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THE CHURCH
IN WALES

THE REPRESENTATIVE BODY OF THE CHURCH IN WALES

Annual Report and Accounts

2018



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

Further copies of this report may be obtained from:

The Representative Body of the Church in Wales,
2 Callaghan Square, Cardiff. CF10 5BT

Telephone: 029 2034 8200

E-Mail: accounts@churchinwales.org.uk

Website: www.churchinwales.org.uk

Charity Registration Number 1142813

Printed on 100% recycled paper

Front cover photographs:

top left: The Archbishop of Wales, John Davies with Wales Education Minister Kirsty Williams at the opening of Archdeacon Griffiths Church in Wales Primary School in Llyswen.

bottom left: His Royal Highness Prince Charles, Prince of Wales visiting an ancient Yew Tree (around 5000 years old) in the churchyard of St Digain's Church, Llangernwy.

Middle: The Bishop of St Davids, Joanna Penberthy blesses St Davids city on St David's Day.

right: Cascade of crocheted poppies at St Eleth Church in Amlwch.

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 2018

During 2018 the Representative Body's financial resources and professional expertise provided support within important areas of the Church's work.

Evangelism Fund

This exciting project is intended to support the Church's evangelism and growth agenda, and to encourage creative and ambitious thinking across the province. This funding has been allocated in addition to the regular Block Grant funding made to dioceses annually, funding which was increased by 5% in 2017.

Online Faculty System

During 2018 the Representative Body successfully introduced a new system to enable application for faculties online. This system allows requests to make changes to church buildings to be submitted via a specific website where consultees are also able to view and comment on the proposals. The system means there is reduced paperwork for all concerned and provides a convenient way of viewing information regarding proposals for change. The online faculty system also links to a wider database of information on church buildings, Church Heritage Cymru, which can be accessed via www.churchheritagecymru.org.uk.

St Padarn's Institute

A strong increase in numbers of students studying at all levels is very positive news and testament to both the standard and range of training offered by St Padarn's, as well as the flexibility of training provision. Also, in March 2018, after a period of consultation, the Representative Body agreed that the administrative and residential training accommodation for St Padarn's should remain based at the former St Michael's site in Llandaff until at least 2029.

Safeguarding Policy

In November 2018 the Representative Body approved a series of amendments to the Church in Wales' Safeguarding Policy. The Policy is under continued review by the People Committee and professional safeguarding staff to ensure it is compliant with statutory legislation and guidance, both of which regularly change. This robust Policy and its clear articulation of procedures which reflect good practice gives a clear demonstration of the importance the Church in Wales continues to place on being a Safe Church.

New Accounting Software

The complex task of managing and administering the financial activities at the provincial office became more streamlined, secure and efficient in 2018 with the

launch of a new financial software package, Xledger. The new system provides real time information on the finances of the Representative Body, and focuses more strongly on the overall financial controls, at a time where fraudulent activity in all areas of the financial sector is high. The new system has led to a number of efficiencies in terms of staff time which has allowed other areas of financially related work to be reallocated to staff in the Finance Department.

Closed Churches Officers

Redundant church buildings can be difficult to deal with both in terms of the closure of a church causing distress locally and, as it can sometimes be difficult to fund alternative uses, the liability they present to the Representative Body. In 2018 the Representative Body appointed two members of staff whose role is to manage the redundant churches across the province. These officers ensure the buildings are safe and secure, working with parishes to ensure any remaining contents are properly redistributed or sold and also with third parties to find appropriate future uses for the buildings. These officers will help to find as positive an outcome as possible from the closure of a church and the local sadness this will inevitably cause.

General Data Protection Regulation (GDPR)

In May 2018 the GDPR came into effect which made significant changes to data protection legislation. These changes had implications for how the various branches of the Church in Wales (including the Representative Body, the six dioceses, parishes and bishops' offices) collect, hold and administer data. The repercussions for breaching the regulations are significant and, recognising the financial and reputational risks associated with this, the Representative Body arranged detailed legal advice to explore how the legislation would affect the Church in Wales. Specialised training was arranged for provincial and diocesan staff as well as senior clergy and bishops' office staff and guidance was prepared for parishes. Continued care and vigilance around the handling and administration of people's data remains paramount and any concerns or questions should be referred to the Legal Department at the Provincial Office. Similarly, any data breaches must be reported immediately to the Head of Legal Services so that the Information Commissioner's Office can be notified within the statutory timeframes.



Top Row:

The Bishop of St Asaph, Gregory Cameron ordaining Dominic Cawdell from Mold as the youngest Deacon in the Church in Wales. Ordinands from St Padarn's Institute visit a Cardiff foodbank during a week of mission in the city.

Middle row:

The Bishop of Bangor, Andy John with the Children's Commissioner for Wales, Sally Holland at the National Eisteddfod in Cardiff. The Bishop of Llandaff, June Osborne being 'ashed' on Ash Wednesday at St Teilo's Church in Wales High School in Cardiff.

Bottom row:

Pioneer ministry team, Sanctuary, from Bangor Diocese, at Welshpool Cattle Market. Her Royal Highness Sophie Rhys-Jones, The Countess of Wessex opening Teilo's Community Cwch in Swansea.

CHAIR'S INTRODUCTION



Last year, the Representative Body was pleased to be able to announce the launch of the Church in Wales Evangelism Fund: £10 million of additional funds designated specifically to support big, transformative diocesan projects linked to evangelism and church growth. Since then, a committee has been appointed

to oversee the scheme, an application process has been put in place and the first applications have been received from dioceses. We are excited to be able to provide tangible direct support for the priorities set for the Church in Wales by the Governing Body in April 2018, and it would seem that this step has helped to catalyse new and ambitious thinking across the province.

But we are also mindful that, at a day-to-day level, our church life is sustained by small, less dramatic but still important interventions, the “little things” about which St David talked. At a local level we rely upon an army of committed volunteers to care for our buildings and churchyards, to maintain services and to undertake all kinds of pastoral work within the community. So too, at the Representative Body, we must ensure that we provide support, alongside the diocesan offices, for the everyday aspects of church life.

For this reason we have included in this year's Highlights section examples of our work at a provincial level that directly support the local church. Issues such as data protection and the smooth operation of the faculty system may appear to be administrative and undramatic, but they remain important and can represent a real headache for our volunteers on the ground. In such cases the provision of reliable, expert and accessible guidance – and new online processes – can be a Godsend.

The Representative Body is called to support the work of the whole Church in Wales, and in doing so we remain as committed to the crucial “little things” as to the new, big and exciting.

My second message this year relates to the question of financial sustainability. The Representative Body relies completely on its investment returns for its ability to support the wider Church in Wales. Since 2012, we have planned our expenditure against the level of total return (income and capital growth) we achieve. This is helpful during a period of strong investment growth, because on a traditional income/expenditure model

we are currently clearly overcommitted (to the tune of around £2 million) each year. However, set against the significant capital gains we have been able to make in recent years, these annual deficits have been considered manageable.

In 2018 we faced the reality of a true loss: losses on investments totalled £26 million, whilst at the same time our expenditure exceeded income by some £2 million, before the further allocation of £10 million to the Evangelism Fund. There was no capital growth to mask the annual deficit. And, our advisers forecast, we are likely to be entering a period of much lower investment returns than we have enjoyed in recent years.

This is the context in which we must take decisions about expenditure, which are always made in consultation with the bishops and the diocesan boards of finance. As the chart on page 7 demonstrates, all of our assets are currently being used in support of the work of the Church. Any scenario in which the value of the Representative Body's investment fund falls undermines our ability to maintain this level of support alongside our other long-term commitments, such as the Clergy Pension Scheme.

It is our task as trustees to ensure that the level of support we provide the Church in Wales at this key moment – both in terms of the big, exciting and new; and of the everyday, small but vital – is maintained at the highest sustainable level.

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 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 to the whole community. Regular worship, marriages, funerals, baptisms, pastoral care, and outreach 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 it for the uses and purposes of the Church in Wales.**
- **To oversee the work of St Padarn's Institute including the management of its staff, and (with the Bench of Bishops) the educational provision of the Institute.**
- **To employ specialist staff to advise the Bishops in connection with their respective portfolios of activity.**
- **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 for the wider Church on a range of issues including safeguarding, ICT, property management and human resources;
 - maintenance of databases and management 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 agreed benchmarks.**
- **2020 Vision – To support the work related to 2020 Vision by working closely with the Governing Body's Standing Committee and dioceses.**
- **Safeguarding – To continue to strengthen the Church's capacity in safeguarding as we seek to be a Safe Church.**

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.**

Additional Objectives for 2019

- **2019 Actuarial Valuation of the Clergy Pension Scheme**
- **Clergy Remuneration Review**
- **IICSA Enquiry**
- **Review of Investment Strategy**
- **Funding implications of the Cathedrals Review**
- **Introduction of a new Church in Wales website**

ACHIEVEMENT AND PERFORMANCE

Uncertainty in both the stock market and the current economic outlook have resulted in net losses on investments for the Representative Body in 2018 of £26 million.

