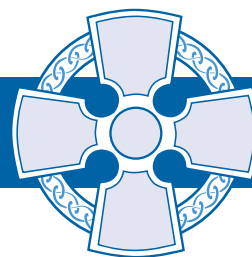


THE REPRESENTATIVE BODY OF THE CHURCH IN WALES



Annual Report and Accounts

2017



CONTENTS

Our Role	01
Highlights of the Year	02
Chair's Introduction	04
Objectives and Activities	05
Achievement and Performance	06
Financial Review	12
Future Plans	16
The Provincial Structure	19
Governance and Management	20
Reference and Administrative Information	23
Independent Auditors' Report	26
Statement of Financial Activities	28
Balance Sheet	29
Cash Flow Statement	30
Notes to the Accounts	31
Ten Year Review – General Funds	45

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Front cover photographs:

left: Archbishop John's Enthronement

top right: Bishop Joanna's Consecration

bottom right: Bishop June's Enthronement

OUR ROLE

The principal role of the Representative Body of the Church in Wales is to hold and carefully manage its financial and property assets so that the work of the church as carried out through its Archbishop, Bishops, Clergy and Lay People can flourish.

HIGHLIGHTS OF 2017

In 2017, the Representative Body used the proceeds of strong investment performance to provide significant financial support for key areas of the Church's work.

Financial Return

The Representative Body's activities, and its ability to support the wider Church, are dependent upon the level of return achieved on its investment portfolio. In 2017 we achieved a total return of 11.9%, compared with the industry benchmark figure of 10.1%. The Representative Body's investments have also outperformed the benchmark over the last three and five year periods. Over the course of the year, the total value of the Representative Body's portfolio increased by 8.6%, standing at £657 million at 31 December 2017.

Support for Ministry

In June 2017 the Representative Body took a number of far-reaching decisions about the use of provincial resources, in consultation with the bishops and dioceses, to ensure that support is targeted to best meet the Church's objectives. Continuing support for the Church's ministry through the annual Block Grant to dioceses remains a priority, and the Representative Body has set the Block Grant at £6.2 million up to and including 2021. The Block Grant plays a vital role in supporting the work of today's Church even as we look to make resources available also to build the Church of tomorrow.

Support for Evangelism and Church Growth

During 2016 and 2017, the Governing Body identified evangelism and church growth as the Church's first priority, and in response the Representative Body has made significant funds available to support this work. £10 million has been set aside for an Evangelism Fund with the express intention that it be used to provide major grants to projects sponsored by dioceses which relate specifically to evangelism and church growth. The Fund was launched at Pentecost 2018, and the Representative Body is excited to be able to play a major role in encouraging and enabling new work to reverse the familiar narrative of decline.

Support for Training for Ministry

An important part of preparing for the future is to invest in the training and development of serving and future ministers, and the Representative Body has traditionally played an important role here. In 2016 the Bench of Bishops, supported by the Representative Body, established the St Padarn's Institute, which brought together full and part-time training for lay and ordained ministry in an ambitious new approach. In 2017 the Representative Body agreed with dioceses arrangements for funding St Padarn's, under which any financial risk is taken by the Representative Body. This will provide long-term security for the further development of this vital area of the Church's work.

A New Provincial Office

The Representative Body's role is not limited to providing financial support for the Church; it also provides crucial professional and administrative services for dioceses and parishes from the Provincial Office in Cardiff. Since 1920 the Representative Body's home has been a collection of Victorian townhouses in Cathedral Road, an arrangement which had become increasingly disadvantageous in terms of IT provision, disability access and modern working practices, and expensive in terms of maintenance. Having explored a number of options, including the possible development of the Cathedral Road site, the provincial staff moved in September 2017 to rented accommodation in a modern office building near the main transport hubs in Cardiff. Some benefits of the move – improved access, more efficient working practices, better meeting facilities for the Church – are already becoming evident.



Photographs above:

Top row: Archbishop John opening the new Provincial office *and* the outside of the new office
Middle row: Pupils at St Teilo's CiW High School *and* Archbishop John with Royal Welsh Show chaplain, Michelle Bailey
Bottom row: Church in Wales clergy *and* Archbishop John with the Bishop of Menevia

CHAIR'S INTRODUCTION



In recent years we have been reminded periodically, sometimes forcefully, that the Church in Wales cannot simply maintain “business as usual” if we are to survive and prosper. In 2010, the then Archbishop of Wales challenged us to imagine the kind of church we needed to be in 2020,

the centenary of our Disestablishment. In 2012, Lord Harries presented a report outlining proposals for a radical restructuring and reawakening of the Church. And in September 2016, the Governing Body declared that it was not prepared simply to “receive and note” the annual Membership and Finance report, a report in which the narrative of decline was all too evident.

On each occasion, the Church has responded positively to these challenges: by commissioning the Church in Wales Review; by implementing recommendations from Lord Harries’s report; and, in April 2017, by the Governing Body reasserting the Church’s commitment to evangelism and church growth. The Representative Body’s role has always been to provide every support to meet the changing needs of the church and, as such, we have sought to respond to this latest challenge in a bold and creative way.

The decision, taken after discussions with the bishops and dioceses, to create a major new provincial fund specifically to support projects linked to evangelism and churches, represents a clear statement of support by the Representative Body for the objectives set by the Governing Body and Bench of Bishops. As charity trustees we have a duty to provide careful stewardship of the Church’s assets so that they are available for future generations of Church members. However, attendance trends suggest that, unless we have the courage to act now and to act decisively in favour of pursuing growth, the concept of “future generations of Church members” may be unduly optimistic. We do not want to “die a rich church”; we believe that the Evangelism Fund will help to reverse the narrative of decline, and are delighted to have the opportunity to work with dioceses towards that aim.

I am also delighted that the Representative Body’s decision to move the Provincial Office to Callaghan Square in Cardiff city centre appears to be bearing fruit already. 39 Cathedral Road had been “home”

for provincial staff for nearly a century, but over that period what the Church – and State – requires of our administration has changed dramatically. The new office provides a fit-for-purpose workplace for our staff and a meeting place for the Church in Wales, and staff deserve recognition and thanks for the way in which they have helped ensure a smooth transition to a very different way of working.

The Provincial staff, and our continued commitment to major funding programmes such as the Block Grant, are key to ensuring that we manage to maintain the right of level of support for the Church as it struggles to discern, plan for and meet the needs of the people and communities for Wales for the next 100 years. This means that we continue to fund clergy stipends and pensions, training for ministry, advice and other support on the management of our buildings and churchyards. In other words, the day-to-day life of the Church which must continue to be nourished. Finding the appropriate balance between “business as usual” and striking out for brave new ventures – and the two need not be mutually exclusive – remains a challenge that lies at the heart of what it means to be a charity trustee. With your continued prayers and support, it is a challenge we welcome.

James Turner

Chair of the Representative Body

OBJECTIVES AND ACTIVITIES

Public Benefit Statement

When planning its activities for the year, the Representative Body has taken into account the Charity Commission's guidance on public benefit and the specific guidance on charities for the advancement of religion. The Representative Body provides significant financial support for the activities of the Church in Wales which is present in all communities throughout Wales. As such, the Representative Body's assets (which include most church buildings and church halls) are available not only to church members but to the whole community. Regular worship, marriages, funerals, baptisms, the provision of pastoral care, and missionary and outreach work both at home and overseas are just some examples.

Key Objectives

The Representative Body's key objectives are:

- **To manage its investments so as:**
 - to meet the past service liability of the Clergy Pension Scheme;
 - to provide the maximum sustainable level of support for the work of bishops, dioceses, parishes and cathedrals.
- **To manage the ecclesiastical and secular property vested in the Representative Body for the uses and purposes of the Church in Wales.**
- **To oversee the work of the St Padarn's Institute including the management of its staff, and (with the Bench of Bishops) the educational provision of the Institute.**
- **To provide an efficient and professional administrative service across a wide range of functions including:**
 - payment of serving clergy and pensioners;
 - management of trusts and other funds held provincially;
 - organisation of provincial meetings of the Representative Body, Governing Body, Bench of Bishops and their committees;
 - provision of guidance and advice for the wider Church on a range of issues including safeguarding, ICT, property management and human resources;
 - maintenance of databases and management of information.

On Going Objectives

- **Maintaining Diocesan Support** – To maintain financial support for dioceses through the Block Grant and other provisions.
- **Financial Stability** – To ensure financial stability with regard to the clergy and staff pension schemes.
- **Fund Performance** – To make investment returns that exceed the benchmark.
- **2020 Vision** – To support the work related to 2020 Vision by working closely with the Governing Body's Standing Committee and dioceses.
- **St Padarn's Institute** – To continue to support the work of the Church's training institution.
- **Safeguarding** – To continue to strengthen the Church's capacity to address safeguarding issues and to assist in the IICSA Enquiry.

Additional Objective for 2017

- **Clergy Pension** – To consider the implications of the 2016 actuarial valuation.

Additional Objectives for 2018

- **Funding for Evangelism and Church Growth** – To establish an Evangelism Fund with appropriate governance and financial arrangements so that a grant application procedure with guidance for dioceses can be put in place and launched.
- **Clergy Remuneration Review** – To undertake a review of the clergy remuneration package in consultation with stakeholders.
- **Site for St Padarn's Institute** – Review the long-term arrangements for providing accommodation for St Padarn's.
- **Data Protection** – To ensure that appropriate policies and protocols are put in place to ensure that data management on behalf of the Church complies with the requirements of the GDPR.

ACHIEVEMENT AND PERFORMANCE

The Representative Body's investments achieved an impressive total return in 2017, allowing a high level of financial and other support to the wider Church in Wales to be maintained.

Overall Financial Position

The results for the year are shown in the Statement of Financial Activities on page 28.

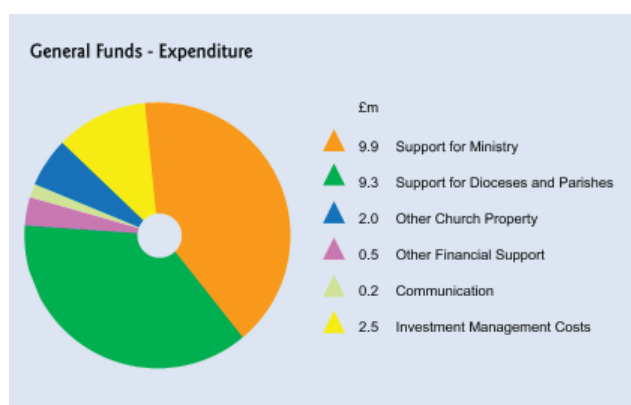
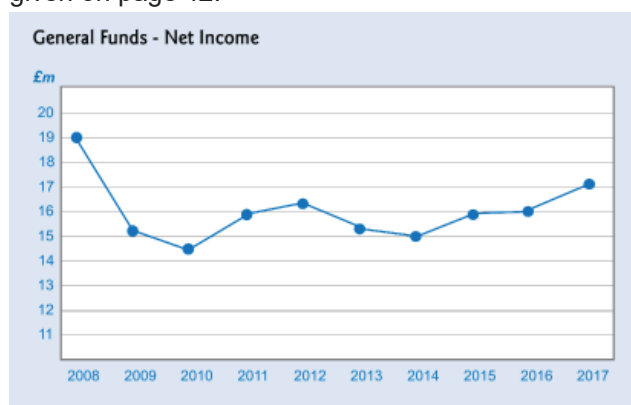
Total net income was £47.7m. This comprised net investment gains of £51.1m offset by an operational expenditure deficit of £3.4m.

After taking into account other recognised gains and losses, the net increase in funds for the year was £47.7m, taking the total funds of the Representative Body at 31 December 2017 to £720m.

General Funds

General Fund income increased by £1.5m as a result of increased dividend income from Stock Exchange investments. Expenditure also increased by £1.5m.

Further details on the investment performance are given on page 12.



Supporting Ministry

Grants to Dioceses

The Representative Body provides each diocese with a Block Grant to help with costs such as stipends, clergy pensions (current service contributions) and certain other categories of expenditure, so enabling provincial funding to be used more flexibly by the dioceses. In 2017 the total Block Grant was £6.3m.

