant market values of the Representative Body's investments had fallen substantially and selling stock holdings in such a climate was not prudent. While Sarasin and Partners had already sold all relevant stock holdings within its portfolio (prior to the worst of the economic effects of the pandemic), Newton Investment Management retained stock holdings in both BP and Shell, which were currently valued at c.£3million below cost.

It was not known when the value of the relevant stocks would recover and it was possible they would not do so by the 31 December deadline for divestment.

Following discussion, the Representative Body endorsed the recommendation to put on hold its previous decision to divest by 31 December 2020, and instructed the Investment Committee to liaise with the investment fund managers to arrange divestment at a time deemed to be financially expedient.

St Teilo's church, Cathays

20/36

Mr Michael Lawley, as Chair of the Llandaff Diocesan Board of Finance, left the meeting for this item. Before leaving however he supported and endorsed the request made by the DBF.

Background

The Provincial Secretary informed the Representative Body that a request had been received from the Llandaff Diocesan Board of Finance for a loan in connection to building costs at St. Teilo's church, Cathays. One element of the diocese's overall strategy was specifically aimed at engagement with and outreach to those generations that were currently unconnected to the

Church. St. Teilo's church, Cathays had been identified as playing a key role in this *Young Faith Matters* initiative due to its location within Cardiff's student community and was to become a resource church, focussing specifically on engagement with students and young families. The grant awarded to the diocese from the Evangelism Fund earlier in 2020 was to fund this project.

An incumbent and curate had been appointed and approximately 35 individuals had committed themselves to moving to Cardiff to support and help establish the project.

St. Teilo's church

St. Teilo's church was a Victorian church building requiring significant essential fabric repairs, adaptations and improvement works to be undertaken in order to make the building suitable as a base for evangelistic work.

Current financial situation

The funding for such works did not form part of the grant from the Evangelism Fund and had instead been committed by the DBF by way of a loan. However, the coronavirus pandemic and its economic impact had resulted in the DBF experiencing an income shortfall and contractions in the values of its investment assets. As it was not prudent to liquidate assets during this depressed economic climate the DBF had requested a loan of £525,000 from the Representative Body in order to provide the necessary funding and continue the necessary works at St. Teilo's church to allow the project to progress.

Discussion

Detailed discussion followed, during which the DBF's significant commitment to the project, as well as the project's bold and innovative nature, were recognised. It was noted that while the current coronavirus pandemic and the resulting restrictions on movement and certain work was likely to result in delays to the works being undertaken it was preferable to ensure no delays were caused due to financial restrictions.

It was stressed that communications should be carefully managed to safeguard against the risk of the situation being misunderstood and the Representative Body being approached for loan funding for other church building repair and adaptation projects around the province. It was noted that this loan request was for a very specific purpose and that its terms would need to be carefully expressed to ensure that a precedent was not set.

It was felt that the loan should be subject to interest and the negotiation of specific terms, one of which would be that the loan would be repaid when investment assets had returned to their pre-pandemic values.

Conclusion

Following discussion, the Representative Body:

- i. Agreed in principle to grant a loan to the Llandaff DBF to allow the continuation of fabric repairs and adaptations to St. Teilo's church, Cathays;
- ii. Instructed the Head of Finance and Head of Property Services to negotiate specific terms with the Llandaff DBF which would be expressed via a written agreement prepared by the legal department; and

- iii. Authorised the Chair of the Representative Body and the Chair of the Property Committee to approve the terms on its behalf.

Mr Lawley returned to the meeting.

Legacy to the Representative Body 20/37

The Head of Legal Services informed the Representative Body that it had been named as the sole residual beneficiary to the estate of Mr Michael Edmund Harrop, deceased. No reference had been made to a particular church, parish or diocese within Mr Harrop's Will so it was a clear legacy to the Representative Body itself.

The estate consisted of c.£2,000 in cash plus the freehold interest in a residential property in Bodelwyddan, Denbighshire which had been valued at £500,000. It was probable that, following probate being granted, the property would be placed on the market for sale when market conditions permitted and in accordance with the advice of a chartered surveyor.