Overall Financial Position

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

The total net movement in funds for 2018 was a negative £11 million. This was primarily due to net losses on investments of £26 million, which compares to the net investment gains in 2017 of £51 million. After considering other recognised gains and losses, the total funds of the Representative Body at 31 December 2018 reduced from £720 million to £710 million.

The net losses on investments was due mainly to unrealised losses on the stock exchange investments as a result of the economic uncertainty at the year end. Further details on the investment performance are given on page 12.

General Funds

Over 95% of the Representative Body's income is generated through its investments. During 2018, although the Representative Body's investment income remained static at £19.7 million, expenditure increased by £0.6 million, resulting in net expenditure (before investment gains) of £2.6 million.

Net unrealised losses on investments, coupled with the £10 million transfer to designated funds in respect of the Evangelism Fund resulted in an overall decrease in General Funds of £26 million.

Total Assets of the Representative Body

Although it might appear from the Balance Sheet on page 29 that the Representative Body is a wealthy charity, it is of vital importance that church members understand the nature of the Representative Body's total funds.

The chart on Page 7 explains how the Representative Body's assets are structured.

The total assets of the Representative Body of £899 million include £268 million of non-investment properties, made up of parsonages, churches and church halls. These are not income-generating assets and reflect the working plant of the Church.

This leaves the investment portfolio of £631 million of which 30% (£181 million) is specifically earmarked for the Clergy Pension Scheme. (Further details on the Clergy Pension Scheme are shown on pages 8 and 41 of this report.)

The remaining £450 million is invested in stock exchange securities and investment property on a total returns basis to generate the income and capital returns required to 'run' the Representative Body. The Representative Body currently aims to achieve a 6.5% total return, although this is unlikely to be sustainable in the future.

The income generated by the investments of around £20 million per annum is used to fund the Block Grant to dioceses, clergy training through St Padarn's Institute, the bishops and the provincial office, and with current expenditure levels of around £22 million, the Representative Body is running a £2 million deficit per annum.

As can be seen on page 45, the Representative Body's expenditure has for many years exceeded its income, but this is offset by the capital gains.

A decision to erode the capital base of the Representative Body would reduce its income and ability to fund the whole Church.

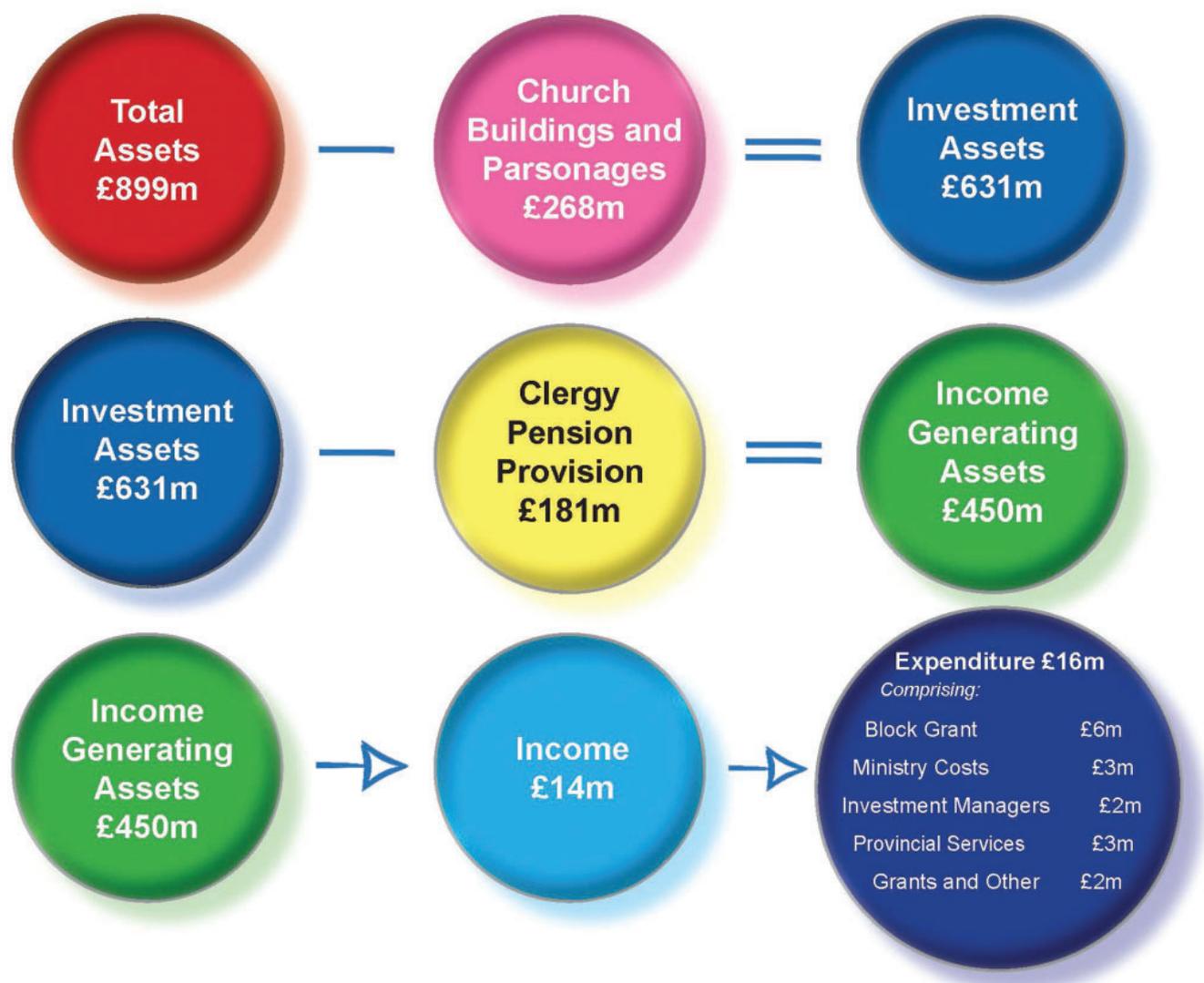
Supporting Ministry

Grants to Dioceses

The Representative Body continues to provide 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 2018 the total Block Grant was 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.



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 2019 clergy stipend levels (incorporating an increase of 2.4% on 2018 levels) are:

	2019 Stipend Level £ p.a	% of Incumbent's Stipend
Assistant Curate, Cathedral Chaplain	21,115	85
Incumbent, Vicar in Rectorial Benefice*	24,841	100
Incumbent of Rectorial Benefice*	26,083	105
Residentiary Canon	28,567	115
Archdeacon	38,007	153
Dean	38,504	155
Assistant Bishop	42,230	170
Diocesan Bishop	45,956	185
Archbishop	49,682	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 2018 will receive a lump sum of up to £36,389 and an annual pension of £14,555. On the death of a cleric, a qualifying surviving spouse or civil partner receives 60% of the cleric's pension, which in 2018 is £8,733 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 2018	419	238	835	1,492
New entrants	26	(3)	5	28
Deferreds rejoined	4	(4)	-	-
Leavers with deferred benefits	(16)	16	-	-
Leavers with no liability	(1)	-	-	(1)
Transfer out	-	(3)	-	(3)
Retirements	(18)	(13)	31	-
Deaths	-	(1)	(39)	(40)
New surviving spouses or civil partners	-	-	11	11
Membership at 31 December 2018	414	230	843	1,487

The Clergy Pension Scheme is reviewed every three years and the results of the previous four 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 £162,651 (as at 1 January 2019), 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 2018 the numbers and amounts of loans outstanding were:

	Number	Amounts
Interest Bearing Equity Loans	53	£5,489,132
Interest Bearing Loans*	3	£44,994
Advance of lump sum	-	-

* 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 2018 the numbers and amounts of loans outstanding were:

	Number	Amounts
Interest Bearing Loans	25	£360,499
Equity Loans*	73	£2,124,691

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 2018, there were 14 existing loans outstanding totalling £13,000.

Management of Property

Emergency Aid

Sometimes church property is found to be in a critical condition that could cause harm to people. The Representative Body seeks to help find solutions to such cases by providing advice but also financial support through its Emergency Aid Fund. This fund is supported by each Diocese and uses the grant money generously given by the All Churches Trust. The fund is limited but can ensure that timely action is taken to avert a crisis developing. The established quinquennial inspection scheme across Dioceses should identify potential problems in good time to enable solutions to be found.