The Block Grant for 2018 is set at £6.2m, recognising that from 1 January 2018 the dioceses would no longer contribute towards the cost of St Padarn's Institute. The Representative Body has agreed to maintain it at this level until 2021.

In addition, Bishops' costs (including their office costs) are met directly by the Representative Body.

Overall the Representative Body still meets over 30% of the total expenditure of the Church.

Transformation Fund

In 2014, the Representative Body agreed to set aside £3.5m as a Transformation Fund to be used to support projects linked to 2020 Vision. £500k was made available to each diocese in three tranches in 2015, 2016 and 2017, with another £500k reserved for provincial projects.

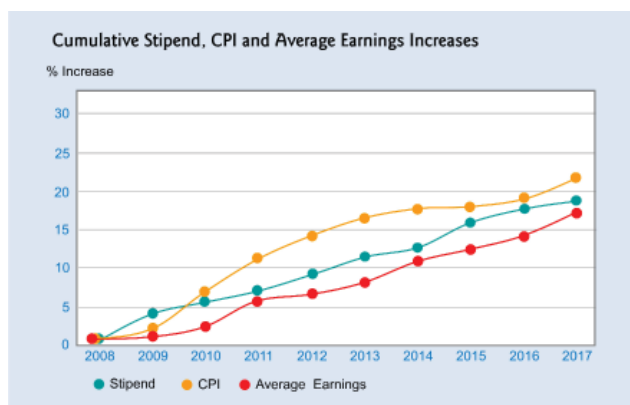
Dioceses were encouraged to match-fund from their own resources and required to report annually to the Representative Body on how the funding has been used. These reports are also shared with the Governing Body through its Standing Committee.

Clergy Stipend Levels

Clergy stipend levels are agreed each year by the Representative Body after consultation with the Bench of Bishops and the dioceses. From 1 January 2018 clergy stipend levels (incorporating an increase of 2.7% on 2017 levels) are:

	2018 Stipend Level £ p.a	% of Incumbent's Stipend
Assistant Curate, Cathedral Chaplain	20,620	85
Incumbent, Vicar in Rectorial Benefice*	24,259	100
Incumbent of Rectorial Benefice*	25,472	105
Residentiary Canon	27,898	115
Archdeacon	37,116	153
Dean	37,601	155
Assistant Bishop	41,240	170
Diocesan Bishop	44,879	185
Archbishop	48,518	200

**Incumbents are also entitled to retain fees for conducting weddings and funerals.*



Clergy Pension Scheme

The Clergy Pension Scheme is a non-contributory final salary scheme funded by the Representative Body and the dioceses and is a significant benefit for the clergy.

An incumbent with 40 years' uninterrupted service, retiring in 2017 will receive a lump sum of up to £35,432 and an annual pension of £14,173. On the death of a cleric, a qualifying surviving spouse or civil partner receives 60% of the cleric's pension, which in 2017 is £8,504 for full service.

The Clergy Pension Provision forms part of the overall investments of the Representative Body and the long term challenge is to ensure that pension liabilities are held as a stable proportion of the Representative Body's total assets.

The Clergy Pension Provision is shown in note 21 on page 41. The principal expenditure is payment of pension benefits and the income is made up of contributions from the dioceses for current service

(38.8%) together with a proportion of the income and net investment gains (30.9%) of the Representative Body.

The membership of the Clergy Pension Scheme including the movements during the year are shown below:

Clergy Pension Scheme Membership				
	Active	Deferred	Pensioners	Total
Membership at 1 January 2017	420	241	837	1,498
New entrants	28	-	-	28
Deferreds rejoined	2	(2)	-	-
Leavers with deferred benefits	(13)	13	-	-
Leavers with no liability	(1)	-	-	(1)
Transfer out	-	(4)	-	(4)
Retirements	(17)	(10)	27	-
Deaths	-	-	(41)	(41)
New surviving spouses or civil partners	-	-	12	12
Membership at 31 December 2017	419	238	835	1,492

The Clergy Pension Scheme is reviewed every three years and the results of the previous triennial reviews are shown below. The next actuarial valuation is due to take place at 31 December 2019.

Clergy Pension Scheme Funding				
	2016	2013	2010	2007
Market Value of the Representative Body's General Funds	£607m	£512m	£452m	£483m
Value of Past Service Liability	£187.8m	£158.9m	£141.9m	£126.8m
Liability as a proportion of General Fund	30.9%	31.1%	31.4%	26.2%
Current Service Employer's contribution (paid by dioceses)	38.8%	32.7%	27.2%	26.3%

Clergy Retirement Housing Loan Schemes

Current Clergy Housing Loan Scheme

(Available to qualifying clerics born before 31 December 1960).

The current scheme, introduced with effect from 1 January 2006 is available to clergy within three years of the normal retirement age to assist with the purchase of a retirement property, and provides the following loans:

- An interest bearing equity-linked loan of up to £156,426 (as at 1 January 2018), reviewed in line with the quarterly change in the Nationwide Welsh Average House Price Index (subject to restrictions based on an applicant's income);
- An interest-free loan equivalent to the retirement lump sum earned to date.

At 31 December 2017 the numbers and amounts of loans outstanding were:

	Number	Amounts
Interest Bearing Equity Loans	53	£5,381,181
Interest Bearing Loans*	3	£44,994
Advance of lump sum	2	£54,597

*Rolled over from the original Clergy Housing Loan Scheme

Original Clergy Housing Loan Scheme

The original Clergy Housing Loan Scheme was closed to clergy on 31 December 2005. Under that scheme, there were two types of loan available for clergy:

- An interest bearing loan of up to £15,000;
- An interest-free equity-linked loan up to a maximum of £30,000.

At 31 December 2017 the numbers and amounts of loans outstanding were:

	Number	Amounts
Interest Bearing Loans	28	£391,056
Equity Loans	79	£2,333,031

Clergy Car Loan Scheme

The Representative Body's Clergy Car Loan Scheme was closed to new members from 31 March 2016. Existing loans will continue to be held by the Representative Body, and clergy with loans will not be affected. As at 31 December 2017, there were 37 existing loans outstanding totalling £46,000.

Management of Property

Support from the Allchurches Trust

We are most grateful for the continuing support of Allchurches Trust both at a provincial and diocesan level. Allchurches Trust makes annual grants to the Representative Body and the dioceses arising from the profits of Ecclesiastical Insurance Group. The funding allows the Church in Wales to further its mission.

Support for managing church buildings

In the light of a Property Summit in St Asaph Diocese, the Representative Body agreed to provide funding towards new forms of support for local Ministry Areas in managing their buildings. This support is by a 50% grant towards agreed costs shared with each diocese over a three-year period. St Asaph has appointed a Churches Inspector to oversee and coordinate the programme of Quinquennial Inspection whilst also providing direct support on local issues. Monmouth is embarking on a detailed re-appraisal of the condition of all churches within the Diocese, building off existing Quinquennial reports to give a clear and focused view of the repair needs of each building to better inform decision making. Other dioceses are developing their ideas for these funds.

Churchyards and Burial Grounds

As well as being important community assets, churchyards in Wales are also home to some of the oldest yew trees in Europe and, as a collection across Wales, are unique. The Representative Body has worked closely with the Ancient Yew Group to develop new ways of working and to ensure proper advice is obtained before work to these important trees is undertaken. At the same time, the Representative Body introduced the RSPB to working with a number of churches in Cardiff to develop the potential of these sites as places for pollinating insects and, hence, supporting bird life especially swifts. Both these initiatives show how churchyards can too often be seen as liabilities when they can possess a wealth of value in new ways.

Redundant Churches

The Representative Body organised a conference in October to look at the challenge of redundant churches. The conclusions were that there can be positive outcomes for redundant churches but these need early consideration and people to explore options. As a result, the Representative Body will be consulting on the process of redundancy based on putting the future use of the building after closure at

the heart of that process. As each redundant church becomes the responsibility of the Representative Body, it has been identified that further staffing in this area will be needed if we are to both manage risks but also seek out the best outcome for the church.

Administration and other services provided from the Provincial Office

The Representative Body moved out of the office at 39 Cathedral Road in September 2017. The Representative Body took the decision to sell the Cathedral Road property and it is currently on the market for sale. After a successfully coordinated move, the Representative Body's new office is now based at 2 Callaghan Square, Cardiff CF10 5BT.

During 2017 the Representative Body, via the staff at the Provincial Office in Cardiff, continued to provide a wide range of administrative and other services on behalf of the Church. For example, the Representative Body is the managing and custodian trustee for over 2,500 funds held on trust and on behalf of beneficiaries. The aggregate value of these special trusts at 31 December 2017 was £49.4 million and was invested in stock exchange securities via the Church in Wales Common Investment Fund. The Representative Body also administers the clergy payroll, with the total cost of stipends and national insurance paid through the payroll in 2017 amounting to £11.1 million.

Below are some other examples of the range of services provided by the Provincial Office:

- The Provincial ICT Department provides network, software and hardware support for the Provincial Office, St Padarn's Institute, Bishops' offices, diocesan offices and the Archdeacons.
- The Provincial Office's Communications Department provides print and design services for reports, liturgical material and marketing content across the Church; Website design, maintenance and technical support for the provincial office, the dioceses, St Padarn's Institute and the parishes; and press and public relations services for the Provincial Office and the Bishops.
- The payment of Council Tax on parsonages, and the letting of properties in parishes (owned both by parishes and the Representative Body) are managed from the Provincial Office;
- Advice for parishes on compliance with secular legislation, such as safeguarding, disability discrimination and parochial trustees' liability (including the process for registration with the

Charity Commission of those parishes with an income in excess of £100,000) is prepared and disseminated by provincial staff;

- Disclosure and Barring Service disclosures are managed and processed at the Provincial Office for all clergy, licensed lay ministers and volunteers identified by parishes as having contact with children and vulnerable adults;
- The Provincial Safeguarding Panel meets regularly to consider case work, and the Provincial Safeguarding Team provide timely advice and guidance responses to individuals including calls and emails, and referrals to social care. Safeguarding training has been delivered to over 1,993 people since it was launched in 2016;
- The Representative Body pays grants and bursaries to those training for ministry in the Church in Wales.

The number of posts of the Representative Body at 31 December 2017 (with 2016 in brackets) is as follows:

	Full Time	Part Time (FTE)
Provincial Office	39 (38)	4.6 (4.6)
Bishops' Secretaries	5 (5)	1.5 (1.5)
Diocesan Inspectors	6 (6)	- (-)
Bishops' Advisors	3 (3)	1.2 (1.2)
Safeguarding ⁽¹⁾	1 (1)	4.1 (4.1)
St Padarn's Institute ⁽²⁾	18 (23)	4.9 (3.4)
Total	72 (76)	16.3 (14.8)

FTE - Full Time Equivalent

⁽¹⁾ Safeguarding includes 8 part time posts of which 5 are recharged to the dioceses.

⁽²⁾ The St Padarn's Institute figures include 5 full time and 2 part time tutor posts which are currently recharged to the dioceses.

Salary levels were increased from 1 January 2018 by 2.7%, the same increase as that agreed for clergy. Salary levels are based on the requirements of the role and levels in other comparable organisations.

In July 2017 a decision was taken to close the St Michael's Centre as a conference facility with effect from 31 August 2017, with staff moving to St Padarn's Institute from 1 September 2017.



top left: Stained glass in Llandaff Cathedral.



bottom left: Archbishop John signing a Fairtrade petition.



top right: St Davids service - 20 years of women's ministry.



bottom right: Ordinations at St Davids Cathedral.

FINANCIAL REVIEW

Stock exchange securities increased during the year by 7.9%. The property investment portfolio increased in value by 2.8%.

Investment Policy

The power to invest all monies held by the Representative Body in trust for the Church in Wales is set out in section 20 of Chapter III of the Constitution, which gives wide ranging authority for investment.

Investment Objectives

The objectives of the Representative Body's investment policy are to:

- achieve a balance between sustainable levels of income and capital growth;
- optimise total returns without undue risk;
- continue to meet the Representative Body's current to long-term liabilities and income commitments;
- operate within the constraints of the Church's Ethical Investment Policy Statement, as set out on page 14.

