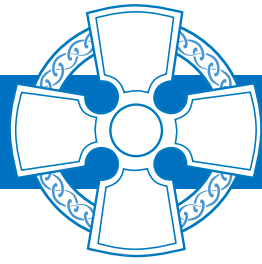


THE REPRESENTATIVE BODY OF THE CHURCH IN WALES



Annual Report and Accounts

2016



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Front cover photographs:

top left: Bishop of Monmouth with a family of refugees

bottom left: Launch of Housing Justice Cymru

middle: Project to construct a mezzanine floor at St Peter's Church, Machynlleth

right: St Davids Cathedral

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 2016

In 2016 the Representative Body made significant investment in some key long-term projects.

A Strong Financial Return in a Difficult Investment Climate

A series of significant political shocks – including the result of the EU Referendum and the US Presidential Election – helped make 2016 a particularly challenging year for investment, with markets reacting dramatically to events. However, the Representative Body has always invested with the long-term security and growth of the Church's assets as a priority, and historically has been able to absorb the effect of short-term market shocks. Operating within the terms of a new Ethical Investment Policy (see page 13), the Representative Body achieved a net increase in funds of some £55m over the year, with General Funds valued at £673m on 31 December 2016. Net income was £0.5m more than budgeted.

An Exciting New Investment in Discipleship and Ministry Development

The St Padarn's Institute was launched on 1 July 2016. This all-Wales body brings together residential and non-residential training for our lay and ordained ministries in the Church in Wales, and is the embodiment of the bishops' vision for education, training and ministry development. The creation of a new training institute in such a short period of time was an ambitious project, and has required a significant investment by the Representative Body, both in terms of funding and provincial staff time. However, the Representative Body is excited to be able to make such an important investment in equipping the Church's future leaders for the new challenges ahead.

Major Areas of New Expenditure

In March 2016 the Representative Body received the first reports from dioceses on the use of the *2020 Vision* Transformation Fund. The first annual allocation of £1m was made in 2015, and these initial reports suggest that dioceses are using this new funding to support a wide range of new projects, both at a diocesan and community level. Many of these projects are still in their infancy, but we hope that they will bear significant fruit in time. What is significant here is that this is new expenditure on new projects as we seek to support a Church aiming

for growth and evangelism, and it is made in addition to more regular provisions such as the Block Grant and Clergy Pension Scheme contributions. Full details of the projects supported will be included in a future Annual Report.

The Representative Body agreed also that considerable legal costs could be incurred, if required, to enable the Church in Wales to participate fully in the Independent Inquiry into Child Sex Abuse. In recent years the Representative Body has invested heavily in staff support for the *Safe Church* policy and procedures, and it is important that we have an opportunity to "tell our story" and share our experiences in this area.

Provincial Secretary

In May 2016 the Representative Body bade farewell to John Shirley, who retired as Provincial Secretary after 20 years' service (16 as Provincial Secretary), and welcomed Simon Lloyd as his successor. Prior to joining the Church in Wales Simon was Diocesan Secretary for Coventry in the Church of England and also has senior management experience in the private sector.



Photographs above:

Top: Launch of St Padarn's Institute and Simon Lloyd, the incoming Provincial Secretary;

Middle row: Evangelism symposium and the retirement of Bishop Wyn Evans;

Bottom row: Launch of new provincial safeguarding structure.

CHAIR'S INTRODUCTION



Institutions are organisations with a set of defining values and, as such, can sometimes be portrayed as timeless or unchanging. But institutions that do not change often fade and disappear; the art is to allow aspects of an institution to change to better meet new challenges without compromising its defining values.

The Church in Wales is a very special institution, and has a very clear set of enduring values. It is also currently an institution experiencing profound and sometimes unsettling change. These changes, encapsulated in the spirit of *2020 Vision*, have been initiated by communities, dioceses and church leaders to ensure that we become a more outward-looking, community-focussed institution which seeks growth, new members and new significance in contemporary Wales. In short, there is a prevailing understanding in the Church in Wales that we must change if we are to survive and continue to promote the Good News of Jesus Christ.

But embarking on ambitious new projects is not easy. In particular, where human and financial resources are limited there is a real difficulty in balancing exciting new work on one hand with the day-to-day tasks of keeping the show on the road. This is a challenge currently being faced with energy and commitment by church members across Wales, not least as we move towards new ways of providing ministry and the creation of ministry and mission areas. This understandably brings significant additional work with associated stresses and pressures.

In the same way, this is also a challenge currently being met by the Representative Body, and by the dioceses. For example, over the past two years provincial staff and colleagues in the dioceses have worked extremely hard to ensure that a new all-Wales training institute – St Padarn's – could be launched on 1 July 2016. This developmental work was carried out alongside the everyday tasks of delivering training to existing students, and the management of finance, property, ICT and staffing arrangements. But we are confident that the hard work will pay off in future as new disciples and leaders emerge as a result of the innovative new approaches at St Padarn's.

The Representative Body has recognised, in discussion with dioceses, that the challenge of

maintaining the old whilst building the new is made easier with the provision of new funding. For this reason the Representative Body set aside £3.5 million for the *2020 Vision* Transformation Fund to be used in 2015, 2016 and 2017 to fund new projects at a community, diocesan and provincial level. This funding is in addition to other major items of regular expenditure – the Block Grant and Clergy Pension Scheme contributions – and means that, in the short-term, the Representative Body is over-committed. Again, the Representative Body has taken the view that this is an investment in the Church's future, and one which needs to be made now to ensure that our Church can not only continue but also thrive. However, a necessary note of caution – we cannot remain over-committed indefinitely.

2016 has been a year of great activity, the results of which in some cases may not bear fruit for some years to come. We have relied heavily once again on our provincial staff both to keep the show on the road and to develop new projects; their commitment and dedication deserves recognition and our sincere gratitude. To ensure that staff and members are best placed and supported to meet the challenges ahead we will – after many years of consideration – be looking to upgrade the provincial office facilities as a matter of priority in 2017.