Support for managing church buildings

A new facility has been launched to help local churches with organising maintenance and repair work. Maintenance Booker has been developed by the National Churches Trust with support from the Representative Body to provide an on line facility for obtaining quotations for basic building work and other services and directly booking vetted contractors. In particular, the system included a facility for booking asbestos surveys and management plans. See www.maintenancebooker.org.uk

Churchyards and Burial Grounds

A survey of parishes will be being undertaken in 2019 to assess the general condition of churchyards across the Province. This is to help us think about how new support to care for these places can be established especially where they are closed for new burials and have a limited income as a result.

Redundant Churches

The Representative Body has reorganised its staffing to better manage closed churches and seek out new futures for them. A dedicated manager at the provincial office is supported by two closed church inspectors who are home-based but mobile across Wales. This structure should enable the Representative Body to better manage risks at closed churches and assist parishes during the process of closure.

At the same time, consideration is underway over how the process of church closure should work and how proceeds should be distributed. This will be further developed in 2019.

Online Faculty System

This system was launched in five dioceses in 2018 and has proved successful and effective at helping parishes to submit faculty applications and improve the transparency

of the process. At the same time, the system incorporates new arrangements for considering small scale works (called List A and B items of work), that enable quicker approval of routine and straightforward tasks.

Flexible Working on Property Matters

Dioceses are each working hard to develop new ways to support the management of property across the diocese. Traditionally, parsonage and church property matters have been managed quite separately but increasingly diocesan property teams are being developed (formally or informally) to link up expertise and share challenges and solutions. This is often linked to a combined Property Board in each diocese covering the work of both the Diocesan Parsonage Board and the Churches and Pastoral Committee.

Administration and other services provided from the Provincial Office

During 2018 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 2018 was £49.5 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 2018 amounting to £11.3 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.
- 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 2018 (with 2017 in brackets) is as follows:

	Full Time	Part Time	
	No.	No.	FTE
Provincial Office	43 (39)	5 (7)	3.7 (4.6)
Bishops' Secretaries	5 (5)	1 (2)	0.9 (1.5)
Diocesan Inspectors	6 (6)	- (-)	- (-)
Bishops' Portfolio Support	3 (3)	1 (2)	0.6 (1.2)
Safeguarding ⁽¹⁾	1 (1)	7 (8)	3.4 (4.1)
St Padarn's Institute ⁽²⁾	20 (18)	11 (13)	4.5 (4.9)
Total	78 (72)	25 (32)	13.1 (16.3)

FTE - Full Time Equivalent

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

⁽²⁾ In 2017 the St Padarn's Institute figures included 5 full time and 2 part time tutor posts which were recharged to the dioceses. These posts were fully funded by St Padarn's in 2018.

Salary levels were increased from 1 January 2019 by 2.4%, the same increase as that agreed for clergy. Salary levels are based on the requirements of the role and levels in other comparable organisations.



Top Row:

Children release biodegradable balloons to celebrate the opening of Clyro Church in Wales Primary School.

Step-Up puppet show at St Peter's Church Hall, Lampeter.

Middle row:

Archbishop John visits the Royal Welsh Agricultural Show.

Church leaders reaffirm their commitment to providing chaplains for the Royal Welsh Agricultural Show.

Bottom row:

Remembrance service, St David's Church, Merthyr Tydfil.

Parishioners at St Giles Church, Wrexham, creating a poppy display to commemorate the centenary of the end of WW1.

FINANCIAL REVIEW

The value of the stock exchange securities decreased during the year by 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 2018 the total value of the Representative Body's total investments decreased by 4% to £631m 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 £180.7m on 31 December 2018 (2017: £192.2m).

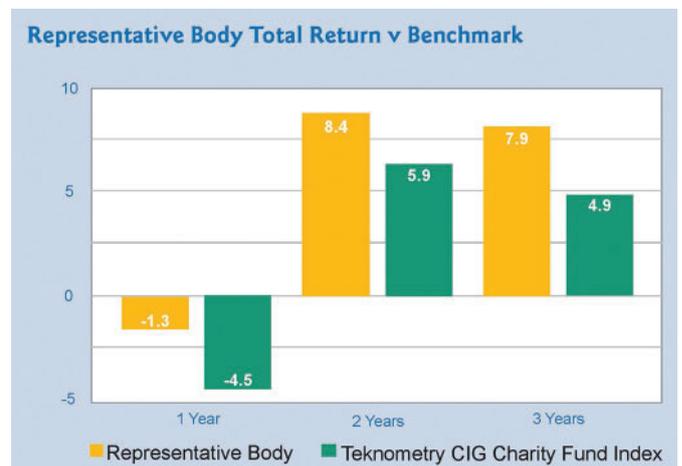
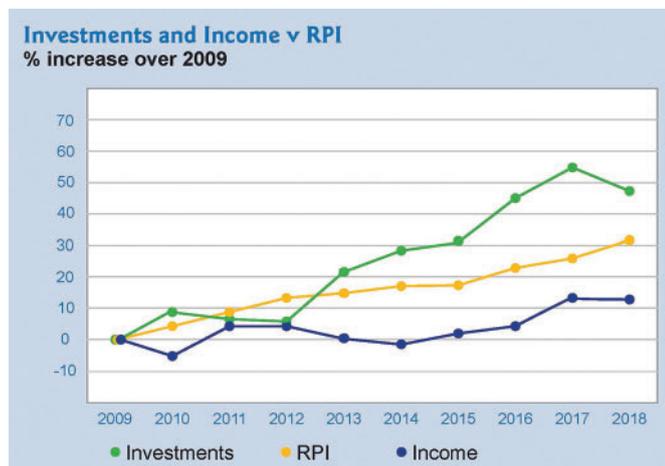
Total Return

The total return (both income and capital growth) from the Representative Body's fund during 2018 was minus 1.3%, outperforming the Teknometry comparator return of minus 4.5%. Over three and five years the annualised returns also outperformed the comparator as highlighted in the table below.

Comparator

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

The value of stock exchange securities decreased over the year from £548 million to £504 million at 31 December 2018, a decrease of 8%.

After two years of steady growth in asset prices, 2018 proved more of a challenge for investors, particularly in the last three months of the year.

Stock markets in particular suffered in 2018. Stocks had been a major beneficiary of the low interest rate and loose monetary policy environment since the global financial crisis. Companies have been able to borrow money cheaply to strengthen their balance sheets while also benefiting from a pick-up in demand as the global economy recovered.

In local-currency terms, the major regional indices ended 2018 conspicuously in the red. To the UK-based investor, Japan's stock market was the weakest of the main regions, its fourth-quarter return of -12.4% taking its full-year return to -7.6%. North American equities returned -11.5%, with only the marked strength of the US dollar versus sterling

salvaging a positive return (of +0.8%) over the year as a whole. Europe (excluding the UK) returned -10.9% over the quarter (-9.5% over 2018), the UK returned -10.2% (also -9.5% over the year), the Asia-Pacific ex Japan region delivered a return of -8.1% (-6.8%), and emerging markets returned -3.9%, for a 12-month return of -7.6%.

US tax cuts had provided an initial boost for investors heading into 2018, and US GDP growth accelerated to 4.2% on an annualised quarterly basis in Q2.

However, the final quarter of 2018 saw a large drop in the value of global equities as ongoing anxieties about the state of global trade and future economic growth hit all markets. US equities led the decline with negative returns of double digits as concerns about the ongoing trade dispute with China weighed heavily alongside slower earning growth.

Elsewhere in the political sphere, there were significant sources of apprehension for investors. Italy's disagreement with the European Commission over its budget, and the great uncertainty surrounding the nature of the UK's departure from the European Union (EU).

Asset allocation ranges and the allocation as at 31 December 2018 are shown below:

Asset Allocation Range		
Asset class	Range	Allocation at 31 December 2018
UK Equities	15-40%	27%
Overseas Equities	20-70%	48%
Fixed Interest	2-25%	13%
Alternatives	0-10%	7%
Cash	0-25%	5%

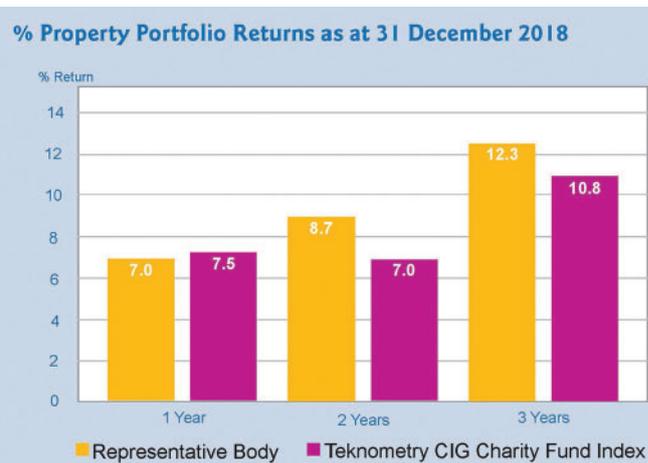
Investment Property

The commercial property portfolio marginally underperformed the IPD Monthly Index over the 12-month period to 31 December 2018 but outperformed the Index over the 3 and 5 year periods as shown in the table below.