Diversification in a range of assets is essential to reducing risk, and therefore forms an important part of the investment strategy of the fund. The assets in which the fund is invested are regularly reviewed.

Investment Managers

Sarasin & Partners and Newton Investment Management each manage one half of the stock exchange investment fund, under a Global Multi-Asset mandate.

Cluttons LLP manage both the investment properties and the property unit trusts.

Overall Fund Performance

During 2017 the total value of the Representative Body's total investments increased by 8.6% to £657m as shown on the Balance Sheet on page 29.

The capital value of the fund is of particular significance in assessing the proportion of assets required to meet the Clergy Pension Scheme liabilities which were valued at £192.2m on 31 December 2017.

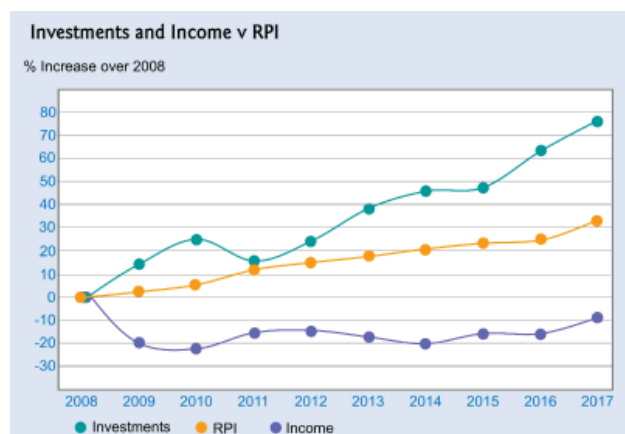
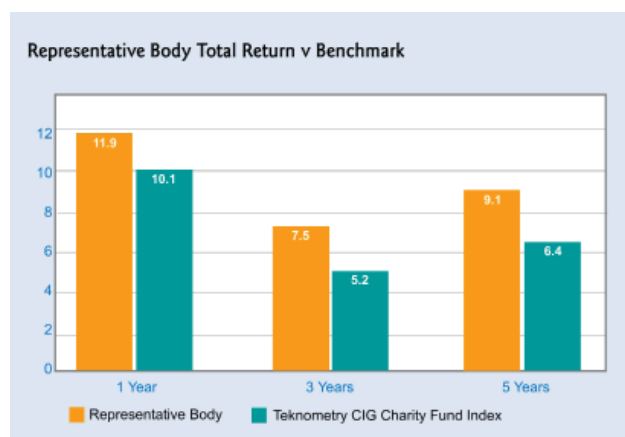
Total Return

The total return (both income and capital growth) from the Representative Body's fund during 2017 was 11.9%, outperforming the Teknometry benchmark return of 10.1%. Over three and five years the annualised returns also outperformed the benchmark as highlighted in the table below.

Benchmark

The performance of the Representative Body's total investment fund, including the stock exchange investments and property investments is measured relative to the Teknometry CIG Charity Fund Universe Benchmark.

The property portfolio is measured against the IPD (Investment Property Databank) Monthly Index.



Stock Exchange Investments

Stock exchange securities increased over the year from £507.9 million to £548.1 million at 31 December 2017, an increase of 7.9%.

As 2017 drew to a close the global economy showed signs of a sustained recovery, despite the slowdown in the UK, where the Office for Budget Responsibility downgraded GDP forecasts. The Bank of England raised base rates for the first time in 10 years by 0.25% to 0.5%. Consumer Price Inflation reached 3.1% in November, its highest level in almost six years, whilst news that cuts in oil production would be extended to the end of 2018 continued to push up the price of oil.

Global equity indices moved higher throughout the year, with earnings releases, central bank activity and economic data bearing significant influence upon investor sentiment. Political factors dominated the headlines - Japanese equities delivered impressive gains after Prime Minister Abe scored a decisive victory following his decision to call a snap election. In Europe, where political uncertainty loomed over Germany and Spain, returns were lower.

The euphoric conditions that followed Donald Trump's US presidential election victory in November 2016 persisted for much of the first quarter of 2017, with optimism seeming to rest on the likelihood that US tax cuts, deregulation and fiscal stimulus would boost demand, and thus corporate profits. While real economy data remained mixed, the backdrop was viewed by the Federal Reserve as sufficiently resilient to justify a further increase in US interest rates.

Asset allocation ranges and the allocation as at 31 December 2017 are shown in the next table:

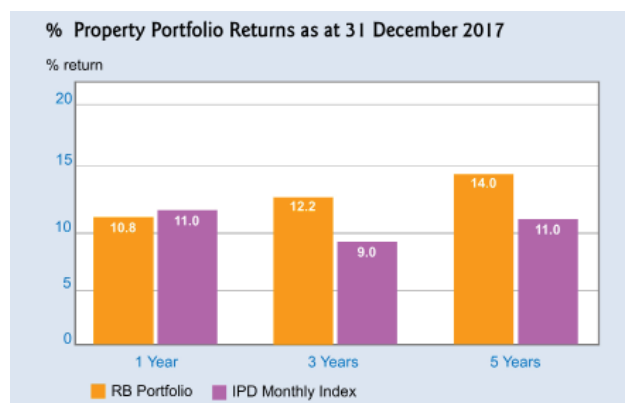
Asset Allocation Range		
Asset class	Range	Allocation at 31 December 2017
UK Equities	15-40%	27%
Overseas Equities	20-70%	46%
Fixed Interest	2-25%	13%
Alternatives	0-10%	6%
Cash	0-25%	4%
Property	0-5%	2%
Other Assets	0-5%	2%

Investment Property

The commercial property portfolio marginally underperformed the IPD Monthly Index over the 12-month period to 31 December 2017 but outperformed the Index over the 3-year and 5-year periods as shown in the table below:

The value of the Investment Property portfolio increased over the year from £72.5m to £74.5m, an increase of 2.8%.

The strongest sector performance came from industrials with industrial sector investments returning 23.6% against the IPD Monthly sector benchmark return of 20.3%.



Ethical Investment Policy Statement

The Church in Wales has had an Ethical Investment Policy for many years. Informed by the work of Churches Ethical Investment Group and supported by the Representative Body's Investment Committee. The current policy statement was adopted by the Governing Body of the Church in Wales in April 2016.

As a Christian Church, we are tasked to co-operate with God's active presence in the world and with proclaiming the values of the kingdom of God. This means that the Church has a particular interest in promoting all that furthers justice and peace, that enables full human flourishing, that honours creation and that builds creative human communities.

The Church in Wales wishes to have an investment policy that is ethical and consistent with the furtherance of our aims and objectives. We believe that it is entirely appropriate and possible to operate such a policy alongside the requirement to achieve the best returns from our investments, and to use our investments as an ethical means of contributing to the cost of ministry and mission in the Province.

Our aim is to invest in successful companies that are committed to developing their business in the interests of their shareholders, customers, local communities and employees by operating:

- Responsible employment practices;
- Conscientious corporate governance;
- Policies and practices which demonstrate a proper regard for the environment and for the well-being of the created order;
- Policies sensitive to the human rights and wellbeing of individuals and communities in which they operate;
- Fair trading practices.

In its policy for investment, the Church in Wales will use its best endeavours not to be associated with companies whose products or policies conflict with these aims or to invest in companies which:

- Are responsible for the wanton despoliation of the environment;
- Are responsible for anything that threatens peace, security and communal well-being;
- Exploit, demean, corrupt or degrade humankind, especially the poor or the financially vulnerable;
- Are indifferent to the well-being of animals.

We recognise the complexities surrounding the activities of companies in which we can invest, and reserve the right to make investment decisions on a case by case basis. We will endeavour to engage with companies which are in actual or potential breach of this policy or where concerns exist over governance and social responsibility issues before considering disinvestment.

It is the policy of the Church in Wales not normally or knowingly to invest in any company:

- which derives more than 20% of turnover from a primary focus on gambling, or the production or sale of alcoholic beverages or tobacco products;
- which derives more than 5% of turnover from pornography, predatory lending activities or the proliferation of armaments beyond areas of legitimate defence and international peace-keeping;
- which derives more than 10% of turnover from the extraction of thermal coal or the production of oil from tar sands.

The Church in Wales wishes to be a well informed and responsible investor, and to this end is represented on the Church Investors Group, which is a means of accessing research, obtaining reliable information, sharing best practice with other member organisations, and exercising combined shareholder influence.

A valuable relationship exists between the Investment Committee and the Church in Wales Ethical Investment Group to which the Committee refers problematic cases, and from which it receives an annual report.

Risk Management Policy

The Representative Body has established an extensive risk register. The register is reviewed and updated regularly by Senior Management, and scrutinised by the Audit and Risk Committee and the Representative Body annually.

The risk register identifies the major risks to which the organisation is exposed and the scope of such risks. The register then identifies the controls and procedures which have been established to manage and mitigate those risks, from which there are defined action points, strategies and timescales to mitigate the risk further.

The risk register has identified two major areas of risk. These areas and the associated mitigation strategies are:

1. Severe downturn in the Stock Market

- The investment fund is managed by two separate managers, providing an element of diversification;
- There is a limit on individual stock investments, so that they are not concentrated on a small number of holdings;
- Long term downturn would have to be permanent to be a threat to the Representative Body's asset base;
- Historically sustained reduction in investment values has not occurred;
- There is a wide spread of investments over numerous asset classes;
- There is a triennial review of whether the Clergy Pension Scheme should be separated from the Representative Body's main fund;
- The investment portfolio is reviewed quarterly by the Investment Committee.

2. Falling numbers of congregations leading to a downward spiral in church attendance

- The annual Joint Finance Meeting enables the regular review of parish, diocesan and provincial finances by the Bench, the Representative Body trustees and diocesan Chairs and Secretaries;
- The Representative Body seeks to maintain the highest level of financial support for dioceses principally via the block grant;
- The Annual Finance Return provides detailed information for dioceses and the province on the financial situation of parishes;
- The Annual Membership Return provides an analysis of age profile and attendance patterns of members;
- The vision to move away from smaller parishes to larger ministry areas.

Reserves Policy

At 31 December 2017 the total funds of the Representative Body amounted to £720 million (2016: £673 million).

Restricted Funds

At 31 December 2017 there were no Restricted Funds (2016: £1.1m) held by the Representative Body. During 2017 the funds available for the education and practice of theology were fully utilised and offset against the costs of St Padarn's Institute. The funds previously considered to be restricted for parsonage houses were transferred to designated funds during the year. The CiW Jubilee Fund was closed during the year.

Designated Funds

The Trustees have the power to designate general funds to be retained for an agreed purpose where this is considered to be prudent.

At 31 December 2017 Designated Funds amounted to £284m (2016: £267m). Details of the Designated Funds are set out on page 42. The most significant fund is the Revaluation Reserve, with a balance of £213m, and represents the difference between the market values assigned to non-investment property (including parsonages, churches, church halls and sundry property) and the underlying cost. As such, the Revaluation Reserve can only be realised by the disposal of the non-investment property held by the Representative Body for the day to day work of the Church.

All designated funds are reviewed annually and returned to general funds in the event that the purpose of their designation can no longer be justified.

General Funds

Having taken into account the Restricted and Designated Funds held, the amount of General Funds held by the Representative Body at 31 December 2017 totalled £437m (2016: £405m).

The total return expenditure policy is based on the amount of General Funds held by the Representative Body. The policy is to set spending at a level intended to provide vital funding for the Church in the short term whilst preserving the investment base to provide sustainable increases in annual expenditure into the future.

FUTURE PLANS

The Representative Body has kept under review a number of strategic issues which may in time hold significant implications for the Church in Wales.

Short to medium term issues

Support for the dioceses

The Representative Body continues to provide support for the wider Church in Wales in a broad range of ways. Most visibly, it has committed to maintaining the level of Block Grant funding to dioceses (some £6.2 million) up to and including 2021. In doing so, the Representative Body is operating at a planned deficit and the drawdown of funds to support this strategy needs to be carefully managed. The Representative Body also provides professional support to the Church in a number of key areas.