Finally, I would like to welcome Simon Lloyd, who succeeded John Shirley as Provincial Secretary in May 2016. Simon has senior management experience in both the Church of England and the private sector and has quickly established himself as a valued member of the province. We look forward to working with him.

James Turner

Chair of the Representative Body

OBJECTIVES AND ACTIVITIES

Public Benefit Statement

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

Key Objectives

The Representative Body's key objectives are:

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

2016 Objectives

- **Maintaining Diocesan Support** – To maintain financial support for the dioceses through the Block Grant and other provisions.
- **Financial Stability** – To ensure financial stability with regard to the clergy and staff pension schemes.
- **Fund Performance** – To make investment returns that exceed the benchmark.
- **2020 Vision** – To support the work related to *2020 Vision* by working closely with the Governing Body's Standing Committee and dioceses.
- **St Padarn's Institute** – To support the work of the Church's new training institution, which commenced on 1 July 2016.
- **Safeguarding** – To continue to strengthen the Church's capacity to address safeguarding issues and to participate in the IICSA Enquiry.
- **Clergy Pensions** – To prepare for the actuarial valuation at 31 December 2016.
- **Cathedrals' Review** – To assist with the review of Cathedrals.
- **ICT Initiatives** – To assist in new technological initiatives across the province.

2017 Objectives

- **Maintaining Diocesan Support** – To maintain financial support for dioceses through the Block Grant and other provisions.
- **Financial Stability** – To ensure financial stability with regard to the clergy and staff pension schemes.
- **Fund Performance** – To make investment returns that exceed the benchmark.
- **2020 Vision** – To support the work related to *2020 Vision* by working closely with the Governing Body's Standing Committee and dioceses.
- **St Padarn's Institute** – To continue to support the work of the Church's training institution.
- **Clergy Pension** – To consider the implications of the 2016 actuarial valuation.
- **Safeguarding** – To continue to strengthen the Church's capacity to address safeguarding issues and to assist in the IICSA Enquiry.

ACHIEVEMENT AND PERFORMANCE

The Representative Body supported the Dioceses with block grants totalling £6.3m. Net income was £62m, comprising £65m of investment gains offset by an operational expenditure deficit of £2.8m.

Overall Financial Position

The results for the year are shown in the Statement of Financial Activities on page 26.

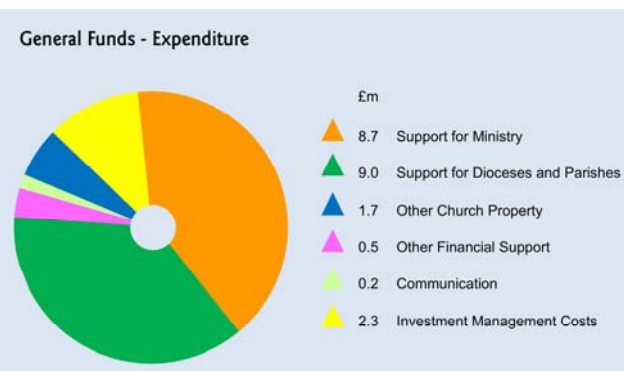
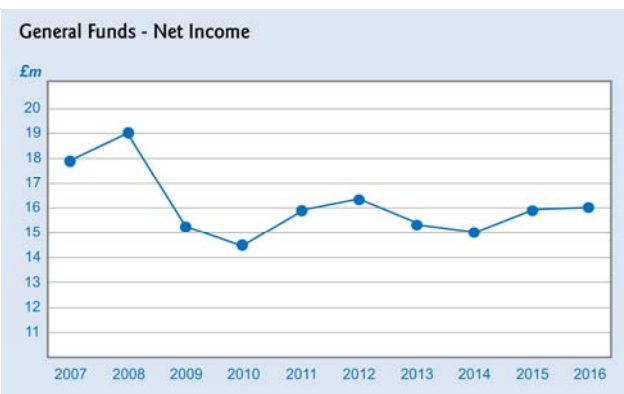
Net income was £62.7m. This comprised net investment gains of £65.5m offset by an operational expenditure deficit of £2.8m.

After taking into account other recognised gains and losses, the net increase in funds for the year was £54.7m, taking the total funds of the Representative Body at 31 December 2016 to £673m.

General Funds

General Fund income increased by £458k as a result of increased stock market dividend income. Expenditure also increased by £321k.

Further details on the investment performance are given on page 11.



Supporting Ministry

Grants to Dioceses

The Representative Body provides each diocese with a Block Grant to help with costs such as stipends, clergy pensions (current service contributions) and certain other categories of expenditure, so enabling provincial funding to be used more flexibly by the dioceses. In 2016 the total Block Grant was £6.3m.

The Block Grant for 2017 is set at £6.3m, and the Representative Body has agreed to maintain it at this level for 2018.

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

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

Transformation Fund

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

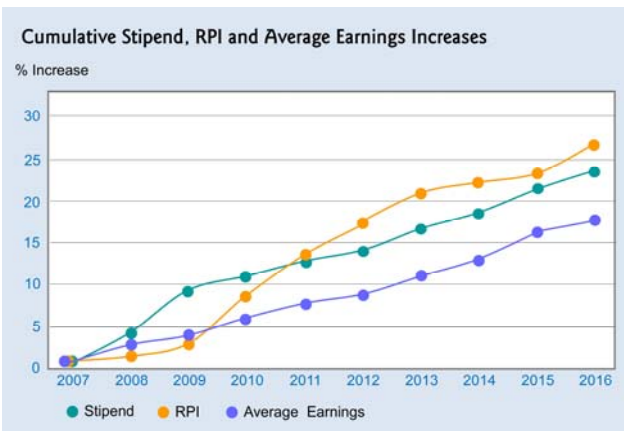
Dioceses have been encouraged to match-fund from their own resources and are required to report annually to the Representative Body on how the funding has been used. These reports are also shared with the Governing Body through its Standing Committee.