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

The value of the Investment Property portfolio decreased marginally over the year from £74.5m to £73.4m, due to the realisation of part of one of the Property Unit Trust holdings, which generated a profit of £1.3m.

During 2018 the Representative Body agreed to realign the investment assets back to the agreed policy of holding 15% of the investment portfolio in investment property, which has meant that £20 million will be transferred from stock exchange investments into property in 2019, with an additional £8 million already earmarked for investment in property.



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 2018 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 three major areas of risk. These areas and the associated mitigation strategies are:

1. Falling congregation numbers and age profile leading to an accelerating decline in church attendance

- The Representative Body seeks to maintain the highest sustainable level of financial support for dioceses principally via the block grant and reviewed levels in 2017;
- Creation of mission / ministry areas in all dioceses will pool ministry experience and help secure the viability of the parish system;
- The annual Joint Finance Meeting enables the regular review of parish, diocesan and provincial finances by the Bench, the Representative Body trustees and diocesan Secretaries;
- 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;

2. Cyber Security Breach

- Password management protocols have improved and supercede recommended IT Security Audit Standards;
- Strict internet controls are in place on the RB network which routinely block known viral carrying websites;
- All security updates are applied automatically to servers, operating systems and individual devices at point of release;
- Email cloning is becoming increasingly sophisticated and cannot be effectively policed through technical means only. Advice has been issued by the Head of Finance requiring additional confirmation steps for all emailed requests for the transfer of funds.

3. Poor total returns on the Representative Body's investments as a result of economic events and uncertainty in the market

- Investment performance and strategy is reviewed quarterly;
- A total return approach to expenditure has been developed, which sets spending at a level intended to provide vital funding for the Church in the short term whilst preserving the investment base;
- The diversified investment policy ensures that income is not concentrated on a small number of investments;
- The stock exchange portfolio is managed by two separate managers;

- The investment property portfolio includes a mix of property from different sectors;
- Long term downturn would have to be permanent to be a threat to the Clergy Pension Scheme;
- There is a triennial review of whether the Clergy Pension Scheme should be separated from the Representative Body's main fund;
- The performance of the investment managers is measured relative to a respected benchmark.

Reserves Policy

At 31 December 2018 the total funds of the Representative Body amounted to £710 million (2017: £720 million).

General Funds

The amount of General Funds held by the Representative Body at 31 December 2018 totalled £411m (2017: £437m).

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.

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 2018 Designated Funds amounted to £299m (2017: £284m). Details of the Designated Funds are set out on page 42. The most significant fund is the Revaluation Reserve, with a balance of £212m, 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.

Restricted Funds

At 31 December 2018 there were no Restricted Funds (2017: nil) held by the Representative Body.

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's 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. 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

Finding new futures for closed churches is never easy. For the most part, these are buildings built for a specific purpose and surrounded by graves. They are also often listed buildings of historic importance. Early thinking about future uses after closure is important and discussions with other community groups can lead to opportunities to lease these buildings with reserved worship use. This places the building in the hands of the community for community purposes but secures a place for ongoing worship too. These types of arrangement will be increasingly common but require careful negotiation and discussion with all concerned to arrive at mutually acceptable and workable solutions.

Funding

The biggest challenge facing any congregation in caring for its church building is funding. This starts with local fundraising and support but extends to seeking grants from major institutions including the lottery. The main source of funding for our historic churches has been the lottery fund now known as the National Lottery Heritage Fund. It is clear that whilst this fund is still keen to support places of worship, it will be for the community and cultural impact those churches can make that will secure funding. It is not there as a fund to simply repair the building; it is about how the repairs will enable vibrant and energised communities to flourish.

Digital Developments

The creation of the online faculty system has changed radically the way in which the faculty system operates. It is making the whole process simpler and more transparent. It is linked to Church heritage Cymru which is a database of facts and information about each church, see www.churchheritagecymru.org.uk. The potential of Church Heritage Cymru is vast but like every database it needs to be populated with accurate and relevant information. Finding people to undertake this work has proved challenging. We will be carefully thinking through the future of this system in the years ahead.

At the same time, the Representative Body is investigating the creation of an online inventory system to enable lists of the contents of churches to be properly recorded and retained. Knowing what we have

inside our churches is key to good stewardship, future planning and proper insurance.

The Online Faculty System will also be re-written and designed over the next year or so (now that we know it works well) to enable bilingual applications.

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 into the Church in Wales' safeguarding provision and cases arising from the Church's work will take place 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

St Padarn's Institute is the provider of training for ministry (for both lay and ordained) within the Church in Wales. St Padarn's is responsible to the Representative Body for staffing and budgetary matters and to the Bench of Bishops for matters of training strategy and ministerial development. During 2018 numbers of students in all areas of learning increased, a very positive sign for the future of ministry.

In 2018 the Representative Body took full financial responsibility for the operation of St Padarn's with an adjustment made to the Block Grant accordingly to constitute the dioceses' contribution to the provision of theological training.

Also in 2018, following a detailed exploration of a number of alternative options, the Representative Body agreed that St Padarn's remains based at the site of the former St Michael's College in Llandaff until at least 2029. While this site is the administrative centre of St Padarn's and the home for full-time residential students, the function of St Padarn's is by no means restricted to this site and increasing use is being made of dispersed and digital learning at locations across Wales.

The Representative Body will continue to work closely with the Principal of St Padarn's, the St Padarn's Council, dioceses and the Bench of Bishops to do its part in furthering the development of St Padarn's and its important role within the life of the Church in Wales.

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. The Representative Body will need to keep the Clergy Pension Scheme, including its funding and benefits, under active review. The next actuarial valuation of the Clergy Pension Scheme is due to take place as at 31 December 2019.

Property

Redundant Churches

Developing our partnership with the Friends of Friendless Churches is a key priority in the years ahead. This is both to preserve the excellent joint mechanism with Cadw to secure the vesting with the Friends of key heritage churches, but also to find ways of vesting other special places with them. Many of our small, rural churches are true 'thin places' where the gap between heaven and earth is thin, that to have them kept as quiet places to visit, pray and reflect is a great outcome for them.

The Diocese of St Asaph has developed a network of Pilgrim Churches which work in a similar way and ensure closed churches remain within the Church family but not through the traditional structure of PCC/MAC. These churches are loved still by local people with occasional services but the Diocese and Representative Body take care of the financial and administrative aspects.