2020 Vision

The Representative Body is playing a full part in supporting the 2020 Vision process, not least in the provision of £3.5 million over three years (2015-17) for the 2020 Vision Transformation Fund. However, the process of rebuilding the Church for 2020 and beyond poses more varied challenges than funding. In particular, changing parish structures and patterns of ministry are raising new questions about governance, financial reporting, use of property and funds, the provision of housing and other support for ministry. The Representative Body will have a key role in helping the Church to consider and resolve these questions.

Clergy Remuneration

The lion's share of Representative Body expenditure is linked directly or indirectly (for example, through the Block Grant) with the costs of ministry. It is clearly the will of the Church that its clergy should be treated fairly and equitably, and the clergy remuneration package – stipend; pension scheme; housing; council tax and utility bills; income from occasional offices and trusts – is structured to provide the maximum level of support to enable clergy to focus on ministry and mission. However, this package is also based on traditional patterns of ministry, lifestyle and family life, and may not necessarily reflect the needs of today's ministers. Equally, it is also deceptively expensive for the Representative Body and dioceses to provide perhaps £50,000 per annum per full-time stipendiary cleric, with the cost of providing a non-contributory

defined-benefit pension scheme increasing dramatically in recent years. For this reason the Representative Body has commissioned a review of the clergy remuneration package with the intention that a balance be found between what is fair and equitable on one hand, and affordable and sustainable for the Church on the other.

Managing Property

Redundant Churches

The formation of Ministry Areas and the increasing range of support available to local churches, is inevitably identifying more churches which are unsustainable. Managing these buildings will be a significant challenge for the Representative Body but identifying and achieving positive outcomes for them will be vital. As empty buildings, they can represent hazards to visitors and these need to be managed. With the church's insurers, Ecclesiastical, we will develop better ways of managing these risks.

Funding

The proceeds of sale of glebe land provide a fund from which the Representative Body can offer church repair grants. This fund continues to grow and should be a sustainable source of funding going forward. However, funding from other sources is less certain. The Heritage Lottery Fund no longer operates a dedicated grant scheme for places of worship though they still welcome applications from churches under other programmes. Cadw (Welsh Government) suspended their grants in 2017, though have re-opened them now. The reality is that outside funding is generally reducing and we need to think carefully about how we allocate our own assets in the future to support church buildings.

Maintenance

Maintaining church buildings is fundamental to ensuring they remain useable. A lack of basic maintenance leads to a need to undertake significant repairs. Finding contractors who are suitable for maintenance tasks can be challenging so the Representative Body has teamed up with

the National Churches Trust to roll out Maintenance Booker in Wales. This is an on-line service where vetted contractors can be contacted to quote for key maintenance tasks such as gutter clearance, tree work and asbestos surveys. Making it simple for volunteers in churches to get jobs done is a key priority for the future.

On Line Faculty System / Church Heritage Cymru

An on-line system for applying for a faculty has been developed. This will transform the process of a faculty application for applicants, consultees and decision makers. The system will also make the process more transparent. Cadw/Welsh Government has signalled its intention to review Ecclesiastical Exemption through new guidance and a statutory order. The on-line system will help to show how the system works so effectively in ensuring works to churches are undertaken appropriately balancing the needs of heritage and the mission of the Church.

Supporting Ministry Areas

The development of ministry areas brings with it new challenges as churches look afresh at their assets and try to plan what is needed to meet future challenges. This involves considerable support to guide local churches in terms of what assets are available and the limitations on their use and development. Providing information to ministry areas will be a key priority going forward.

Safeguarding

In recent years the Representative Body and the dioceses of the Church in Wales have invested heavily in its safeguarding support. Ensuring that the Church provides a safe environment for all whom it is called to serve, particularly those who might be especially vulnerable, is a key part of our Christian witness. However, it is expected that significant additional support will be required in the near future to equip the Church to participate fully in the Independent Inquiry into Child Sexual Abuse. The investigation of cases arising from the work of the Church in Wales is now expected in 2019, and the Church in Wales is committed to provide the Inquiry with every assistance. For the Representative Body, this is likely to mean in practice the incurring of costs relating to legal representation, but also the dedication of significant staff time to research and provide documentation as required by the Inquiry. The earlier investment in the Church's safeguarding provision, including the Independent Review of Historic Cases, is expected to prove helpful in this regard.

Training for Ministry

The Representative Body is the largest financial contributor to the costs of training for ministry in the Church in Wales. In addition, since August 2011 it was responsible for St Michael's College, Llandaff. As such it has had a key role to play in the recent review of ministry training by the Bench of Bishops, and in particular work with dioceses and other interested parties to implement the Bishops' vision for training. The new St Padarn's Institute, which brings together different models of training for ministry (lay and ordained) for the Church in Wales, began its work formally on 1 July 2016. Since then, the Representative Body has worked with dioceses and the institute to put in place:

- A new financial settlement for training;
- Arrangements for the employment of new staff and the transfer of existing staff as required.

In 2017, it was also agreed that the St Michael's College site should no longer provide conference facilities but would remain the main site for training. The long term future of the site will be considered in 2018.

The Representative Body will need to continue to work closely with St Padarn's Principal and Council, with dioceses and with the Bishops on these matters.

Cathedrals Review

The independent review of the role, governance and resourcing of cathedrals in the Church in Wales, which has been commissioned by the Bench of Bishops, was presented to the Governing Body in April 2017. The Review's recommendations hold implications for funding and for the professional support provided to cathedrals. The Representative Body will need to work with all parties, including dioceses, to help implement the Review's vision for Welsh cathedrals as required by the Governing Body.

Church in Wales Centenary Celebrations

2020 marks the centenary of the disestablishment of the Church in Wales. The Standing Committee has begun the process of considering how this date should be marked, and the Representative Body is ready to assist with any practical support that might be required. Any celebratory event(s) will also need to be funded, and the Representative Body will need to be part of any discussions on that aspect of the event planning.

Long term issues

Pensions

The actuarial valuation of the Clergy Pension Scheme at 31 December 2016 confirmed that the Scheme is well funded and continues to represent a prudent proportion of the Representative Body's total assets. However, the costs to dioceses have continued to increase exponentially. The Representative Body will need to keep the Clergy Pension Scheme, including its funding and benefits, under active review as part of a wider review of clergy remuneration, due to start in 2018.

Property

Redundant Churches

There will need to be fresh thinking around redundant churches. This will involve seeking out new futures for these buildings other than always sale. This could involve working more closely with community groups to ensure these buildings perform a valuable function in communities but might also involve trying to find ways to retain a portfolio of church buildings as simple monuments and wayside places for private prayer and occasional services. This will move away from the national ownership-local management model of the traditional parishes but will need to engage with local people in new ways.

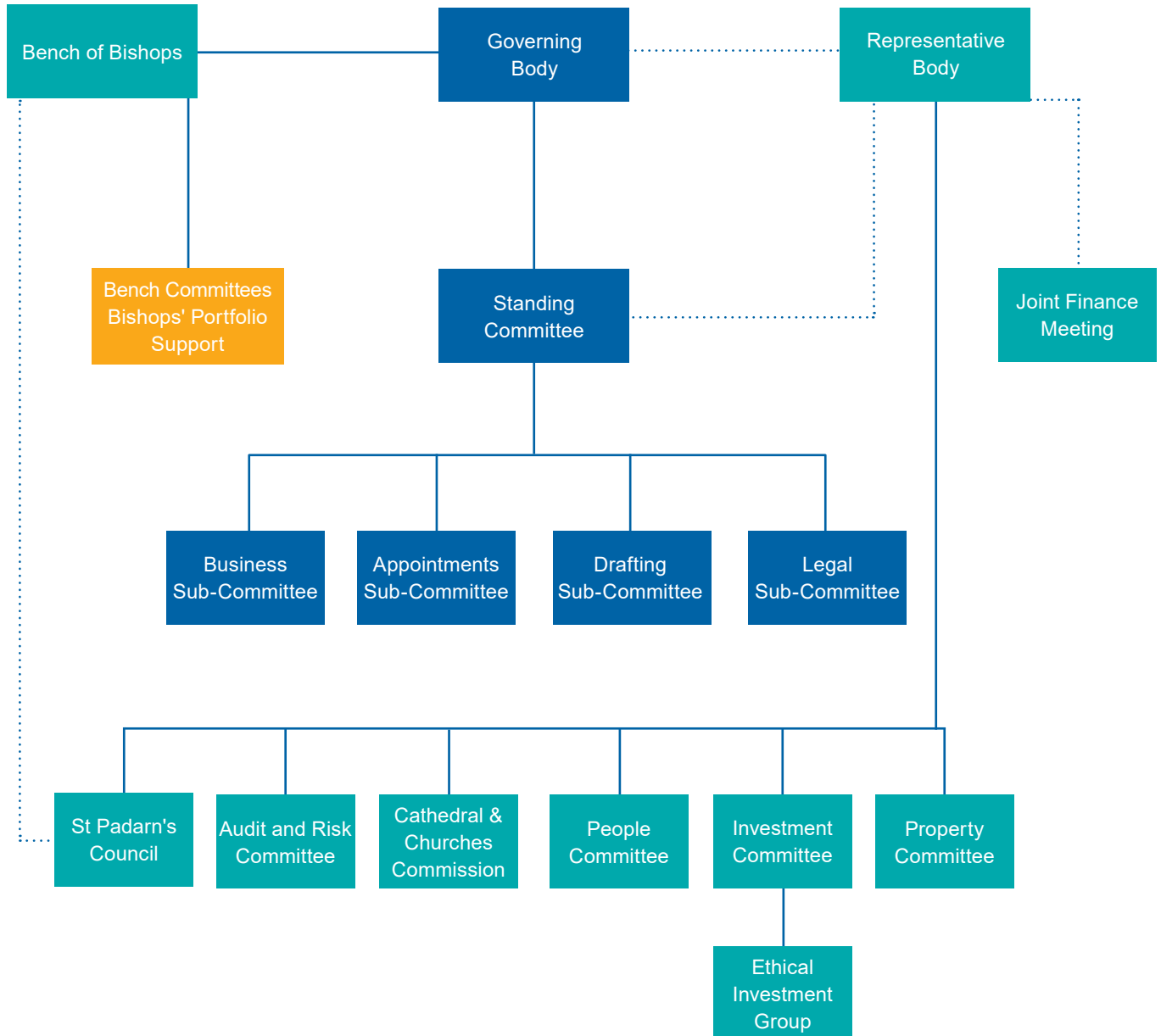
Climate Change

Climate Change is a fundamental challenge for the Church and the world. Developing new ways to encourage new climate change friendly management of buildings is a critical challenge. Some of this will be around advice, but collective purchasing and spreading of good practice will be key. The parsonage portfolio is a key focus in this area, but churches can also achieve progress especially as part of other repair and improvement projects.

Glebe Portfolio

The glebe portfolio remains an important asset used to provide a stream of capital to fund church repair grants. Whilst the financial priority for this portfolio is clear, there needs to be a flexible approach to ensure that glebe land is not ignored in future mission planning. Land can provide new resources to spread the Church's message.

THE PROVINCIAL STRUCTURE



GOVERNANCE AND MANAGEMENT

The Representative Body of the Church in Wales was created by a Charter of Incorporation on 24 April 1919 and is constituted to hold all property and investments vested in it in trust for the use and purposes of the Archbishop, Bishops, Clergy and Laity of the Church in Wales. These assets are held in order to maximise the support which can be given to the mission of the Church in parishes throughout the province.

The Representative Body comprises up to 26 members and meets three times a year. The membership and functions of the Representative Body are regulated by Chapter III of the Constitution of the Church in Wales.

Details of the trustees who served during the year and since the year end are set out on page 27. The relationship of the Representative Body to its committees and to the other provincial bodies of the Church in Wales is set out on page 19.

Membership Composition

Trustees are appointed for a three-year term of membership. The Representative Body's membership consists of:

- The Archbishop;
- The Chair of the Standing Committee of the Governing Body;
- The Chair of the Diocesan Board of Finance of each diocese;
- One cleric elected by the Diocesan Conference of each diocese;
- One lay person elected by the Diocesan Conference of each diocese;
- Up to four members nominated by the Bench of Bishops in consultation with the Standing Committee;
- Up to two members co-opted by the other members of the Representative Body.