Clergy Stipend Levels

Clergy stipend levels are agreed each year by the Representative Body after consultation with the Bench of Bishops and the Diocesan Boards of Finance Chairs and Secretaries. From 1 January 2017 clergy stipend levels (incorporating an increase of 0.8% on 2016 levels) are:

	2017 Stipend Level £ p.a	% of Incumbent's Stipend
Assistant Curate, Cathedral Chaplin	20,078	85
Incumbent, Vicar in Rectorial Benefice*	23,621	100
Incumbent of Rectorial Benefice*	24,802	105
Residentiary Canon	27,164	115
Archdeacon	36,140	153
Dean	36,613	155
Assistant Bishop	40,156	170
Diocesan Bishop	43,699	185
Archbishop	47,242	200

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



Clergy Pension Scheme

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

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

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

The Clergy Pension Provision is shown in note 21 on page 39. The principal expenditure is payment of pension benefits and the income is made up of contributions from the dioceses for current service

(32.7%) together with a proportion of the income and net investment gains (31.1%) 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 2016	444	238	819	1,501
New entrants	23	-	-	23
Deferreds rejoined	1	(1)	-	-
Leavers with deferred benefits	(17)	17	-	-
Leavers with no liability	(4)	(1)	-	(5)
Transfer out	(2)	(2)	-	(4)
Retirements	(23)	(11)	34	-
Deaths	(2)	-	(38)	(40)
New surviving spouses or civil partners	-	-	22	22
Membership at 31 December 2016	420	240	837	1,497

The Clergy Pension Scheme is reviewed every three years and the results of the previous triennial reviews are shown below. The next actuarial valuation at 31 December 2016 will be considered by the Representative Body in June 2017.

Clergy Pension Scheme Funding				
	2013	2010	2007	2004
Market Value of the Representative Body's General Funds	£512m	£452m	£483m	£370m
Value of Past Service Liability	£158.9m	£141.9m	£126.8m	£102.9m
Liability as a proportion of General Fund	31.1%	31.4%	26.2%	27.8%
Current Service Employer's contribution (paid by dioceses)	32.7%	27.2%	26.3%	24.3%

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 £151,406 (as at 1 January 2017), 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 2016 the numbers and amounts of loans outstanding were:

	Number	Amount
Interest Bearing Equity Loans	52	£5,167,813
Interest Bearing Loans*	3	£45,000
Advance of lump sum	1	£67,500

* 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 2016 the numbers and amounts of loans outstanding were:

	Number	Amount
Interest Bearing Loans	30	£406,056
Equity Loans	84	£2,444,031

Clergy Car Loan Scheme

The Representative Body's Clergy Car Loan Scheme was closed to new members from 31 March 2016. Existing loans will continue to be held by the Representative Body, and clergy with loans will not be affected. As at 31 December 2016, there were 55 existing loans outstanding totalling £109,000.

Management of Property

Residential Lettings

The Representative Body is a significant residential landlord; many of these properties are parsonages awaiting clergy housing but where a rental income can be generated in the meantime. A number are held in trust for local parishes and support their mission. The Housing (Wales) Act 2014 introduced the requirement for landlords to register and be licensed (after appropriate training of key individuals). The Representative Body has successfully completed this exercise.

Welsh Places of Worship Forum

In response to an initiative by Welsh Government/ Cadw, the Representative Body has been at the heart of moves to establish a cross-sector Forum to highlight the issues and develop solutions for the historic places of worship of Wales. It is early days but already the Forum is proving a useful way for matters to be shared and communicated for mutual benefit.

On Line Faculty System/Church Heritage Cymru

These new digital developments progressed well during the year. Church Heritage Cymru (www.churchheritagecymru.org.uk) is intended to be a single place where information concerning all our churches can be viewed. It is being populated with information regularly and should provide a 'one stop shop' for those involved in caring for churches to check information about their building. Linked to this will be an on-line faculty system which will enable faculties to be submitted and managed on line. It is anticipated this will be available in late 2017. This new system will include an abbreviated system for determining straightforward and routine work.

Funding

The Representative Body provides grant aid to ministry areas to help with church repairs. These grants are derived from the sale of glebe land across the Province and can be for up to £3,000. In addition, the Representative Body retains the sale proceeds from redundant churches and allocates these, with Bishop's approval, to works in churches in the same group as the redundant church. In 2016, the use of these funds was widened to help with emergency problems in churchyards. Furthermore, the use of proceeds of sale of parsonages was widened in 2016 to allow for in with establishing administrative offices for ministry areas.

Administration and other services provided from the Provincial Office

During 2016 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 on behalf of beneficiaries. The aggregate value of these special trusts at 31 December 2016 was £45.6 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 2016 amounting to £11.2 million.

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

- The provincial Information Communication Technology department provides support for not only the Provincial Office but also St Michael's Centre, St Padarn's Institute, Bishops' offices, diocesan offices and the archdeacons;
- 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;
- DBS 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 Representative Body pays grants and bursaries to those training for ministry in the Church in Wales, funded jointly with the dioceses;
- The Church in Wales Publications department provides a print and design service for the wider Church, and oversees the publication of all major reports and new liturgies.

The number of posts of the Representative Body at 31 December 2016 (with 2015 in brackets) is as follows:

	Full Time	Part Time
Representative Body	38 (39)	6 (4)
Bishops' Secretaries	5 (5)	2 (2)
Diocesan Inspectors	6 (6)	0 (0)
Bishops' Advisors	3 (4)	2 (3)
Safeguarding ⁽¹⁾	1 (1)	9 (2)
St Padarn's Institute ⁽²⁾	16 (0)	9 (0)
St Michael's Centre	7 (0)	8 (0)
St Michael's College	0 (16)	0 (10)
Total	76 (71)	36 (21)

⁽¹⁾ Safeguarding includes 6 part time posts for which the costs are recharged to the dioceses.