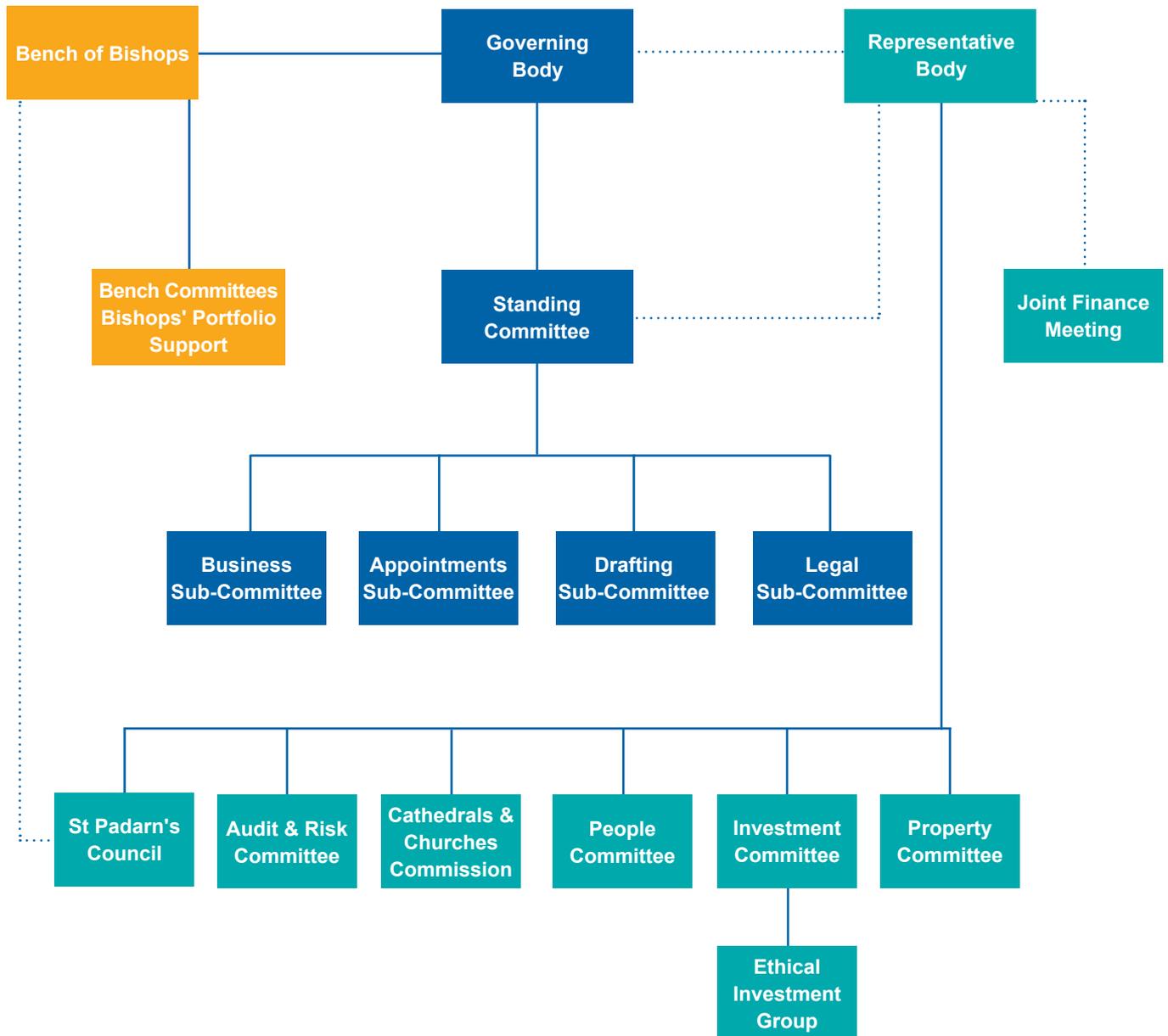
People

Looking after a church building is not easy especially if it is also a listed building of national heritage importance. Making sure we have enough people with the right skills to manage these buildings will be the biggest challenge in the long term. It is clear that providing support in terms of guidance and support officers is a key part of the solution but, equally, the need to bring people facing the same challenges together and share experience and resources will be paramount. If people are to commit to caring for their building, they will more readily do so if they are supported and do not feel alone.

Affordable Housing

Allowing surplus assets to be used for affordable housing development to address acute housing needs is a key priority for the Representative body. The benefits to communities and to the reputation and standing of the church is already clear from the various projects achieved to date. Working with our key partner Housing Justice Cymru is showing real dividends in making a difference to people's lives through the meeting of the most basic of human needs – a home.

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 23. 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 full time 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, 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 approval by the Representative Body (within the overall policy objectives of the Representative Body and with advice from their appointed advisers) and recommends for the Representative Body's approval all strategic 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 including churches, parsonages, burial grounds, glebe land, and bishops' residences 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 good practice and the specific legislation that applies to each group. 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 overseeing 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 effectiveness of the internal audit function. It also has an important role in overseeing the risk management process and to consider the potential financial exposure to safeguarding matters.

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 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

27 June 2019

REFERENCE AND ADMINISTRATIVE INFORMATION

Representative Body Membership

Chair and Deputy Chair

Mr J J Turner
Chair

Sir P Silk
Deputy Chair
(From 7 March 2019)

Ex Officio Membership

The Most Reverend J D E Davies
Archbishop of Wales

Mrs L Perkins

Mrs H R Jones
Chair, St Asaph Diocesan Board of Finance

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

Mr N Griffin
Chair, St Davids Diocesan Board of Finance

Mr M A Lawley
Chair, Llandaff Diocesan Board of Finance

Mr P E Lea
Chair, Monmouth Diocesan Board of Finance

Sir P Silk
Chair, Swansea and Brecon Diocesan Board of Finance

Elected Membership

St Asaph

The Venerable R H Griffiths
Archdeacon of Wrexham
(To 31 July 2018)

The Very Reverend N H Williams
(From 1 September 2018)

Mrs H M Wiseman

Bangor

The Very Reverend K L Jones
Dean of Bangor

Mrs M West
(To 15 November 2018)

St Davids

The Venerable P Mackness
Archdeacon of St Davids

Mrs J Hayward
(From 5 November 2018)

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 J J Turner

Co-opted Membership

Mr L James

Mr P D Kennedy
(To 8 March 2018)

(1 vacancy)

Committee Membership

(*denotes non-RB member)

Investment Committee

Mr J J Turner (Chair)
Mrs J Heard (Deputy Chair) *(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* *(To 8 November 2018)*
The Reverend Canon I K Rees*

Audit and Risk Committee

Mr G I Moses (Chair)
Mr V Jones*
Mrs L Jones*
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 H Griffiths *(To 31 July 2018)*
The Venerable A N Jevons
The Venerable P R Mackness *(From 7 June 2018)*
The Venerable C B W Smith
The Venerable D M Wight *(To 28 February 2018)*
The Venerable N H Williams *(From 15 November 2018)*
The Venerable J S Williams
Ms M Gerrard*
Mr J E Jones*
Mr D A Williams*

People Committee

Mr P D Kennedy (Chair)
Mr T J P Davenport (Deputy Chair)
The Right Reverend G K Cameron*
The Venerable R H Griffiths *(To 31 July 2018)*
The Venerable A N Jevons *(From 1 August 2018)*
Mr C W J Francis* *(From 7 June 2018)*
Mr N Griffin
Mr D B Halse* *(From 7 June 2018)*
Mrs B E Harding*
Mrs M West *(To 15 November 2018)*
Mrs H M Wiseman *(From 15 November 2018)*

Cathedrals and Churches Commission

Mr T O S Lloyd OBE, DL, FSA (Chair)
The Right Reverend J W Evans*
The Very Reverend D J R Lean* *(To 16 February 2018)*
Mr R S Dean* *(To 31 December 2018)*
Mr J Orbach*
Mr R J Silvester*
Mr R Wall* *(To 16 February 2018)*

St Padarn's Council

The Right Reverend R E Pain* (Chair) *(To 30 April 2019)*
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 Chancellor P Powell*
(From 3 September 2018)
The Reverend Canon T J Hewitt*
The Reverend Canon Dr R Johnson*
(From 3 September 2018)
The Reverend Canon R O L Lowndes*
The Reverend Dr M C James* *(To 31 August 2018)*
The Reverend D J F J A McClean*
Miss P R Brown
Dr R Pope* *(To 2 January 2018)*

Key Management Posts

Provincial Secretary
Head of Legal Services
Head of Finance
Head of Property Services
Head of Communications and Technology
Head of Secretariat
Head of Human Resources
Principal of St Padarn's Institute

Advisers

Independent Auditors:

Haysmacintyre LLP
10 Queen Street Place
London
EC4R 1AG

Bankers:

Lloyds Bank Plc
4th Floor, St William House
Tresillian Terrace
Cardiff
CF10 5BH

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 2018 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2018 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.

Use of our Report

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.

Haysmacintyre LLP

Statutory Auditor

27 June 2019

10 Queen Street Place

London

EC4R 1AG

Haysmacintyre LLP 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 2018

	Notes	General Funds 2018 £000	Designated Funds 2018 £000	Restricted Funds 2018 £000	Total Funds 2018 £000	Total Funds 2017 £000
Income from:						
Donations and Legacies		6	-	-	6	7
Charitable Activities		-	649	-	649	1,129
Investments	2	19,393	329	-	19,722	19,735
Other		268	-	-	268	287
		19,667	978	-	20,645	21,158
Expenditure on:						
Raising Funds	3	2,627	-	-	2,627	2,566
Charitable Activities						
Support for Ministry	4	10,529	-	-	10,529	9,823
Support for Dioceses and Parishes	5	7,561	505	-	8,066	9,340
Other Church Property	6	592	2,260	-	2,852	2,024
Other Financial Support	7	553	2	-	555	599
Communication	8	381	-	-	381	217
		22,243	2,767	-	25,010	24,569
Net Expenditure before Investment Gains		(2,576)	(1,789)	-	(4,365)	(3,411)
Net (Losses) / Gains on Investments		(25,440)	(410)	-	(25,850)	51,069
Net (Expenditure) / Income		(28,016)	(2,199)	-	(30,215)	47,658
Transfers between funds:						
Emergency Aid Fund		(100)	100	-	-	-
Evangelism Fund		(10,000)	10,000	-	-	-
Other Recognised Gains / (Losses):						
Gains on revaluation of fixed assets		2,639	1,358	-	3,997	3,153
Allocation from / (to) Clergy Pension Provision		6,979	-	-	6,979	(15,388)
Transfer from Clergy Pension Provision		-	5,962	-	5,962	12,400
Actuarial gain / (loss) on Staff Pension Scheme		2,362	-	-	2,362	(172)
Net Movement in Funds		(26,136)	15,221	-	(10,915)	47,651
Reconciliation of Funds:						
Total Funds brought forward		436,718	283,780	-	720,498	672,847
Total Funds carried forward		410,582	299,001	-	709,583	720,498