Membership Eligibility

The following are eligible to be members of the Representative Body:

- Any cleric who holds an ecclesiastical office in the Church in Wales or a licence from a Welsh Diocesan Bishop who is not retired or has reached the age of 70;
- Any lay communicant over 18 and under 75 years of age who either:
 - a. resides or has resided for a period of 12 months in a Church in Wales parish; or,

- b. whose name appears in the electoral roll in a Church in Wales parish and who does not belong to a religious body which itself is not in communion with the Church in Wales.

A lay communicant may be elected a member of the Representative Body only for the diocese in which he or she either resides, holds diocesan office or has his or her name on the electoral roll of a parish in such diocese. No salaried employee of the Representative Body, a Diocesan Board of Finance or any other such provincial or diocesan body within the Church in Wales shall be eligible to be a member of the Representative Body or any committee or sub-committee.

Membership – Induction and Training

It is the policy of the Representative Body that its members should be provided with training appropriate to their duties both as charity trustees and as members of its committees. New members are given the opportunity to attend external training events for charity trustees, and all new members are also invited to the Provincial Office to meet staff and to learn more about the work of the Representative Body, the Governing Body and the Bench of Bishops.

In addition, members are offered training tailored to meet specific gaps in knowledge or experience, often linked to a member's work with the Representative Body's committees. In the past this training has proved to be particularly beneficial in the complex and specialised areas of investments and audit.

Committees

The Representative Body has six committees – Investment, Property, People (formally Human Resources), Audit and Risk, St Padarn's Council and the Cathedrals and Churches Commission – each with specific terms of reference and functions delegated by the Representative Body and reviewed every three years.

Investment Committee

The Investment Committee determines the investment strategy for the Representative Body (within the overall policy objectives of the Representative Body and with advice from their appointed advisers) and is authorised to take all decisions necessary to manage the investments of the Representative Body within this strategy.

Property Committee

The Property Committee has responsibility for policy relating to the Representative Body's non-investment property – churches, parsonages, glebe land, Bishops' residences and burial grounds – and the management of those properties. Its duties are wide-ranging and include authorising the sale and purchase of properties; developing strategies for dealing with redundant church buildings and churchyards; administering trusts, legacies and bequests; and administering grants for the repair and improvement of properties.

People Committee

The People Committee is responsible for developing policies and procedures for clergy, staff and volunteers in line with the specific legislation that applies to each group and good practice. This includes advising the Representative Body on the level of clergy stipends and staff salaries and the terms and funding of the pension schemes for clergy and staff respectively. It has also been given responsibility for over seeing Safeguarding policy.

Audit and Risk Committee

The Audit and Risk Committee works with the Representative Body's external auditors to ensure proper financial reporting practice and compliance with charity accounting requirements. It provides strategic advice on budgetary matters and considers long-term financial forecasts, and has a role in monitoring the operation of the Block Grant funding arrangement between the Representative Body and dioceses. It also has an important role in overseeing the risk management process.

St Padarn's Council

The St Padarn's Council oversees the work of the St Padarn's Institute, which brings together training for ministry and education for discipleship in the Church in Wales. In most areas of its work it reports to the Bench of Bishops, but it reports to the Representative Body on finance and staffing matters.

Cathedrals and Churches Commission

The role of the Cathedrals and Churches Commission is to provide expert advice to diocesan courts and advisory groups on applications for major works to cathedral and church buildings as part of the in-house procedure (or faculty procedure) established by the Church in Wales as a condition of the ecclesiastical exemption from local planning controls.

Conflicts of Interest

Representative Body members are likely to serve the Church in Wales in other ways and some, in particular clergy members, receive remuneration in these other roles. The Representative Body operates a conflicts of interest policy to ensure that members' other interests – either personal or on behalf of other organisations within the Church – do not exercise an inappropriate influence on the Representative Body's own decision making. A register of members' interests is maintained and updated regularly, and members are given the opportunity at the beginning of each meeting to declare any potential conflicts with items under consideration.

Fundraising

The Representative Body does not actively go out and fundraise but donations are gratefully received. No complaints have been received in respect of fundraising.

Statement of Trustees' Responsibilities

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Representative Body.

James Turner, Chair

Geoff Moses, Trustee

7 June 2018

REFERENCE AND ADMINISTRATIVE INFORMATION

Representative Body Membership

Chair and Deputy Chair

Mr J J Turner
Chair

Mr P R Marshall OBE
Deputy Chair
(To 26 July 2017)

Ex Officio Membership

The Most Reverend J D E Davies
Archbishop of Wales
(From 6 September 2017)

The Most Reverend Dr B C Morgan
Archbishop of Wales
(To 31 January 2017)

Mrs L Perkins
(From 15 February 2017)

Mrs H R Jones
Chair, St Asaph Diocesan Board of Finance
(From 5 October 2017)

Mr J C Myers
Chair, St Asaph Diocesan Board of Finance
(To 3 May 2017)

Dr H J Parry-Smith
Chair, Bangor Diocesan Board of Finance
(From 7 March 2018)

The Reverend J M Evans
Chair, Bangor Diocesan Board of Finance
(To 10 October 2017)

Mr N Griffin
Chair, St Davids Diocesan Board of Finance

Mr M A Lawley
Chair, Llandaff Diocesan Board of Finance
(From 27 July 2017)

Mr P R Marshall OBE
Chair, Llandaff Diocesan Board of Finance
(To 26 July 2017)

Mr P E Lea
Chair, Monmouth Diocesan Board of Finance

Sir P Silk
Chair, Swansea and Brecon Diocesan Board of Finance
(From 15 November 2017)

Professor P Townsend
Chair, Swansea and Brecon Diocesan Board of Finance
(To 15 November 2017)

Elected Membership

St Asaph

The Venerable R H Griffiths, Archdeacon of Wrexham

Mr L T W Evans (To 31 December 2017)

Mrs H M Wiseman (From 1 January 2018)

Bangor

The Very Reverend K L Jones, Dean of Bangor
(From 1 January 2018)

The Venerable R P Davies, Archdeacon of Bangor
(To 30 November 2017)

Mrs M West

St Davids

The Venerable P Mackness, Archdeacon of
St Davids
(From 1 January 2018)

The Venerable D M Wight, Archdeacon of St Davids
(To 31 December 2017)

Mrs J Heard (To 25 May 2018)

Llandaff

The Venerable C B W Smith, Archdeacon of Morgannwg

Mr G I Moses

Monmouth

The Venerable J S Williams, Archdeacon of Newport

Miss P R Brown

Swansea and Brecon

The Venerable A N Jevons, Archdeacon of Brecon

Mr T J P Davenport

Nominated Membership

Mr R Davies

Mr P D Kennedy (From 8 March 2018)

Mr T O S Lloyd OBE, DL, FSA

Mr D G Myrddin-Evans (To 31 December 2017)

Mr J J Turner

Co-opted Membership

Mr L James

Mr P D Kennedy (From 6 June 2017 to 8 March 2018)
(1 vacancy)

Committee Membership

(*denotes non-RB member)

Investment Committee

Mr J J Turner (Chair) *(From 26 July 2017)*
 Mr P R Marshall OBE (Chair) *(To 26 July 2017)*
 Mrs J Heard (Deputy Chair)
(From 6 June 2017 to 25 May 2018)
 Mr R Anning*
 Mr J Fox*
 Mr L James
 Mr D G Myrddin-Evans*
 Mr R Page*
 Mr R D Thomas*
 The Reverend Canon I K Rees*
(From 16 November 2017)

Audit and Risk Committee

Mr G I Moses (Chair)
 Mrs J Heard *(To 6 June 2017)*
 Mr D W Jenkins* *(To 4 May 2017)*
 Mr V Jones*
 Mrs L Jones* *(From 6 June 2017)*
 Mr M A Lawley *(From 8 March 2018)*
 Sir P Silk *(From 8 March 2018)*

Property Committee

Mr R Davies (Chair)
 The Very Reverend K L Jones *(From 8 March 2018)*
 The Venerable R P Davies *(To 30 November 2017)*
 The Venerable R H Griffiths
 The Venerable A N Jevons
 The Venerable C B W Smith
 The Venerable D M Wight *(To 28 February 2018)*
 The Venerable J S Williams
 Ms M Gerrard*
 Mr J E Jones*
 Ms F E Tanguy* *(From 13 June 2017)*
 Mr D A Williams*

People Committee

Mr P D Kennedy (Chair) *(From 6 June 2017)*
 Mr J C Myers (Chair) *(To 6 June 2017)*
 The Right Reverend G K Cameron*
 The Venerable R H Griffiths
 Mr T J P Davenport
 Mr N Griffin
 Mrs B E Harding*
 Mrs M West

Cathedrals and Churches Commission

Mr T O S Lloyd OBE, DL, FSA (Chair)
 The Very Reverend D J R Lean*
 Mr R S Dean*
 Mr J Orbach*
 Mr R J Silvester*
 Mr R Wall*
 The Right Reverend J W Evans*

St Padarn's Council

The Right Reverend R E Pain* (Chair)
 The Right Reverend J Osborne* *(From 4 January 2018)*
 The Right Reverend A T G John* *(To 2 January 2018)*
 The Venerable T H A Mason*
 The Venerable D M Wight *(To 28 February 2018)*
 The Reverend Canon T J Hewitt*
 The Reverend Canon R O L Lowndes*
 The Reverend Dr M C James*
 The Reverend D J F J A McClean*
 Miss P R Brown
 Mr G Erlandson* *(From 16 February 2017)*
 Mrs R R D Evans* *(To 16 February 2017)*
 Mrs V Hockey* *(To 31 December 2017)*
 Mr P R Marshall OBE *(To 26 July 2017)*
 Dr R Pope* *(To 2 January 2018)*

Advisers

Independent Auditors:

haysmacintyre
10 Queen Street Place
London
EC4R 1AG

Bankers:

Lloyds Bank Plc
1 Queen Street
Cardiff
CF10 2AF

Investment Property Advisers:

Cluttons LLP
Portman House
2 Portman Street
London
W1H 6DU

Investment Advisers:

Newton Investment Management
BNY Mellon Financial Centre
160 Queen Victoria Street
London
EC4V 4LA

Sarasin & Partners LLP
Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

Actuaries:

Quantum Advisory
Cypress House
Pascal Close
St Mellons
Cardiff
CF3 0LW

Barnett Waddingham LLP
St James's House
St James's Square
Cheltenham
Gloucestershire
GL50 3PR

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report to the Trustees of the Representative Body of the Church in Wales

Opinion

We have audited the financial statements of the Representative Body of the Church in Wales for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity's trustees as a body for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2017 and of the charity's net movement in funds for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of trustees for the financial statements

As explained more fully in the Trustees' Responsibilities Statement set out on page 22, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report (incorporating the Chair's Introduction). Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the charity, or returns adequate for our audit have not been received from branches not visited by us; or
- sufficient accounting records have not been kept; or
- the charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

haysmacintyre
Statutory Auditor
7 June 2018

10 Queen Street Place
London
EC4R 1AG

haysmacintyre is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Statement of Financial Activities

For the year ending 31 December 2017

	Note	General Funds 2017 £000	Designated Funds 2017 £000	Restricted Funds 2017 £000	Total Funds 2017 £000	Total Funds 2016 £000
Income from:						
Donations and Legacies		1	-	6	7	5
Charitable Activities		-	1,129	-	1,129	1,125
Investments	2	19,399	336	-	19,735	18,282
Other		287	-	-	287	240
		19,687	1,465	6	21,158	19,652
Expenditure on:						
Raising Funds	3	2,551	-	-	2,551	2,277
Charitable Activities						
Support for Ministry	4	9,220	-	693	9,913	8,902
Support for Dioceses and Parishes	5	8,664	667	-	9,331	8,859
Other Church Property	6	472	1,516	-	1,988	1,749
Other Financial Support	7	558	13	15	586	533
Communication	8	200	-	-	200	141
		21,665	2,196	708	24,569	22,461
Net Expenditure before Investment Gains		(1,978)	(731)	(702)	(3,411)	(2,809)
Net Gains on Investments		50,430	639	-	51,069	65,516
Net Income / (Expenditure)		48,452	(92)	(702)	47,658	62,707
Transfers between funds						
Emergency Aid Fund		(100)	100	-	-	-
Unrestriction of Funds		-	402	(402)	-	-
Other Recognised Gains / (Losses):						
(Losses) / Gains on revaluation of fixed assets		(622)	3,775	-	3,153	11,319
Allocation to Clergy Pension Provision		(15,388)	-	-	(15,388)	(20,239)
Transfer from Clergy Pension Provision		-	12,400	-	12,400	5,751
Actuarial loss on Staff Pension Scheme		(172)	-	-	(172)	(4,817)
Net Movement in Funds		32,170	16,585	(1,104)	47,651	54,721
Reconciliation of Funds:						
Total Funds brought forward		404,548	267,195	1,104	672,847	618,126
Total Funds carried forward		436,718	283,780	-	720,498	672,847

The statement of financial activities incorporates the statement of comprehensive income.