In order to expedite matters, it was necessary that an individual be authorised to apply for probate on the Representative Body's behalf. The Head of Legal Services indicated he was willing to undertake this work. Accordingly, the Representative Body resolved:

That MATTHEW JAMES CHINERY as Head of Legal Services at the Representative Body be, and is hereby, appointed nominee of the Representative Body for the purpose of taking out letters of administration of the estate of MICHAEL EDMUND HARROP of Pen Isa'r Glacoed, Bodelwyddan, Denbighshire, LL22 9DD who died on 10 April 2019 leaving the Representative Body as the sole beneficiary of his Will.

The Representative Body discussed the generosity of the legacy, feeling it was appropriate for such bequests to be acknowledged in some way. It was agreed discussions would take place with the local parish accordingly.

Next meeting

The Chair confirmed the Representative Body would next meet on Monday 15 June 2020, also via video conference.

Closing prayers

The Archbishop closed the meeting with prayer.

Summary of the principles and decisions made by the Representative Body on 27 April 2020 for the provision of financial assistance to dioceses

Principles

1. The Representative Body is mindful of the principle of inter-generational equity and will carefully consider both the effect that releasing additional funds now could have on the ability to generate income in the future but also the pressing and exceptional needs of today's church.
2. The Representative Body will continue to invest on a total return basis and will instruct the fund managers accordingly.
3. The provision of additional financial support should conform to the principle of 'receiving according to need'. The RB must not be tight-fisted but neither must the DBFs gain additional reserves. We are all in this together as one Church and must be open with each other about financial matters.
4. Any additional support from the Representative Body should be conditional on DBFs committing to mitigation measures to minimise the difference between income and expenditure. These could include measures to ensure that levels of giving do not decline simply because our buildings are closed. An example would be active encouragement of online giving either through Gift Direct or alternative schemes. Dioceses are also encouraged to commit, both internally and as part of the provincial family, to interrogate costs and seek sustainable, innovative cost savings.
5. Acceleration of the pace of change. In its move to online services, the Church in Wales has shown it has the ability to implement rapid, radical, unplanned and unforeseen change – it is recognised that change is also needed in the way the Church in Wales is structured. Responsibility for the consideration and implementation of structural change rests with the Governing Body and its Standing Committee but the Representative Body recognises the benefits structural streamlining would offer both in terms of financial efficiency and in the Church in Wales's ability to respond more nimbly to crises. The Representative Body supports a further exploration of the relevant, currently unimplemented, structural recommendations in the 2012 Church in Wales Review report and would support the Standing Committee in this work. It would hope that the diocese would also actively support this work and engage in any discussions.
6. The funding provided by the Representative Body to the six cathedrals continues, for the time being, to be via the DBFs rather than by way of direct grant. The RB is mindful that a working group is currently interrogating the appropriateness of this arrangement and that recommendations are being prepared.

Financial support for DBFs

Informed by these six principles, the Representative Body agreed:

- i. To delay collection of the Q1 2020 recharge due from the dioceses on 30 April 2020 until 31 July 2020. This due date extension to be interest-free.

- ii. To absorb rather than recharge all stipend costs due in Q2. For the avoidance of doubt, stipend costs include stipends, pension contributions, employer's national insurance contributions and council tax. This absorption is conditional upon:
 - a. DBFs agreeing to forego payment of the Q2 block grant with the exception of Parsonage Board Scheme contributions which will be paid to DBFs by bank transfer on 30th June 2020.
 - b. DBFs agreeing to support the six principles and taking active steps to close the gap between income and expenditure.

The additional cost to the RB of this arrangement is £3.145 million per quarter.

- iii. To plan for financial assistance to be provided along the lines set out in (ii) to apply for Q3 (and possibly Q4) but this to be on the basis of a written funding request from each DBF to the RB for a mixture of grant (which may be as high as 100% of the Q2 figure should the national situation necessitate this), loan and credit extension up to the net financial assistance given in Q2. The RB Trustees will meet again in the coming weeks to discuss the detail of this arrangement but are likely to ask for:
 - A detailed financial statement which includes the income position and share collection position at the half year; the most recent valuation of the DBF's investment portfolio together with the value at the end of 2019, three years ago and five years ago; and the most recent income forecast from the investment managers;
 - The mitigation steps taken by DBF and wider diocese;
 - The amount requested, by category; and
 - Particulars of critical situations in the dioceses (including its cathedral) of which the RB should be aware.
- iv. Noting that regular communication is vital in these uncertain times, the RB requested the Head of Finance to keep in close touch with the diocesan secretaries/diocesan heads of finance.