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 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Fixed Assets					
Non-Investment Properties	12	268,208		264,726	
Tangible Assets	13	252		275	
			268,460		265,001
Investments					
Investment Properties	14	56,135		54,190	
Property Unit Trusts	15	17,217		20,295	
Stock Exchange Securities	16	504,267		548,145	
Funds held by Investment Managers		24,690		19,302	
Money Market Deposits and Loans	17	29,374		15,521	
			631,683		657,453
Current Assets					
Debtors	18	3,434		3,587	
Cash at Bank and in Hand		1,637		1,239	
		5,071		4,826	
Current Liabilities					
Creditors: amounts falling due within one year	19	(5,781)		(3,696)	
Net Current (Liabilities) / Assets			(710)		1,130
Total Assets Less Current Liabilities			899,433		923,584
Long Term Liabilities					
Clergy Pension Provision	21		(180,700)		(192,200)
Net Assets excluding Staff Pension Liability			718,733		731,384
Defined Benefit Staff Pension Liability	11		(9,150)		(10,886)
Net Assets including Staff Pension Liability			709,583		720,498
Capital and Reserves					
General Funds		419,732		447,604	
Pension Reserve		(9,150)		(10,886)	
			410,582		436,718
Designated Funds	22		299,001		283,780
Total Funds			709,583		720,498

The financial statements on pages 28 to 44 were approved by the Representative Body on 27 June 2019.

James Turner, Chair

Geoff Moses, Trustee

Cash Flow Statement

For the year ending 31 December 2018

	31 December 2018	31 December 2017
Note	£000	£000
Reconciliation of net income to net cash provided by operating activities:		
Net (expenditure) / income	(30,215)	47,658
Adjustment for:		
Gains on revaluation of fixed assets	3,997	3,153
Allocations from / (to) clergy pension provision	12,941	(2,988)
Gain / (loss) on staff pension scheme	2,362	(172)
Depreciation of tangible assets	13 82	87
Income from investments	2 (19,722)	(19,735)
Expenditure on raising funds	3 2,604	2,551
Losses / (gains) on investments	25,850	(51,069)
Gains on fixed assets	12 (5,709)	(5,941)
Add:		
Movement in debtors	18 153	7
Movement in creditors	19 2,085	(363)
Movement on clergy pension provision	21 (11,500)	4,600
Movement on staff pension liability	11 (1,736)	633
Net cash provided by operating activities	(18,808)	(21,579)
Statement of cash flows		
Cash flows from operating activities		
Net cash used in operating activities	(18,808)	(21,579)
Cash flows from investing activities		
Income from investments	2 19,722	19,735
Expenditure on raising funds	3 (2,604)	(2,551)
Non-investment properties: additions	12 (3,117)	(2,146)
Non-investment properties: sale proceeds	12 5,344	7,015
Tangible assets: additions	13 (65)	(242)
Investment properties: sale proceeds	14 -	2,193
Property unit trusts: sale proceeds	15 2,699	4
Stock exchange securities: additions	16 (140,733)	(140,775)
Stock exchange securities: sale proceeds	16 156,035	146,904
Other sale proceeds	1,166	460
Movement in funds held by investment managers	(5,388)	(6,154)
Movement in money market deposits and loans	17 (13,853)	(3,627)
Net cash provided by investing activities	19,206	20,816
Change in cash and cash equivalents	398	(763)
Cash and cash equivalents at 1 January	1,239	2,002
Cash and cash equivalents at 31 December	1,637	1,239

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 2018.

Stock Exchange Securities:

Stock exchange securities are stated at market values based on bid price at 31 December 2018. 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, 1,408 Churches and 1,215 Churchyards at 31 December 2018. 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 2018 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 2018. 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 2018.

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 St Michael's College site is 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 33 $\frac{1}{3}$ % 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:	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).

2 Investment Income

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2018 £000				Funds 2017 £000			
Gross income from property	3,560	-	-	3,560	3,565	-	-	3,565
Income from stock exchange securities	15,750	329	-	16,079	15,795	336	-	16,131
Interest from money market deposits and loans	83	-	-	83	39	-	-	39
	19,393	329	-	19,722	19,399	336	-	19,735

3 Raising Funds

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2018 £000				Funds 2017 £000			
Stock Exchange Advisers	2,010	-	-	2,010	1,992	-	-	1,992
Investment Property Advisers	260	-	-	260	257	-	-	257
Sundry Property	95	-	-	95	100	-	-	100
Support Costs	262	-	-	262	217	-	-	217
	2,627	-	-	2,627	2,566	-	-	2,566

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

4 Support for Ministry

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2018 £000				Funds 2017 £000			
Bishops	939	-	-	939	967	-	-	967
Bishops' Portfolio Support	180	-	-	180	189	-	-	189
Safeguarding*	169	-	-	169	197	-	-	197
Clergy Pension Provision (note 21)	5,346	-	-	5,346	5,357	-	-	5,357
Ministry Training								
St Padarn's Institute	1,975	-	-	1,975	681	-	693	1,374
Other Support	-	-	-	-	29	-	-	29
Clergy Property								
Diocesan Inspectors' Costs	464	-	-	464	448	-	-	448
Episcopal Residences	68	-	-	68	110	-	-	110
Sundry Property Costs	11	-	-	11	6	-	-	6
Sundry Clergy Benefits	4	-	-	4	4	-	-	4
Support Costs	1,373	-	-	1,373	1,142	-	-	1,142
	10,529	-	-	10,529	9,130	-	693	9,823

* Safeguarding costs of £169,000 (2017: £197,000) have been reclassified as Support for Ministry from Support Costs (note 9) to more accurately reflect the nature of the expenditure.

5 Support for Dioceses and Parishes

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2018 £000				Funds 2017 £000			
Block Grant to Dioceses	6,158	-	-	6,158	6,293	-	-	6,293
Transformation Fund	-	-	-	-	1,000	272	-	1,272
Repairs and Extensions to Churches	-	134	-	134	-	164	-	164
Emergency Aid	-	371	-	371	-	231	-	231
Support Costs	1,403	-	-	1,403	1,380	-	-	1,380
	7,561	505	-	8,066	8,673	667	-	9,340

6 Other Church Property

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2018 £000				Funds 2017 £000			
Redundant Churches	-	227	-	227	-	218	-	218
Church Sales Regulations	-	2,033	-	2,033	-	1,298	-	1,298
Other Property Costs	40	-	-	40	(2)	-	-	(2)
Support Costs	552	-	-	552	510	-	-	510
	592	2,260	-	2,852	508	1,516	-	2,024

7 Other Financial Support

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2018 £000				Funds 2017 £000			
DACs and Cathedrals and Churches Commission	67	-	-	67	65	-	-	65
Grants to Anglican and Ecumenical Bodies	146	-	-	146	136	-	-	136
Provincial Court and Tribunals	24	-	-	24	63	-	-	63
St Michael's Centre	-	-	-	-	74	-	-	74
Other Support	107	2	-	109	45	13	15	73
Support Costs	209	-	-	209	188	-	-	188
	553	2	-	555	571	13	15	599

8 Communications

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2018 £000				Funds 2017 £000			
Communications	189	-	-	189	86	-	-	86
Support Costs	192	-	-	192	131	-	-	131
	381	-	-	381	217	-	-	217

9 Support Costs

	Raising Funds	Support for Ministry	Support for Dioceses and Parishes	Other Church Property	Other Financial Support	Communications	Total 2018
Funds 2018 £000							
Provincial Secretary & Secretariat	-	141	257	16	120	83	617
Human Resources	17	591	257	35	13	29	942
Office Services	37	192	194	78	30	63	594
Finance	198	183	109	113	33	-	636
Property	-	96	164	133	-	-	393
Legal	-	-	147	156	5	-	308
Information Technology	10	170	275	21	8	17	501
	262	1,373	1,403	552	209	192	3,991
	Raising Funds	Support for Ministry	Support for Dioceses and Parishes	Other Church Property	Other Financial Support	Communications	Total 2017
Funds 2017 £000							
Provincial Secretary & Secretariat	-	113	211	14	89	67	494
Human Resources	16	412	263	37	14	18	760
Office Services	32	165	194	75	27	35	528
Finance	159	172	115	86	41	-	573
Property	-	95	185	154	-	-	434
Legal	-	-	101	120	8	-	229
Information Technology	10	185	311	24	9	11	550
	217	1,142	1,380	510	188	131	3,568

The above figures include audit fees of £30,000 (2017: £31,000) in respect of the audit of the Representative Body, and £5,700 (2017: £5,400) in respect of the audit of the Staff Retirement Benefit Scheme.