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

Salary levels were increased from 1 January 2017 by 0.8%, the same increase as that agreed for clergy.

The work of the Provincial Office and St Padarn's Institute is varied and focuses not just on the functional role of the Representative Body but also on wider provincial requirements. This has been achieved with and through a wide range of skills, experience and flexibility of the staff within the Representative Body. Staff continue to work with Bishops, clergy, dioceses and parishes to support the wider mission of the church across the whole spectrum of developments.

FINANCIAL REVIEW

Stock exchange securities increased during the year by 12.8%. The property investment portfolio increased in value by 13.5%.

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 13.

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

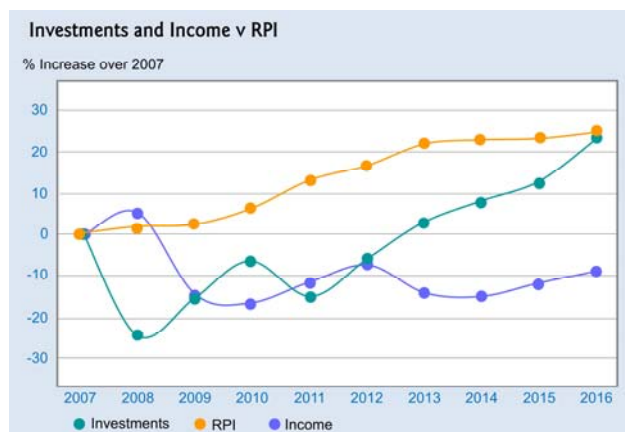
Sarasin & Partners and Newton Investment Management each manage one half of the stock exchange investment fund, under a Global Multi-Asset mandate.

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

Overall Fund Performance

During 2016 the total value of the Representative Body's investments increased by 12% to £606 million as shown on the Balance Sheet on page 27.

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 £187.6 million on 31 December 2016.



Benchmark

Until 2015, the performance of the Representative Body's total investment fund, including the stock exchange investments and property investments was measured relative to the WM All Charity Fund Index.

As this service, provided by WM Company, ceased to operate after 31 March 2016, this benchmark is no longer available.

A new provider has only recently been sourced and therefore the overall total return for the fund for periods to 31 December 2016 will not be available until after the production of this report.

Stock Exchange

For many years the Stock Exchange investment managers have provided a composite benchmark against which to measure the performance of the Fund. This composite benchmark incorporates the performance of the major indices of the assets in which the portfolio is invested, and focuses on the ability of the fund manager to outperform within the various asset classes.

The composite benchmark has been used to measure the performance of the stock exchange investments in this report.

Property

The property portfolio is measured against the IPD (Investment Property Databank) Index, as in previous years.

Stock Exchange Investments

Stock exchange securities increased over the year from £450.3 million to £507.9 million at 31 December 2016, an increase of 12.8%.

This was against the significant events of Brexit and the election of Donald Trump as US President. In the financial markets, the reaction to Mr Trump's win imitated that of the UK's Brexit vote, demonstrating an impulsive sell-off in risk-asset markets, followed by a swift return of enthusiasm.

The UK economy shrugged off the uncertainty surrounding Brexit to record a growth rate of 2% in 2016, making it the world's fastest growing developed economy. After falling to a 31 year low against the US Dollar in early October, the Pound stabilised into the year end. However, the sharp depreciation in sterling started to feed into UK inflation with CPI rising to 1.6 in December, its highest level since July 2014.

Despite the uncertainty of the US's economic policies, the US Federal Reserve deemed the outlook for the US economy, inflation and employment to be sufficiently strong to raise interest rates by 0.25% in December, only the second increase in a decade.

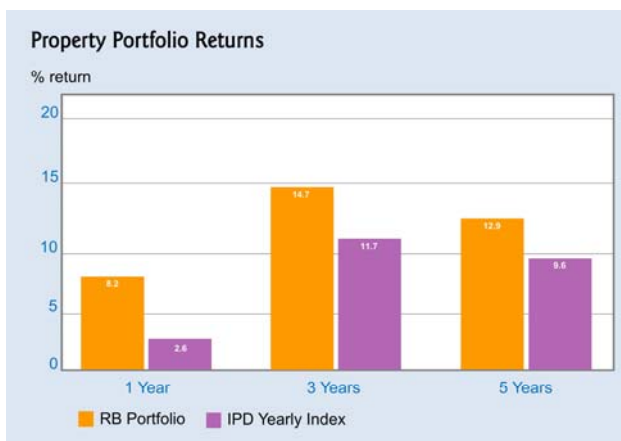
The Eurozone continued to show signs of recovery in the last quarter, with unemployment falling to 9.6% in December, the lowest since May 2009, and GDP growth rising to 0.5%, up from 0.4% in the previous quarter.

The asset allocation ranges and the allocation as at 31 December 2016 are shown in the table below:

Asset Allocation Range		
Asset class	Range	Allocation at 31 December 2016
UK Equities	15-40%	29%
Overseas Equities	20-70%	48%
Fixed Interest	2-25%	11%
Alternatives	0-10%	9%
Cash	0-25%	3%

Investment Property

The commercial property portfolio outperformed the IPD Annual Index over all periods as shown in the table below:



The value of the Investment Property portfolio increased over the year from £63.9 million to £72.5 million, an increase of 13.5%.

This strong performance was driven by direct property in retail and industrial warehouse property, where both of these sectors outperformed the IPD Benchmark.

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 annually by Senior Management, and scrutinised by the Audit Committee and the Representative Body.