All activities are continuing.

There is no material difference between the net expenditure before investment gains stated above and their historical cost equivalent.

A fund by fund analysis for both the current and prior year is shown in the notes to the accounts.

Balance Sheet

As at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£000	£000	£000	£000
Fixed Assets					
Non-Investment Properties	12	264,726		263,654	
Tangible Assets	13	275		120	
			265,001		263,774
Investments					
Investment Properties	14	54,190		52,585	
Property Unit Trusts	15	20,295		19,865	
Stock Exchange Securities	16	548,145		507,897	
Funds held by Investment Managers		19,302		13,148	
Money Market Deposits and Loans	17	15,521		11,894	
			657,453		605,389
Current Assets					
Debtors	18	3,587		3,594	
Cash at Bank and in Hand		1,239		2,002	
		4,826		5,596	
Current Liabilities					
Creditors: amounts falling due within one year	19	(3,696)		(4,059)	
Net Current Assets			1,130		1,537
Total Assets Less Current Liabilities			923,584		870,700
Long Term Liabilities					
Clergy Pension Provision	21	(192,200)		(187,600)	
Net Assets excluding Staff Pension Liability			731,384		683,100
Defined Benefit Staff Pension Liability	11	(10,886)		(10,253)	
Net Assets including Staff Pension Liability			720,498		672,847
Capital and Reserves					
General Funds		447,604		414,801	
Pension Reserve		(10,886)		(10,253)	
			436,718		404,548
Designated Funds	22	283,780		267,195	
Restricted Funds	23	-		1,104	
Total Funds			720,498		672,847

The financial statements on pages 28 to 44 were approved by the Representative Body on 7 June 2018.

James Turner, Chair

Geoff Moses, Trustee

Cash Flow Statement

For the year ending 31 December 2017

		31 December 2017	31 December 2016
	Note	£000	£000
Reconciliation of net income to net cash provided by operating activities:			
Net income		47,658	62,707
Adjustment for:			
Gains on revaluation of fixed assets		3,153	11,319
Allocations to clergy pension provision		(2,988)	(14,488)
Loss on staff pension scheme		(172)	(4,817)
Depreciation of tangible assets	13	87	120
Income from investments	2	(19,735)	(18,282)
Expenditure on raising funds	3	2,551	2,277
Gains on investments		(51,069)	(65,516)
Gains on fixed assets	12	(5,941)	(13,793)
Add:			
Movement in debtors	18	7	(347)
Movement in creditors	19	(363)	658
Movement on clergy pension provision	21	4,600	15,100
Movement on staff pension liability	11	633	4,954
Net cash provided by operating activities		(21,579)	(20,108)
Statement of cash flows			
Cash flows from operating activities			
Net cash provided by operating activities		(21,579)	(20,108)
Cash flows from investing activities			
Income from investments	2	19,735	18,282
Expenditure on raising funds	3	(2,551)	(2,277)
Non-investment properties: additions	12	(2,146)	(3,811)
Non-investment properties: sale proceeds	12	7,015	5,245
Tangible assets: additions	13	(242)	(45)
Tangible assets: sale proceeds	13	-	(7,106)
Investment properties: sale proceeds	14	2,193	927
Property unit trusts: sale proceeds	15	4	-
Stock exchange securities: additions	16	(140,775)	(142,009)
Stock exchange securities: sale proceeds	16	146,904	147,441
Other sale proceeds		460	165
Movement in funds held by investment managers		(6,154)	(5,911)
Movement in money market deposits and loans	17	(3,627)	8,205
Net cash provided by investing activities		20,816	19,106
Change in cash and cash equivalents		(763)	(1,002)
Cash and cash equivalents at 1 January		2,002	3,004
Cash and cash equivalents at 31 December		1,239	2,002

Notes to the Accounts

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102), issued on 16 July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Practice.

The Representative Body of the Church in Wales is incorporated under Royal Charter and its registered address is 2 Callaghan Square, Cardiff, CF10 5BT.

The Representative Body of the Church in Wales constitutes a public benefit entity as defined by FRS 102.

1. Accounting Policies

The Representative Body of the Church in Wales (the Representative Body) holds all property and investments vested in it in trust for the use of the Archbishop, Bishops, Clergy and Laity of the Church in Wales.

The Representative Body is a registered charity, under the Charities Act 2011. The financial statements have been prepared on a going concern basis and in accordance with the Statement of Recommended Practice 2015 (SORP 2015), and applicable accounting standards in the United Kingdom (FRS 102). The accounts have been prepared in pounds sterling rounded to the nearest thousand.

The principal accounting policies are set out below and have been applied consistently.

a. Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention as modified by the annual revaluation of stock exchange securities, investment properties, property unit trusts and non-investment properties.

b. Income

Rental income and interest on short term loans and deposits is accrued. Interest and dividends on stock exchange securities and proceeds from the sale of parsonages are credited on the date of receipt.

c. Expenditure

Expenditure is recognised when a liability is incurred. Costs of raising funds are those costs incurred in managing the investments.

d. Investments

Investment Properties

Investment properties are valued individually at open market value in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Property Unit Trusts

Property unit trusts are stated at market values based on net asset value per unit at 31 December 2017.

Stock Exchange Securities

Stock exchange securities are stated at market values based on bid price at 31 December 2017. Securities denominated in foreign currency are converted into sterling at rates of exchange ruling at the balance sheet date. Investments sold are marked to market value at the date of sale. Consequently, the Statement of Financial Activities treats all movements as changes in the values of the investment portfolio.

e. Non-Investment Properties

The Representative Body has included parsonages, churches and church halls in the Balance Sheet at a valuation using the methodology set out below.

The Representative Body does not value the 6 cathedrals it owns, as cost information is not available and any conventional valuation techniques would lack sufficient reliability due to the unique and historically significant nature of the buildings.

The Representative Body's Property Database confirms that assets include 6 Cathedrals, 1,416 Churches and 1,216 Churchyards at 31 December 2017. These buildings are carefully managed and maintained to preserve them for the future. Works are controlled through the Church's Faculty System which ensures that all maintenance and repair works are properly considered. Many of these assets are also open for public view outside of worship times. Such assets are not marketed but are occasionally sold.

The following asset classes were valued by the in-house Property Department headed by Alex Glanville, FRICS, as at 31 December 2017 and basis of the valuation is set out below:

Parsonages, Bishops' Houses and Sundry Provincial Property which were owned by the Representative Body at 31 December 2007 are stated at the midpoint of the Council Tax band valuation (as at April 2005) as adjusted by house price inflation (Nationwide House Price Index) to 31 December 2017. Such properties acquired after 31 December 2007 are stated at cost less provisions for impairment (where required) as adjusted by house price inflation (Nationwide House Price Index) from the period of acquisition to 31 December 2017.

Church Halls were originally valued using evidence using sales from this type of property. They are now adjusted by the Nationwide House Price Index on an annual basis.

The former office at 39 Cathedral Road and the St Michael's College site are valued at open market value (existing use) based on a professional valuation.

Churches were initially valued based on an assessment of the sales values achieved for such properties over a period of time. This valuation has been adjusted at the transition date using the Nationwide House Price Index.

Glebe is valued on the average price of agricultural land in Wales, based on the RICS – RAU Farmland Market Directory of land prices.

Accounting Policies Continued**f. Depreciation of Other Tangible Assets**

Depreciation is calculated on cost so that assets or groups of related assets with a cost in excess of £1,000 are written down to their estimated residual values by equal instalments over their estimated useful lives at the following rates:

Motor vehicles 20% p.a. Office Equipment 33⅓% p.a.

Leasehold improvements are depreciated over the life of the lease.

Investment and non-investment properties are shown at market value and not depreciated. In the opinion of the Representative Body, the remaining useful economic life and residual values of these properties is such that depreciation is immaterial.

g. Heritage Assets

A number of former church sites or ruins are owned. They are not saleable assets and are retained accordingly. No value has been included for them in the accounts.

h. Foreign Currency Conversion

Foreign currencies are converted into sterling at the rate of exchange ruling at the date of the balance sheet except for purchases and sales of securities and remittances during the year which were converted at the actual rate prevailing.

i. Designated and Restricted Funds

Designated Funds represent monies made available by the Representative Body out of General Funds for the specific purpose designated when the fund is established. Restricted Funds are those held for specific restricted purposes.

j. Pensions of Clergy and Surviving Spouses and Civil Partners

The Representative Body operates a pension scheme providing defined benefits based on years of service and the allocation to the Clergy Pension Provision is calculated every three years by qualified actuaries and is shown as a charge in the Statement of Financial Activities so as to spread the pension cost over the normal expected service lives of the clergy in such a way that the charge is a substantially level percentage of current and expected future pensionable payroll.

The scheme is accounted for under FRS 102 and an annual actuarial valuation is obtained. Any excess or shortfall between the actuarial liabilities and the Clergy Pension Provision is transferred to or from the Pension Equalisation Fund, a Designated Fund, such that the balance on the Clergy Pension Provision at the balance sheet date is based on the most up to date actuarial information.

k. Staff Retirement Benefit Scheme

A separate defined benefit pension scheme is operated for the staff of the Representative Body. Contributions to the scheme are charged to the Statement of Financial Activities on the basis of spreading the costs over the employees' working lives.

The scheme is accounted for under FRS 102, with the annually calculated notional surplus or deficit on the funding of the Scheme shown in the accounts as a separate fund entitled 'Pension Reserve' which is deducted from General Funds in the Balance Sheet.

Details of the Staff Retirement Benefit Scheme are given in note 11 to the financial statements.

l. Taxation Status

The Representative Body benefits from corporation tax exemptions available to charitable bodies. On the basis that its activities fell within its charitable purposes and its funds are applied for these purposes, no provision for corporation tax is made.

m. Financial Instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments, including debtors and creditors are initially recognised at transaction value and subsequently measured at their settlement value. The recognition criteria for each class of financial instruments is as follows:

Financial instrument	Measurement criteria (initial and subsequent)
Cash:	Cash held, then on amortised cost
Debtors and loans receivable:	Settlement amount or amount advanced then at amortised cost
Creditors:	Settlement amount after trade discounts then at amortised cost
Bank deposits:	Cash amount of deposit then at amortised cost
Investments:	Transaction cost then at fair value (market value of quoted investments)

n. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the charity's accounting policies, which are described in this note, Trustees are required to make judgements, estimates, assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

The most significant areas of judgement relate to the valuation of properties. The policies adopted in respect of the valuation of properties are set out in note 1(e).

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2017 £000				Funds 2016 £000			
	Gross income from property	3,565	-	-	3,565	3,480	-	-
Income from stock exchange securities	15,795	336	-	16,131	14,385	353	10	14,748
Interest from money market deposits and loans	39	-	-	39	54	-	-	54
	19,399	336	-	19,735	17,919	353	10	18,282

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2017 £000				Funds 2016 £000			
	Stock Exchange Advisers	1,992	-	-	1,992	1,766	-	-
Investment Property Advisers	257	-	-	257	265	-	-	256
Sundry Property	100	-	-	100	155	-	-	155
Support Costs	202	-	-	202	100	-	-	100
	2,551	-	-	2,551	2,277	-	-	2,277

Stock exchange advisers' costs are calculated as a percentage of the underlying market value of the investments.