The total expenditure for Human Resources and Office Services of £1,536,000 includes an accounting adjustment under FRS17 for the Staff Retirement Benefit Scheme of £626,000 (2017: £461,000)

£169,000 (2017: £197,000) of Safeguarding costs are now included separately in Note 4 to more transparently disclose the expenditure.

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 2018 £000	Total 2017 £000
Staff Costs		
Salaries	3,173	2,981
National Insurance Contributions	323	301
	3,496	3,282
Current Service Pensions Costs (Defined Benefit Scheme)	946	880
FRS 102 Pension Scheme Adjustment	626	461
Defined Contribution Pension Costs	49	12
Unfunded Pension Costs	19	21
	5,136	4,656

The numbers of staff whose employee benefits* fell in the following bands were:

	Total 2018 Number	Total 2017 Number
£0 to £10,000	19	29
£10,001 to £20,000	16	25
£20,001 to £30,000	34	37
£30,001 to £40,000	21	14
£40,001 to £50,000	6	12
£50,001 to £60,000	9	2
£60,001 to £70,000	3	3
£70,001 to £80,000	3	2
£100,001 to £110,000	1	1
	112	125

*Employee benefits include gross salaries and allowances but do not include employers' pension costs

The key management personnel consists of eight staff members, as set out on page 24 of this report. The total amount of their employee benefits was £734,004 (2017: £704,279).

Trustees

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

Nineteen (2017: twenty two) 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 £10,744 (2017: £7,933).

One Trustee received remuneration from the Representative Body in connection with their office. This was The Most Reverend J D E Davies who is an Ex Officio Member of the Representative Body. His remuneration was £48,518 (2017: £3,810) and pension contributions of £18,825 (2017: £1,478). A car was provided for the performance of his duties for which the cash benefit was £6,794 (2017: £597).

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.

A comprehensive actuarial valuation of the Scheme was carried out as at 31 March 2018 and the next valuation of the Scheme is due as at 31 March 2021. The initial results of that valuation have been updated by an independent qualifying actuary to 31 December 2018 allowing for cashflows in and out of the Scheme and changes to the assumptions over the period.

	2018 £000	2017 £000
Amounts recognised in the Balance Sheet		
Fair value of assets	14,131	14,270
Present value of funded obligations	(23,281)	(25,156)
Deficit in Scheme	(9,150)	(10,886)
Net defined benefit liability	(9,150)	(10,886)
Amounts recognised in the Statement of Financial Activities		
Current service cost	946	880
Administration cost	52	50
Interest on liabilities	653	654
Interest on assets	(378)	(365)
Past Service Costs	99	-
Total	1,372	1,219
Remeasurements over the year		
Loss / (gain) on Scheme assets in excess of interest	1,096	(799)
(Gains) / losses from changes to assumptions	(1,749)	971
Experience gains on liabilities	(463)	-
Gains from changes to demographic assumptions	(1,246)	-
Total remeasurements	(2,362)	172
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	14,270	12,954
Interest on assets	378	365
Employer contributions	746	758
Contributions by Scheme participants	173	181
Benefits paid	(288)	(737)
Administration costs	(52)	(50)
Return on plan assets less interest	(1,096)	799
Fair value of assets at the end of the year	14,131	14,270

11 Staff Defined Benefits Scheme *continued*

	2018 £000	2017 £000
The change in the defined benefit obligation over the year was:		
Defined benefit obligation at the beginning of the year	25,156	23,207
Current service cost	946	880
Contributions by Scheme participants	173	181
Past service costs	99	-
Interest cost	653	654
Benefits paid	(288)	(737)
Experience gain on liabilities	(463)	-
Changes to demographic assumptions	(1,246)	-
Changes to assumptions	(1,749)	971
Defined benefit obligation at the end of the year	23,281	25,156

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:

	2018	2017
Discount Rate	2.9%	2.6%
Inflation assumption (RPI)	3.6%	3.6%
Limited Price Indexation pension increases (RPI Max 5%)	3.5%	3.5%
Salary increases	3.1%	3.1%
Proportion married at retirement or earlier death	80.0%	80.0%
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

	2018 £000	2017 £000
At 1 January	264,726	263,654
Additions	3,117	2,146
Disposals	(5,344)	(7,015)
Net increase on revaluation	5,709	5,941
At 31 December	268,208	264,726
Comprising:		
Parsonage, bishops' houses and sundry provincial property	165,162	163,288
Churches and church halls	85,836	85,320
Glebe	12,892	10,355
Operational properties	4,318	5,763
	268,208	264,726

13 Tangible Assets	Office Equipment £000	Motor Vehicles £000	Total £000
Cost			
At 1 January	393	83	476
Additions	65	-	65
Disposals	-	(83)	(83)
At 31 December	458	-	458
Accumulated Depreciation			
At 1 January	128	73	201
Charge for the Year	78	4	82
Disposals	-	(77)	(77)
At 31 December	206	-	206
Net Book Value			
31 December 2018	252	-	252
31 December 2017	265	10	275

14 Investment Properties	2018 £000	2017 £000
At 1 January	54,190	52,585
Disposals	-	(2,707)
Net increase on revaluation	1,945	4,312
At 31 December	56,135	54,190

Investment properties were valued by Cushman & Wakefield at 31 December 2018 at £56,135,000 (2017: £54,190,000) in accordance with the RICS valuation – Professional Standards 2014 and FRS 102.

15 Property Unit Trusts	2018 £000	2017 £000
At 1 January	20,295	19,865
Disposals	(1,383)	(4)
Net (decrease) / increase on revaluation	(1,695)	434
At 31 December	17,217	20,295

16 Stock Exchange Securities	2018 £000	2017 £000
At 1 January	548,145	507,897
Additions	140,733	140,775
Disposals	(135,391)	(128,656)
Net (decrease) / increase on revaluation	(49,220)	28,129
At 31 December	504,267	548,145
Historical cost at 31 December	426,171	420,829
Unrealised investment gains at 31 December	83,438	127,316
Investment gains calculated on historic basis	20,644	18,248
Listed in UK	236,287	254,350
Listed overseas	267,980	293,795
	504,267	548,145

17 Money Market Deposits and Loans	2018	2017
	£000	£000
At 1 January	15,521	11,894
Advances	22,336	10,189
Repayments	(8,483)	(6,562)
At 31 December	29,374	15,521
Comprising:		
Money Market Deposits	21,154	7,068
Clergy Housing Loans	8,019	8,205
Diocesan Loans	93	103
Clergy Car Loans	13	46
Curates House Loans	70	74
Churches' Mutual Credit Union	25	25
	29,374	15,521

18 Debtors	2018	2017
	£000	£000
Prepayments	158	58
Other debtors	1,494	1,804
Accrued income	1,782	1,638
Amounts due from stockbrokers	-	87
	3,434	3,587

19 Creditors: amounts falling due within one year	2018	2017
	£000	£000
Taxation and National Insurance Contribution	440	420
Rents received in advance	371	413
Amounts owed to special trusts	1,243	790
Other creditors	1,935	690
Accruals	1,792	1,383
	5,781	3,696

20 Diocesan Maintenance of Ministry Fund	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Income				
Diocesan Boards of Finance	11,292		11,101	
Other Income	5		2	
		11,297		11,103
Less: Payments				
Clergy Stipends	9,138		8,917	
Curates Stipends	913		939	
National Insurance Contributions	976		946	
Vacancy Fees	112		112	
Sundry expenses and other payments	158		189	
		11,297		11,103

21 Clergy Pension Provision	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Balance at 1 January		192,200		187,600
Current service contributions from dioceses	3,884		3,826	
Other current service contributions	138		139	
Transfer from General Funds:				
Allocation from income (note 4)	5,346		5,357	
Allocation of net investment (losses) / gains	(6,979)		15,388	
		2,389		24,710
Less:				
Pension payments to retired clergy	(4,827)		(4,629)	
Pension payments to surviving spouses and civil partners	(1,512)		(1,520)	
Gratuity payments of retired clergy	(881)		(923)	
Transfer payments	(639)		(542)	
Administrative expenses	(68)		(96)	
		(7,927)		(7,710)
Transfer to Pension Equalisation Fund		(5,962)		(12,400)
Balance at 31 December		180,700		192,200

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 2018, using a discount rate of 2.8% at £180.7 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 valuations at 31 December 2017 and 31 December 2018 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.