The risk register identifies the major risks to which the organisation is exposed and the scope of such risks. These 'Inherent Risks' are graded as high, medium and low for both the impact and likelihood of the risk occurring, and the risk register then identifies the controls and procedures which have been established to manage and mitigate those risks, resulting in a 'Residual Assessment' from which there are defined action points, strategies and timescales to mitigate the risk further.

The risk register has identified two areas where the residual assessment has been graded as 'high'.

These areas and the associated mitigation strategies are:

1. Severe downturn in the Stock Market

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

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

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

Reserves Policy

At 31 December 2016 the total funds of the Representative Body amounted to £673 million (2015: £618 million).

Restricted Funds

At 31 December 2016 Restricted Funds held by the Representative Body amounted to £1m (2015: £1.7m), and are not available for the general purposes of the Representative Body.

Details of the Restricted Funds are set out on page 40, and includes £693k of funds which have

been ringfenced for the education and practice of theology.

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 2016 Designated Funds amounted to £267m (2015: £250m). Details of the Designated Funds are set out on page 40. 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.

General Funds

Having taken into account the Restricted and Designated Funds held, the amount of General Funds held by the Representative Body at 31 December 2016 totalled £405m (2015: £367m).

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

FUTURE PLANS

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

Short to medium term issues

Support for the dioceses

The Representative Body continues to provide support for the wider Church in Wales in a broad range of ways. Most visibly, it has committed to maintaining the level of Block Grant funding to dioceses (some £6.3 million) up to and including 2018. It also provides professional support to the Church in a number of key areas, including direct support of dioceses on Human Resources and Information Technology matters. It will be necessary before 2018 for the Representative Body to work with dioceses to consider how best to use its resources in support of the work of the Church in Wales, including direct support to dioceses. Such discussions will need to be informed not only by the recommendations of the 2012 Church in Wales Review, but also by the evolving missional and ministry context of the Church itself.

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.

Managing Property

Support for managing church buildings

It is becoming clear that Ministry Areas will need greater levels of support for building and property issues in future. This is linked to an increasing move to develop property plans across ministry areas so that a strategic approach can be taken. How this support will be delivered will vary across dioceses and funding of new posts will be an issue. However, it is clear that expecting hard-pressed

volunteers to shoulder this burden will not be a viable approach in future. Developing these ideas had begun with a Property Summit in St Asaph Diocese to explore the issues.

Churchyards and Burial Grounds

These areas are vitally important to communities but the responsibility for them falls on each Ministry Area with no formal state aid (although some local authorities do offer some assistance in some places). It is clear that new ways of managing and financing these areas will have to be found and the first step will be a full appraisal of the current situation with the 1200 churchyards we own to assess condition, liabilities and income. This will include opportunities for sharing costs and establishing contracts across geographical areas.

Redundant Churches

The Representative Body faces increasing challenges around the management of redundant churches. In the short term, this is around managing risks and liabilities but there is a longer term need to find ways to creatively re-use these buildings to further mission in new ways.

Office

Planning permission for the Cathedral Road site for residential conversion and a new office was achieved in late 2016 after a challenging planning application process. In the meantime, trustees have re-considered the most appropriate office facilities for the future and have decided to rent a new single floor office in central Cardiff. This will give modern facilities, close to key transport hubs, and allow greater flexibility for the future. Alternative uses for Cathedral Road are under consideration.

Supporting Ministry Areas

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

Safeguarding

In recent years the Representative Body and the dioceses of the Church in Wales have invested heavily in its safeguarding support. Ensuring that the Church provides a safe environment for all whom it is called to serve, particularly those who might be especially vulnerable, is a key part of our Christian witness. However, it is expected that significant additional support will be required in the near future to equip the Church to participate fully in the Independent Inquiry into Child Sexual Abuse. The investigation of cases arising from the work of the Church of England and the Church in Wales is now expected in 2018, and the Church in Wales is committed to provide the Inquiry with every assistance. For the Representative Body, this is likely to mean in practice the incurring of costs relating to legal representation, but also the dedication of significant staff time to research and provide documentation as required by the Inquiry. The earlier investment in the Church's safeguarding provision, including the Independent Review of Historic Cases, is expected to prove helpful in this regard.

Training for Ministry

The Representative Body is the largest financial contributor to the costs of training for ministry in the Church in Wales. In addition, since August 2011 it has been responsible for St Michael's College, Llandaff. As such it has had a key role to play in the recent review of ministry training by the Bench of Bishops, and in particular work with dioceses and other interested parties to implement the Bishops' vision for training. The new St Padarn's Institute, which brings together different models of training for ministry (lay and ordained) for the Church in Wales, began its work formally on 1 July 2016. There are a number of issues that will need to be resolved in both the short and medium term to enable St Padarn's not only to be launched but also to be a success:

- A new financial settlement for training;
- Arrangements for the employment of new staff and the transfer of existing staff as required;
- The use of the St Michael's College site, both in terms of the provision of training and also as a source of additional income through the provision of conference and meeting facilities.

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

Cathedrals Review

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

Church in Wales Centenary Celebrations

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

Long term issues

Pensions

The actuarial valuation of the Clergy Pension Scheme at 31 December 2013 confirmed that the Scheme is well funded and continues to represent a prudent proportion of the Representative Body's total assets. The Representative Body will need to keep the Clergy Pension Scheme, including its funding and benefits, under active review. The further actuarial valuation took place at 31 December 2016 and will be discussed by the Representative Body at its meeting in June 2017.