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2017 £000				Funds 2016 £000			
	Bishops	967	-	-	967	923	-	-
Bishops' Portfolio Support*	189	-	-	189	256	-	-	256
Clergy Pensions								
Clergy Pension Provision – allocation from income (note 21)	5,357	-	-	5,357	4,975	-	-	4,975
Ministry Training								
St Padarn's Institute	681	-	693	1,374	253	-	348	601
St Michael's College	-	-	-	-	-	-	233	233
Training of Ordinands	-	-	-	-	272	-	-	272
Lay Readers' Course	-	-	-	-	41	-	-	41
Other Support	29	-	-	29	54	-	-	54
Clergy Property								
Diocesan Inspectors' Costs	448	-	-	448	439	-	-	439
Episcopal Residences	110	-	-	110	64	-	-	64
Interest on Diocesan Parsonage Improvement Funds	6	-	-	6	8	-	-	8
Sundry Clergy Benefits	4	-	-	4	4	-	-	4
Support Costs	1,429	-	-	1,429	1,032	-	-	1,032
	9,220	-	693	9,913	8,321	-	581	8,902

£189,000 has been reclassified as Bishops' Portfolio Support (previously called Bishops' Advisers) from Support Costs (Note 9) compared with the allocation used in the previous year to more accurately reflect the nature of the expenditure.

5 Support for Dioceses and Parishes

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2017 £000				Funds 2016 £000			
Block Grant to Dioceses	6,293	-	-	6,293	6,293	-	-	6,293
Transformation Fund	1,000	272	-	1,272	1,000	62	-	1,062
Repairs and Extensions to Churches	-	164	-	164	-	167	-	167
Emergency Aid	-	231	-	231	-	205	-	205
Support Costs	1,371	-	-	1,371	1,132	-	-	1,132
	8,664	667	-	9,331	8,425	434	-	8,859

6 Other Church Property

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2017 £000				Funds 2016 £000			
Redundant Churches	-	218	-	218	-	292	-	292
Church Sales Regulations	-	1,298	-	1,298	-	961	-	961
Other Property Costs	(2)	-	-	(2)	32	-	-	32
Support Costs	474	-	-	474	464	-	-	464
	472	1,516	-	1,988	496	1,253	-	1,749

7 Other Financial Support

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2017 £000				Funds 2016 £000			
DACs and Cathedrals and Churches Commission	65	-	-	65	67	-	-	67
Grants to Anglican and Ecumenical Bodies	136	-	-	136	143	-	-	143
Provincial Court and Tribunals	63	-	-	63	60	-	-	60
St Michael's Centre	74	-	-	74	41	-	-	41
Other Support	45	13	15	73	45	8	-	53
Support Costs	175	-	-	175	169	-	-	169
	558	13	15	586	525	8	-	533

8 Communication

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2017 £000				Funds 2016 £000			
Communications	86	-	-	86	47	-	-	47
Support Costs	114	-	-	114	94	-	-	94
	200	-	-	200	141	-	-	141

9 Support Costs

	Raising Funds	Support for Ministry	Support for Dioceses and Parishes	Other Church Property	Other Financial Support	Communication	Total 2017
Funds 2017 £000							
Provincial Secretary & Secretariat	-	114	211	14	89	67	495
Human Resources and Office Services	33	861	448	77	29	36	1,484
Finance	159	171	116	86	41	-	573
Property	-	95	185	154	-	-	434
Legal	-	-	101	120	8	-	229
Information Technology	10	188	310	23	8	11	550
	202	1,429	1,371	474	175	114	3,765
	Raising Funds	Support for Ministry	Support for Dioceses and Parishes	Other Church Property	Other Financial Support	Communication	Total 2016
Funds 2016 £000							
Provincial Secretary & Secretariat	-	134	127	14	85	58	418
Human Resources and Office Services	12	487	376	57	21	23	976
Finance	72	158	152	80	53	2	517
Property	-	80	170	152	-	-	402
Legal	10	-	44	134	-	-	188
Information Technology	6	173	263	27	10	11	490
	100	1,032	1,132	464	169	94	2,991

£189,000 (2016: £256,000) has been reclassified as Bishops' Portfolio Support (formally called ' Bishops' Advisers) (note 4) compared with the allocation used in the previous year to more accurately reflect the nature of the expenditure.

The above figures include audit fees of £31,000 (2016: £30,000) in respect of the audit of the Representative Body, and £5,400 (2016: £5,400) in respect of the audit of the Staff Retirement Benefit Scheme.

The support costs also include £197,000 (2016: £209,000) of Safeguarding costs.

Basis of Allocation

Support costs have been allocated on the basis of an estimated percentage allocation of staff time spent over each charitable activity.

10 Staff Numbers and Remuneration

	Total 2017 £000	Total 2016 £000
Staff Costs		
Salaries	2,981	2,918
National Insurance Contributions	301	271
	3,282	3,189
Current Service Pension Costs (Defined Benefit Scheme)	880	561
FRS 102 Pension Scheme Adjustment	461	137
Defined Contribution Pension Costs	12	-
Unfunded Pension Costs	21	11
	4,656	3,898

The average number of monthly employees who received emoluments within the following ranges was:

	Total 2017 Number	Total 2016 Number
£0 to £10,000	13 (13*)	12 (12*)
£10,001 to £20,000	18 (14*)	17 (17*)
£20,001 to £30,000	34 (4*)	35 (3*)
£30,001 to £40,000	19 (1*)	10
£40,001 to £50,000	12	15
£50,001 to £60,000	2	2
£60,001 to £70,000	3	4
£70,001 to £80,000	2	1
£90,001 to £100,000	-	1
£100,001 to £110,000	1	-
	104	97

*Denotes part-time staff

The key management personnel consists of eight staff members. The total amount of their employee benefits was £704,279 (2016: £676,705).

Trustees

No Trustee received any remuneration for the services they provided as a Trustee.

Twenty two (2016: twenty one) Trustees had expenses paid or were reimbursed for expenses in the year. This covered their expenses incurred in performing their duties as Trustees. The payments were for travel, subsistence and accommodation costs and totalled £7,933 (2016: £9,128).

Two Trustees received remuneration from the Representative Body in connection with their office. Until his retirement on 31 January 2017, The Most Reverend Dr B C Morgan, Archbishop of Wales, was an Ex Officio Member of the Representative Body. His total remuneration was £3,937 (2016: £46,868) and pension contributions of £1,527 (2016: £15,326) were made during the year. A car was provided for the performance of his duties for which the cash benefit was £409 (2016: £4,705). Under the terms of the Clergy Housing Loan Scheme he also received an advance of gratuity in 2015 of £67,500 which was repayable in full on the date of his retirement on 31 January 2017.

The Most Reverend J D E Davies became Archbishop of Wales on 2 December 2017 and an Ex Officio Member of the Representative Body. His remuneration was £3,810 (2016: nil) and pension contributions of £1,478 (2016:nil). A car was provided for the performance of his duties for which the cash benefit was £597 (2016: nil).

11 Staff Defined Benefit Pension Scheme

The Representative Body operates a defined benefit pension scheme arrangement called 'The Representative Body of the Church in Wales Staff Retirement Benefit Scheme' (the Scheme). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. The Scheme closed to new members on 31 March 2017.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out every three years to determine whether the Statutory Funding Objective is met. As part of the process the Employer must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective and contributions to pay for future accrual of benefits.

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 March 2015. The initial results of that valuation have been updated by an independent qualifying actuary to 31 December 2017 allowing for cashflows in and out of the Scheme and changes to the assumptions over the period. The next actuarial valuation is due to take place on 31 March 2018, and the results will be reported in the 2018 Accounts.

	2017	2016
	£000	£000
Amounts recognised in the Balance Sheet		
Fair value of assets	14,270	12,954
Present value of funded obligations	(25,156)	(23,207)
Deficit in Scheme	(10,886)	(10,253)
Net defined benefit liability	(10,886)	(10,253)
Amounts recognised in the Statement of Financial Activities		
Current service cost	880	561
Administration cost	50	61
Interest on liabilities	654	653
Interest on assets	(365)	(443)
Total	1,219	832
Remeasurements over the year		
Gain on Scheme assets in excess of interest	(799)	(1,308)
Losses from changes to assumptions	971	6,125
Total remeasurements	172	4,817
Reconciliation of assets and Defined Benefit Obligation:		
The change in the assets over the year was:		
Fair value of assets at the beginning of the year	12,954	10,923
Interest on assets	365	443
Employer contributions	758	695
Contributions by Scheme participants	181	175
Benefits paid	(737)	(529)
Administration costs	(50)	(61)
Return on plan assets less interest	799	1,308
Fair value of assets at the end of the year	14,270	12,954

11 Staff Pensions <i>continued</i>	2017	2016
	£000	£000
The change in the defined benefit obligation over the year was:		
Defined benefit obligation at the beginning of the year	23,207	16,222
Current service cost	880	561
Contributions by Scheme participants	181	175
Interest cost	654	653
Benefits paid	(737)	(529)
Changes to assumptions	971	6,125
Defined benefit obligation at the end of the year	25,156	23,207

Assets

The majority of the assets are invested in the EdenTree Higher Income Fund, with the remainder including some small deferred annuities invested with OneFamily and cash at bank.

The actual return on the Scheme's assets (net of expenses) over the year to the review date was a loss of £1,164,000.

The assets do not include any investment in the Employer.

Actuarial Assumptions

The principal assumptions used to calculate the Scheme's liabilities include:

	2017	2016
Discount Rate	2.6%	2.8%
Inflation assumption (RPI)	3.6%	3.7%
Limited Price Indexation pension increases (RPI Max 5%)	3.5%	3.5%
Salary increases	3.1%	3.2%
Proportion married at retirement or earlier death	80%	80%
Post retirement mortality assumption:	95% of the PCA00 tables and CMI 2014 projections with a long-term rate of improvement of 1.25% pa.	

12 Non-Investment Properties	2017	2016
	£000	£000
At 1 January	263,654	251,295
Additions	2,146	3,811
Disposals	(7,015)	(5,245)
Net increase on revaluation	5,941	13,793
At 31 December	264,726	263,654
Comprising:		
Parsonages, bishops' houses and sundry provincial property	163,288	162,934
Churches and church halls	85,320	84,146
Glebe	10,355	10,850
Operational properties	5,763	5,724
	264,726	263,654

13 Tangible Assets	Office Equipment	Motor Vehicles	Total
	£000	£000	£000
Cost			
At 1 January	538	183	721
Additions	242	-	242
Disposals	-	(43)	(43)
Write off fully depreciated asset cost	(387)	(57)	(444)
At 31 December	393	83	476
Accumulated Depreciation			
At 1 January	454	147	601
Charge for the Year	61	26	87
Disposals	-	(43)	(43)
Write off fully depreciated asset cost	(387)	(57)	(444)
At 31 December	128	73	201
Net Book Value			
31 December 2017	265	10	275
31 December 2016	84	36	120
14 Investment Properties		2017	2016
		£000	£000
At 1 January		52,585	43,055
Additions		-	7,106
Disposals		(2,707)	(1,833)
Net increase on revaluation		4,312	4,257
At 31 December		54,190	52,585
Investment properties were valued by Cushman & Wakefield at 31 December 2017 at £54,190,000 (2016: £52,585,000) in accordance with the RICS valuation – Professional Standards 2014 and FRS 102.			
15 Property Unit Trusts		2017	2016
		£000	£000
At 1 January		19,865	20,887
Disposals		(4)	-
Net increase / (decrease) on revaluation		434	(1,022)
At 31 December		20,295	19,865
16 Stock Exchange Securities		2017	2016
		£000	£000
At 1 January		507,897	450,307
Additions		140,775	142,009
Disposals		(128,656)	(130,850)
Net increase on revaluation		28,129	46,431
At 31 December		548,145	507,897
Historical cost at 31 December		420,829	408,709
Unrealised investment gains at 31 December		127,316	99,187
Investment gains calculated on historic basis		18,248	16,591
Listed in UK		254,350	243,602
Listed overseas		293,795	264,295
		548,145	507,897