Financial assumptions (nominal % pa)	31 December		
	2018	2017	2016
Discount rate	2.8%	2.4%	2.6%
Price inflation (RPI)	3.1%	3.1%	3.2%
Price inflation (CPI)	2.1%	2.1%	2.2%
Stipends for clergy in service	2.6%	2.6%	2.7%
Pensions in payment (stipend linked)	2.6%	2.6%	2.7%
Pensions in payment (5% RPI)	3.0%	3.0%	3.1%
Deferred pensions increase	3.0%	3.0%	3.1%
Post retirement mortality (life expectancy, in years)			
Current pensioners age 65 – males	22.1	22.0	22.0
Current pensioners age 65 – females	24.2	24.0	23.9
Future pensioners age 65 (currently age 45) – males	23.5	23.3	23.2
Future pensioners age 65 (currently age 45) – females	25.6	25.5	25.4

22 Designated Funds

	Balance 1 January 2018 £000	Income* £000	Expenditure* £000	Balance 31 December 2018 £000
Revaluation Reserve (Unrealised gains on parsonages, churches, church halls and sundry property)	212,663	-	804	211,859
Property Reserve (Property improvements and acquisitions of parsonages)	26,639	3,009	-	29,648
Church Repairs Capital Reserve (Capital fund for church repairs)	9,062	1,065	410	9,717
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)	5,957	486	2,033	4,410
Pension Equalisation Fund (Funds available to meet future clergy pension liabilities)	25,924	5,962	-	31,886
Evangelism Fund (Funds available for dioceses to enact their strategies on evangelism and church growth)	-	10,000	-	10,000
Diocesan Parsonage Improvement Fund (Funds available for improvements to parsonages and acquisitions of new parsonages)	3,193	1,864	3,776	1,281
Transformation Fund (Funds available for 2020 Vision related projects)	24	-	-	24
Repairs and Extensions to Churches (Funds available to parishes)	446	215	134	527
Redundant Churches** (Funds available to contribute to costs arising in the maintenance and safety of redundant churches)	(155)	163	227	(219)
Emergency Aid** (Funds available for costs arising due to emergencies)	11	201	371	(159)
Overseas Fund (Funds available at the discretion of the Bishops to assist in overseas aid)	15	13	2	26
Overseas Students (Funds available to provide financial assistance to overseas students)	1	-	-	1
	283,780	22,978	7,757	299,001

* includes gains and losses

** The Redundant Churches Fund and the Emergency Aid Fund were both in deficit at the year end and steps are being taken to reduce these deficits.

22 Designated Funds (Prior Year)

	Balance 1 January 2017 £000	Income* £000	Expenditure* £000	Balance 31 December 2017 £000
Revaluation Reserve	212,468	195	-	212,663
Property Reserve	24,683	1,956	-	26,639
Church Repairs Capital Reserve	8,221	841	-	9,062
Church Sales Regulations	6,262	993	1,298	5,957
Pension Equalisation Fund	13,524	12,400	-	25,924
Diocesan Parsonage Improvement Fund	1,370	5,603	3,780	3,193
Transformation Fund	296	-	272	24
Repairs and Extensions to Churches	392	218	164	446
Redundant Churches	(73)	136	218	(155)
Emergency Aid	37	205	231	11
Overseas Fund	14	14	13	15
Overseas Students	1	-	-	1
	267,195	22,561	5,976	283,780

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	-

There were no Restricted Funds held during 2018 as no restricted income was received during 2018.

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 2018 was £49,547,000 (2017: £50,166,000) and was invested in stock exchange securities and the Church in Wales Common Investment Fund. The income on these funds was £1,448,000 (2017: £1,253,000) 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 £6,158,000 (2017: £6,293,300). They also have outstanding loans totalling £2,485,000 (2017: £2,724,00) which have been advanced under the Clergy Retirement Housing Loan Scheme.

26 Charitable and Capital Commitments

At 31 December 2018 the Representative Body has committed to pay £6.158 million to the dioceses in respect of the Block Grant in 2019.

The Representative Body has a commitment under an operating lease for the rental of 2 Callaghan Square, Cardiff greater than five years which totals £2.1 million (2017: £2.3 million).

27 Stock Exchange Securities**31 December 2018
Market Value****£000** **%****Fixed Interest**

British Government Bonds	28,759	5.7
UK Bonds	30,793	6.1
Overseas Bonds	8,380	1.7
Total Fixed Interest	67,932	13.5

Equities

Consumer Goods and Services	80,053	15.9
Financials	116,984	23.2
Health Care	47,123	9.3
Industrials	34,342	6.8
Materials	30,376	6.0
Oil and Gas	28,609	5.7
Property and TEITs	11,853	2.4
Technology	42,603	8.4
Telecommunications	17,153	3.4
Utilities	17,308	3.4
Total Equities	426,404	84.5
Alternative Assets	9,931	2.0
	504,267	100.0

Top Twenty Holdings as at 31 December 2018**£000****£000**

Royal Dutch Shell Plc	17,258	Invesco Physical Gold ETC	5,344
0% Treasury Bill 2019	10,654	HSBC Holdings Plc	5,269
Unilever Plc	9,663	Bluefield Solar Income Fund Ltd	5,210
Glaxosmithkline Plc	8,077	Applied Materials Inc	5,170
Prudential Corporation Plc	7,936	Microsoft Corp	5,123
British Petroleum Plc	7,754	Novartis AG	5,072
AIA Group Ltd	7,066	Associated British Foods Plc	5,043
Orsted A/S	6,631	Roche Holdings AG	4,863
RELX Plc	5,849	3% USA Treasury Notes 2045	4,837
Infineon Technologies AG	5,713	Vodafone Group Plc	4,786

Ten Year Review - General Funds

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income										
Stock Exchange Investments	15,750	15,795	14,385	13,983	13,281	12,808	13,471	13,355	11,910	12,079
Property Income	3,560	3,565	3,480	3,408	3,513	3,916	3,925	3,842	3,854	3,730
Other Income	357	327	308	323	293	356	420	357	395	462
Total Gross Income	19,667	19,687	18,173	17,714	17,087	17,080	17,816	17,554	16,159	16,271
Investment Managers' Costs	(2,365)	(2,349)	(2,177)	(1,896)	(2,019)	(1,793)	(1,577)	(1,705)	(1,545)	(1,039)
Total Net Income	17,302	17,338	15,996	15,818	15,068	15,287	16,239	15,849	14,614	15,232
Expenditure										
Allocation to Clergy Pension Provision	5,346	5,357	4,975	4,919	4,686	4,800	5,099	4,976	3,829	3,991
Ministry Training	1,975	710	620	709	612	633	642	594	485	412
Bishops	939	967	926	873	839	833	810	872	813	818
Clergy Property	543	564	511	511	496	552	474	462	536	477
Bishops' Portfolio Support	180	189	256	320	341	341	397	466	456	420
Safeguarding	169	197	209	185	132	98	72	60	58	59
Sundry Clergy Benefits	4	5	4	6	5	7	6	5	7	63
Block Grant to Dioceses	6,158	6,293	6,293	6,293	6,793	6,610	6,430	6,257	6,089	5,926
Other Church Property and Financial Support	484	481	488	423	375	400	417	421	658	641
Communications	189	86	47	46	40	60	58	57	51	71
Provincial Services	3,365	3,107	2,645	2,441	2,324	2,360	2,352	2,328	2,266	2,183
Evangelism Fund	10,000	-	-	-	-	-	-	-	-	-
Transformation Fund	-	1,000	1,000	1,000	500	-	-	-	-	-
Total Expenditure	29,352	18,956	17,974	17,726	17,143	16,694	16,757	16,498	15,248	15,061
(Deficit) / Surplus	(12,050)	(1,618)	(1,978)	(1,908)	(2,075)	(1,407)	(518)	(649)	(634)	171
Reconciliation to the Statement of Financial Activities:										
Actual (deficit) / surplus	(1,950)	(1,517)	(1,889)	(1,773)	(1,474)	(1,052)	(318)	(522)	(273)	517
Add: FRS 102 Pension Scheme Adjustment	(626)	(461)	(137)	(342)	55	112	100	164	146	185
Net (expenditure) / income before investment gains / (losses)	(2,576)	(1,978)	(2,026)	(2,115)	(1,419)	(940)	(218)	(358)	(127)	702
Transfers between Funds	(10,100)	(100)	(100)	(100)	(600)	(100)	(100)	(101)	(101)	(101)
FRS 102 Pension Scheme Adjustment	626	461	137	342	(55)	(112)	(100)	(164)	(146)	(185)
Capital Gifts and Legacies	-	(1)	11	(35)	(1)	(255)	(100)	(26)	(260)	(245)
(Deficit) / Surplus as shown above	(12,050)	(1,618)	(1,978)	(1,908)	(2,075)	(1,407)	(518)	(649)	(634)	171