Property

Redundant Churches

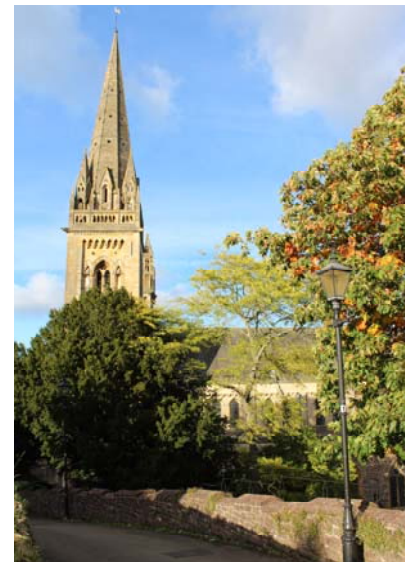
There will need to be fresh thinking around redundant churches. This will involve seeking out new futures for these buildings other than always sale. This could involve working more closely with community groups to ensure these buildings perform a valuable function in communities but might also involve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

Climate Change

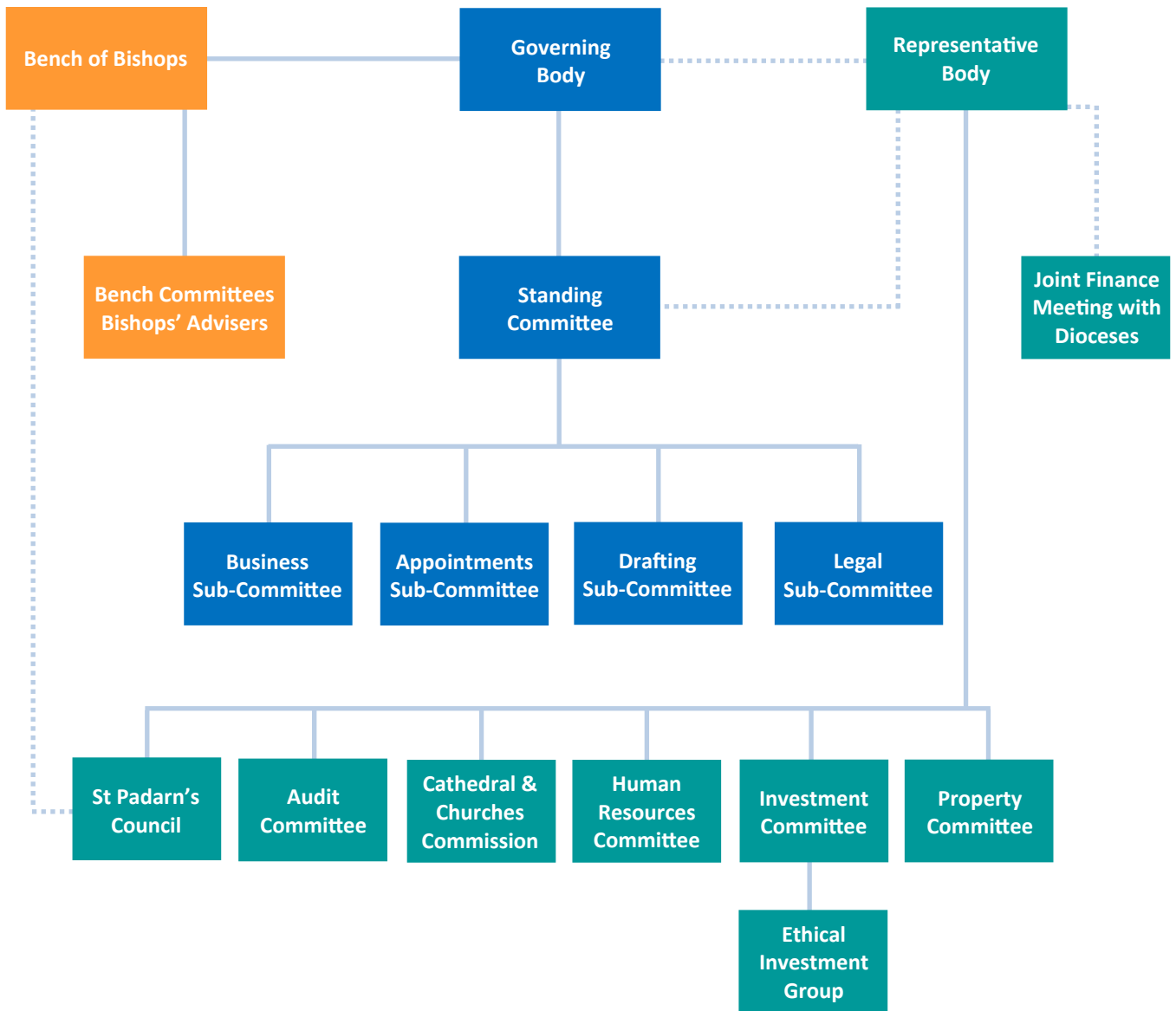
Climate Change is a fundamental challenge for the Church and the world. Developing new ways to encourage new climate change friendly management of buildings is a critical challenge. Some of this will be around advice, but collective purchasing and spreading of good practice will be key. The parsonage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

Glebe Portfolio

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



THE PROVINCIAL STRUCTURE



GOVERNANCE AND MANAGEMENT

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

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

Details of the trustees who served during the year and since the year end are set out on page 27. The relationship of the Representative Body to its committees and to the other provincial bodies of the Church in Wales is set out on page 18.

Membership Composition

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

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

Membership Eligibility

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

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

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

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

Membership – Induction and Training

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

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

Committees

The Representative Body has six committees – Investment, Property, Human Resources, Audit, St Padarn's Council (from 1 July 2016) St Michael's College (to 30 June 2016) and the Cathedrals and Churches Commission – each with specific terms of reference and functions delegated by the Representative Body and reviewed every three years.

Investment Committee

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

Property Committee

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

Human Resources Committee

The Human Resources Committee is responsible for developing policies and procedures for clergy and lay staff in line with the specific legislation that applies to each group and good practice. This includes advising the Representative Body on the level of clergy stipends and lay staff salaries and the terms and funding of the pension schemes for clergy and lay staff respectively.

Audit Committee

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

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 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.

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.