17 Money Market Deposits and Loans	2017	2016
	£000	£000
At 1 January	11,894	20,099
Advances	10,189	8,052
Repayments	(6,562)	(16,257)
At 31 December	15,521	11,894
Comprising:		
Money Market Deposits	7,068	3,444
Clergy Housing Loans	8,205	8,130
Diocesan Loans	103	110
Clergy Car Loans	46	109
Curates House Loans	74	76
Churches' Mutual Credit Union	25	25
	15,521	11,894

18 Debtors	2017	2016
	£000	£000
Prepayments	58	76
Other debtors	1,804	1,911
Accrued income	1,638	1,556
Amounts due from stockbrokers	87	51
	3,587	3,594

19 Creditors: amounts falling due within one year	2017	2016
	£000	£000
Taxation and National Insurance Contributions	420	412
Rents received in advance	413	429
Amounts owed to special trusts	790	1,381
Other creditors	690	434
Accruals	1,383	1,403
	3,696	4,059

20 Diocesan Maintenance of Ministry Fund	31 December 2017		31 December 2016	
	£000	£000	£000	£000
Income				
Diocesan Boards of Finance	11,101		11,188	
Other Income	2		7	
		11,103		11,195
Less: Payments				
Clergy Stipends	8,917		9,018	
Curates Stipends	939		938	
National Insurance Contributions	946		923	
Vacancy Fees	112		143	
Sundry expenses and other payments	189		173	
		11,103		11,195

21 Clergy Pension Provision	31 December 2017		31 December 2016	
	£000	£000	£000	£000
Balance at 1 January		187,600		172,500
Current service contributions from dioceses	3,826		3,250	
Other current service contributions	139		124	
Transfer from General Funds:				
Allocation from income (note 4)	5,357		4,975	
Allocation of net investment gains	15,388		20,239	
		24,710		28,588
Less:				
Pension payments to retired clergy	(4,629)		(4,623)	
Pension payments to surviving spouses and civil partners	(1,520)		(1,560)	
Gratuity payments of retired clergy	(923)		(1,011)	
Transfer payments	(542)		(316)	
Death in service payments	-		(151)	
Administrative expenses	(96)		(76)	
		(7,710)		(7,737)
Transfer to Pension Equalisation Fund		(12,400)		(5,751)
Balance at 31 December		192,200		187,600

The Clergy Pension Provision was established in accordance with the advice of our actuaries, to meet liabilities for clergy and surviving spouses and civil partners' pensions and gratuities. The actuarial valuation and basis of annual provision is reviewed every three years.

At the date of the last triennial actuarial valuation at 31 December 2016 undertaken by Quantum Advisory, the liability of the Representative Body for past service on the current funding basis was assessed at £187.8 million, which represented 30.9% of total funds at that date. Based upon this valuation, the annual transfer from General Funds has comprised 30.9% of total income (reflecting income on the liability for past service) and 38.8% of total stipends being the contribution for continuing service. A transfer is also made from General Funds comprising 30.9% of net investment gains and losses. Quantum Advisory has reassessed the pension liability as at 31 December 2017, using a discount rate of 2.4% at £192.2 million. The provision has been adjusted to the liabilities and the balance transferred to the Pension Equalisation Fund.

The key financial assumptions used for the full actuarial valuation at 31 December 2016 and the interim valuation at 31 December 2017 are set out below. Changes in the assumptions such as a reduced return on investments can affect the estimated level of provision. The provision accords with the estimate of the actuaries.

The next full actuarial valuation of the Scheme is due to take place at 31 December 2019.

	31 December	
	2017	2016
Financial assumptions (nominal % pa)		
Discount rate	2.4%	2.6%
Price inflation (RPI)	3.1%	3.2%
Price inflation (CPI)	2.1%	2.2%
Stipends for clergy in service	2.6%	2.7%
Pensions in payment (stipend linked)	2.6%	2.7%
Pensions in payment (5% RPI)	3.0%	3.1%
Deferred pensions increase	3.0%	3.1%
Post retirement mortality (life expectancy, in years)		
Current pensioners age 65 – males	22.0	22.0
Current pensioners age 65 – females	24.0	23.9
Future pensioners age 65 (currently age 45) – males	23.3	23.2
Future pensioners age 65 (currently age 45) – females	25.5	25.4

22 Designated Funds	Balance 1 January 2017 £000	Income* £000	Expenditure* £000	Balance 31 December 2017 £000
Revaluation Reserve (Unrealised gains on parsonages, churches, church halls and sundry property)	212,468	195	-	212,663
Property Reserve (Property improvements and acquisitions of parsonages)	24,683	1,956	-	26,639
Church Repairs Capital Reserve (Capital fund for church repairs)	8,221	841	-	9,062
Church Sales Regulations (Funds available from the sale of churches towards the cost of providing or adapting another place of worship in the same parish)	6,262	993	1,298	5,957
Pension Equalisation Fund (Funds available to meet future clergy pension liabilities)	13,524	12,400	-	25,924
Diocesan Parsonage Improvement Fund (Funds available for improvements to parsonages and acquisitions of new parsonages)	1,370	5,603	3,780	3,193
Transformation Fund (Funds available for 2020 Vision related projects)	296	-	272	24
Repairs and Extensions to Churches (Funds available to parishes)	392	218	164	446
Redundant Churches (Funds available to contribute to costs arising in the maintenance and safety of redundant churches)	(73)	136	218	(155)
Emergency Aid (Funds available for costs arising due to emergencies)	37	205	231	11
Overseas Fund (Funds available at the discretion of the Bishops to assist in overseas aid)	14	14	13	15
Overseas Students (Funds available to provide financial assistance to overseas students)	1	-	-	1
	267,195	22,561	5,976	283,780

* includes gains and losses

A breakdown of the movements in Designated Funds for the year ended 31 December 2016 is shown in the audited accounts, available from the Charity Commission.

23 Restricted Funds	Balance 1 January 2017 £000	Income £000	Expenditure £000	Balance 31 December 2017 £000
St Michael's College (Funds available for the education and practice of theology)	693	-	693	-
Parsonage Houses (Funds available from the sale of parsonage houses to be used for acquisitions of new parsonages in the same parish)	402	-	402	-
Jubilee Fund (Funds available for overseas projects)	9	6	15	-
	1,104	6	1,110	-

The Parsonage House Funds balance of £402,000 at 1 January 2017 was transferred to Designated Funds and can be used for expenditure on Parsonages within the same Diocese.

A breakdown of the movements in Restricted Funds for the year ended 31 December 2016 is shown in the audited accounts, available from the Charity Commission.

24 Funds Held on Behalf of Others

Special Trusts

The Representative Body is the Trustee of the Church in Wales Common Investment Fund. The unit holders in the Common Investment Fund are individual funds held on behalf of beneficiaries, where the Representative Body is the managing or custodian trustee of the funds. The aggregate value of these special trusts at 31 December 2017 was £49,376,000 (2016: £45,589,000) and was invested in stock exchange securities and the Church in Wales Common Investment Fund. The income on these funds was £1,253,000 (2016: £1,382,000) and was wholly distributed to beneficiaries.

Custodian Trustee

The Representative Body is the custodian trustee of 10 parsonages.

25 Related Party Transactions

Due to the nature of the Representative Body's operations and its membership being drawn from a wide range of clerical and lay members, it is inevitable that transactions will take place with organisations in which a member of the Representative Body may have an interest.

The most significant transactions are as follows:

- The Archbishop and some stipendiary clergy are members of and in receipt of payment from the Representative Body. Payments to bishops and stipendiary clergy are based on the clergy stipends set out in Page 7 of this report.
- The six Diocesan Boards of Finance received a Block Grant totalling £6,293,300 (2016: £6,293,300). In 2017 the six Diocesan Boards of Finance received an additional £1,000,000 in respect of the Transformation Fund to support projects linked to the 2020 vision programme. They also have outstanding loans totalling £2,724,000 (2016: £2,850,00) which have been advanced under the Clergy Retirement Housing Loan Scheme.

26 Charitable and Capital Commitments

At 31 December 2017 the Representative Body has committed to pay £6.158 million to the dioceses in respect of the Block Grant in 2018.

The Representative Body has a commitment under an operating lease for the rental of 2 Callaghan Square, Cardiff greater than five years which totals £2.3m.

27 Stock Exchange Securities	31 December 2017 Market Value	
	£000	%
Fixed Interest		
British Government Bonds	32,084	5.8
UK Bonds	32,984	6.0
Overseas Bonds	8,040	1.5
Total Fixed Interest	73,108	13.3
Equities		
Consumer Goods & Services	87,686	16.0
Financials	127,984	23.3
Health Care	43,851	8.0
Industrials	26,920	4.9
Materials	21,683	4.0
Oil & Gas	33,995	6.2
Property & REITs	13,731	2.5
Technology	64,626	11.8
Telecommunications	19,845	3.6
Utilities	19,513	3.6
Total Equities	459,834	83.9
Alternative Assets	15,203	2.8
	548,145	100.0

Top Twenty Holdings as at 31 December 2017

	£000		£000
Royal Dutch Shell Plc	18,498	Microsoft Corporation	7,027
1.25% Treasury Stock 2018	16,523	AIA Group Ltd	6,827
Prudential Corporation Plc	10,283	Apple Inc	6,743
Unilever Plc	9,701	Source Physical Markets Gold Certs	6,492
British Petroleum Plc	8,168	HSBC Holdings Plc	6,240
Applied Materials Inc	7,597	Citigroup Inc	6,178
Infineon Technologies AG	7,403	Bluefield Solar Income Fund Ltd	6,072
Glaxosmithkline Plc	7,370	Samsung SDI Co Ltd	5,955
Vodafone Group Plc	7,353	Associated British Foods Plc	5,560
Alphabet Incorporated Class C	7,139	Greencoat UK Wind Plc	5,258

Ten Year Review - General Funds

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income										
Stock Exchange Investments	13,803	12,619	12,363	11,678	11,288	12,139	11,991	10,615	11,346	14,794
Property Income	3,209	3,070	3,132	3,097	3,643	3,680	3,501	3,604	3,424	3,285
Other Income	326	307	323	293	356	420	357	395	462	951
Total Net Income	17,338	15,996	15,818	15,068	15,287	16,239	15,849	14,614	15,232	19,030
Expenditure										
Clergy Emoluments	972	972	883	844	840	816	877	820	881	1,580
Allocation to Clergy Pension Provision	5,357	4,975	4,919	4,686	4,800	5,099	4,976	3,829	3,991	4,986
Clergy Houses	562	543	527	511	594	517	482	560	496	453
Block Grant to Dioceses	6,293	6,293	6,293	6,793	6,610	6,430	6,257	6,089	5,926	5,870
Transformation Fund	1,000	1,000	1,000	500	-	-	-	-	-	-
	14,184	13,739	13,622	13,334	12,844	12,862	12,592	11,298	11,294	12,889
Provincial Services	3,304	2,854	2,626	2,456	2,458	2,424	2,388	2,324	2,242	2,169
Ministry Training	1,192	1,080	1,112	972	991	1,016	1,053	1,119	1,034	843
Bishops' Portfolio Support	190	256	320	341	341	397	408	456	420	451
Communications	86	47	46	40	60	58	57	51	71	63
Total Expenditure	18,956	17,974	17,726	17,143	16,694	16,757	16,498	15,248	15,061	16,145
(Deficit) / Surplus	(1,618)	(1,978)	(1,908)	(2,075)	(1,407)	(518)	(649)	(634)	171	2,615
Reconciliation to the Statement of Financial Activities:										
Net income before investment gains/(losses)	(1,978)	(2,026)	(2,115)	(1,584)	(940)	(218)	(358)	(127)	702	3,089
Grants	-	-	-	-	-	-	(1)	(1)	(1)	(1)
Transformation Fund	-	-	-	(500)	-	-	-	-	-	-
Emergency Aid Fund	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	-
Redundant Churches	-	-	-	-	-	-	-	-	-	(293)
Capital Gifts and Legacies	(1)	11	(35)	(1)	(255)	(100)	(26)	(260)	(245)	(85)
FRS 102 Pension Scheme Adjustment	461	137	342	110	(112)	(100)	(164)	(146)	(185)	(95)
(Deficit) / Surplus as shown above	(1,618)	(1,978)	(1,908)	(2,075)	(1,407)	(518)	(649)	(634)	171	2,615