Simon Lloyd
Provincial Secretary

39 Cathedral Road,
Cardiff,
CF11 9XF

6 June 2017

REFERENCE AND ADMINISTRATIVE INFORMATION

Representative Body Membership

Chair and Deputy Chair

Mr J J Turner
Chair

Mr P R Marshall OBE
Deputy Chair

Ex Officio Membership

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

His Honour Philip Price QC
Chair, Standing Committee
(To 31 December 2016)

Mrs L Perkins
(From 15 February 2017)

Mr J C Myers
Chair, St Asaph Diocesan Board of Finance
(To 14 May 2017)

Mrs J M Evans
Chair, Bangor Diocesan Board of Finance

Mr N Griffin
Chair, St Davids Diocesan Board of Finance

Mr P R Marshall OBE
Chair, Llandaff Diocesan Board of Finance

Mr P E Lea
Chair, Monmouth Diocesan Board of Finance

Professor P Townsend
Chair, Swansea and Brecon Diocesan Board of Finance

Elected Membership

St Asaph

The Venerable R H Griffiths, Archdeacon of Wrexham
Mr L T W Evans

Bangor

The Venerable R P Davies, Archdeacon of Bangor
Mrs M West

St Davids

The Venerable D M Wight, Archdeacon of St Davids
Mrs J Heard

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 T O S Lloyd OBE, DL, FSA

Mr D G Myrddin-Evans

Mr J J Turner

Co-opted Membership

Mr L James

(3 vacancies)

Committee Membership

(*denotes non-RB member)

Investment Committee

Mr P R Marshall OBE (Chair)
 The Venerable J S Williams *(To 11 March 2016)*
 Mr R Anning*
 Mr J Fox*
 Mr L James
 Mr D G Myrddin-Evans
 Mr R Page*
 Mr R D Thomas*
 Mr J J Turner

Audit Committee

Mr G I Moses (Chair)
 Mrs J Heard
 Mr D W Jenkins* *(To 4 May 2017)*
 Mr V Jones*

Property Committee

Mr R Davies (Chair)
 The Venerable R P Davies
 The Venerable R H Griffiths
 The Venerable A N Jevons
 The Venerable C B W Smith
 The Venerable D M Wight
 The Venerable J S Williams
 Ms M Gerrard*
 Mr J E Jones*
 Ms F E Tanguy* *(From 10 March 2016)*
 Mr D A Williams*

Human Resources Committee

Mr J C Myers (Chair) *(To 6 June 2017)*
 The Right Reverend G K Cameron*
 The Venerable R H Griffiths
 The Reverend V Hodges* *(To 10 February 2016)*
 Mr R D Blair CBE *(To 10 February 2016)*
 Mr T J P Davenport
 Mr N Griffin *(From 10 March 2016)*
 Mrs B E Harding*
 Mrs M West

Cathedrals and Churches Commission

Mr TOS Lloyd OBE, DL, FSA (Chair)
 The Right Reverend J W Evans* *(To 4 October 2016)*
 The Very Reverend D J R Lean*
 Mr R S Dean* *(From 10 March 2016)*
 Mr J Orbach*
 Mr R J Silvester*
 Mr R Wall*

St Michael's College Committee *(To 30 June 2016)*

The Most Reverend Dr B C Morgan (Chair)
 The Right Reverend J D E Davies*
 The Right Reverend R E Pain*
 The Right Reverend T Willmott*
 The Reverend Dr S Wigley*
 Miss P R Brown
 Mr L T W Evans
 Mr P R Marshall OBE
 Professor C Williams*

St Padarn's Council *(From 1 July 2016)*

The Right Reverend R E Pain (Chair)*
 The Right Reverend A T G John*
 The Venerable T H A Mason*
 The Venerable D M Wight
 The Reverend Canon T J Hewitt*
 The Reverend Canon R O L Lowndes*
 The Reverend Dr M C James*
 The Reverend D J F J A McClean*
 Miss P R Brown
 Mr G Erlandson* *(From 16 February 2017)*
 Mrs V Hockey*
 Mr P R Marshall OBE
 Miss R May* *(To 16 February 2017)*
 Dr R Pope*

Advisers

Independent Auditors:

haysmacintyre
26 Red Lion Square
London
WC1R 4AG

Bankers:

Lloyds Bank Plc
1 Queen Street
Cardiff
CF10 2AF

Investment Property Advisers:

Cluttons LLP
Portman House
2 Portman Street
London
W1H 6DU

Investment Advisers:

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

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

Actuaries:

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

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

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE REPRESENTATIVE BODY OF THE CHURCH IN WALES

We have audited the financial statements of The Representative Body of the Church in Wales for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, 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 Auditors' 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.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 21, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2016 its 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

haysmacintyre
Statutory Auditor
6 June 2017

26 Red Lion Square
London
WC1R 4AG

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

Statement of Financial Activities

For the year ending 31 December 2016

	Note	Unrestricted Funds 2016 £000	Designated Funds 2016 £000	Restricted Funds 2016 £000	Total Funds 2016 £000	Total Funds 2015 £000
Income from:						
Donations and Legacies		-	-	5	5	45
Charitable Activities		-	1,125	-	1,125	968
Investments	2	17,919	353	10	18,282	17,787
Other		240	-	-	240	252
		18,159	1,478	15	19,652	19,052
Expenditure on:						
Raising Funds	3	2,277	-	-	2,277	2,052
Charitable Activities						
Support for Ministry	4	8,134	-	581	8,715	8,456
Support for Dioceses and Parishes	5	8,522	434	-	8,956	8,855
Other Church Property	6	496	1,253	-	1,749	1,401
Other Financial Support	7	525	8	-	533	481
Communication	8	231	-	-	231	228
		20,185	1,695	581	22,461	21,473
Net Expenditure before Investment Gains		(2,026)	(217)	(566)	(2,809)	(2,421)
Net Gains on Investments		64,604	912	-	65,516	5,136
Net Income / (Expenditure)		62,578	695	(566)	62,707	2,715
Transfers between funds		(100)	100	-	-	-
Other Recognised Gains / (Losses):						
Gains on revaluation of fixed assets		472	10,847	-	11,319	8,498
Allocation to Clergy Pension Provision		(20,239)	-	-	(20,239)	(1,412)
Transfer from Clergy Pension Provision		-	5,751	-	5,751	4,724
Actuarial (loss) / gain on Staff Pension Scheme		(4,817)	-	-	(4,817)	2,165
Net Movement in Funds		37,894	17,393	(566)	54,721	16,690
Reconciliation of Funds:						
Total Funds brought forward		366,654	249,802	1,670	618,126	601,436
Total Funds carried forward		404,548	267,195	1,104	672,847	618,126

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.

Balance Sheet

As at 31 December 2016

	Note	31 December 2016		31 December 2015	
		£000	£000	£000	£000
Fixed Assets					
Non-Investment Properties	12	263,654		251,295	
Tangible Assets	13	120		195	
			263,774		251,490
Investments					
Investment Properties	14	52,585		43,055	
Property Unit Trusts	15	19,865		20,887	
Stock Exchange Securities	16	507,897		450,307	
Funds held by Investment Managers		13,148		7,237	
Money Market Deposits and Loans	17	11,894		20,099	
			605,389		541,585
Current Assets					
Debtors	18	3,594		3,247	
Cash at Bank and in Hand		2,002		3,004	
		5,596		6,251	
Current Liabilities					
Creditors: amounts falling due within one year	19	(4,059)		(3,401)	
Net Current Assets			1,537		2,850
Total Assets Less Current Liabilities			870,700		795,925
Long Term Liabilities					
Clergy Pension Provision	21		(187,600)		(172,500)
Net Assets excluding Staff Pension Liability			683,100		623,425
Defined Benefit Staff Pension Liability	11		(10,253)		(5,299)
Net Assets including Staff Pension Liability			672,847		618,126
Capital and Reserves					
General Funds		414,801		371,953	
Pension Reserve		(10,253)		(5,299)	
			404,548		366,654
Designated Funds	22		267,195		249,802
Restricted Funds	23		1,104		1,670
Total Funds			672,847		618,126

The financial statements on pages 26 to 42 were approved by the Representative Body on 6 June 2017.

James Turner, Chair

Paul Marshall OBE, Deputy Chair

Cash Flow Statement

For the year ending 31 December 2016

	Note	31 December 2016 £000	31 December 2015 £000
Reconciliation of net income to net cash provided by operating activities:			
Net income		62,707	2,715
Adjustment for:			
Gains on revaluation of fixed assets		11,319	8,498
Allocations to clergy pension provision		(14,488)	3,312
(Loss) / gain on staff pension scheme		(4,817)	2,165
Depreciation of tangible assets	13	120	66
Income from investments	2	(18,282)	(17,787)
Expenditure on raising funds	3	2,277	2,052
(Gains) on investments		(65,516)	(5,136)
(Gains) on fixed assets	12	(13,793)	(9,681)
Add:			
Movement in debtors	18	(347)	384
Movement in creditors	19	658	96
Movement on clergy pension provision	21	15,100	(2,400)
Movement on staff pension liability	11	4,954	(1,823)
Net cash provided by operating activities		(20,108)	(17,539)
Statement of cash flows			
Cash flows from operating activities			
Net cash provided by operating activities		(20,108)	(17,539)
Cash flows from investing activities			
Income from investments	2	18,282	17,787
Expenditure on raising funds	3	(2,277)	(2,052)
Non-investment properties: additions	12	(3,811)	(2,554)
Non-investment properties: sale proceeds	12	5,245	6,262
Tangible assets: additions	13	(45)	(128)
Tangible assets: sale proceeds	13	(7,106)	-
Investment properties: sale proceeds	14	927	2,272
Property unit trusts: sale proceeds	15	-	4,464
Stock exchange securities: additions	16	(142,009)	(136,910)
Stock exchange securities: sale proceeds	16	147,441	133,217
Other sale proceeds		165	306
Movement in funds held by investment managers		(5,911)	3,601
Movement in money market deposits and loans	17	8,205	(6,517)
Net cash provided by investing activities		19,106	19,748
Change in cash and cash equivalents		(1,002)	2,209
Cash and cash equivalents at 1 January		3,004	795
Cash and cash equivalents at 31 December		2,002	3,004

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 39 Cathedral Road, Cardiff, CF11 9XF.

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 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. College fees, rental and hospitality income of St Michael's College are accrued to reflect the provision of the services to which the income relates.

(c) Expenditure

Expenditure is recognised when a liability is incurred. Costs of generating funds are those costs incurred in managing 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 2016.

Stock Exchange Securities

Stock exchange securities are stated at market values based on bid price at 31 December 2016. 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, 1,428 Churches and 1,219 Churchyards at 31 December 2016. 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 2016 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 2016. 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 2016.

Church Halls were originally valued using evidence using sales from this type of property. They are now adjusted by house price inflation on an annual basis.

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

Accounting Policies *Continued*

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.

(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.

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

(g) Heritage Assets

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

(h) Foreign Currency Conversion

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

(i) Designated and Restricted Funds

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

(j) Pensions of Clergy and Surviving Spouses and Civil Partners

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

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

(k) Staff Retirement Benefit Scheme

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

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

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

(l) Taxation Status

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

(m) Financial Instruments

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

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

(n) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the charity's accounting policies, which are described in this note, Trustees are required to make judgements, estimates, assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

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

2 Investment Income

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2016 £000				Funds 2015 £000			
Gross income from property	3,480	-	-	3,480	3,408	-	-	3,408
Income from stock exchange securities	14,385	353	10	14,748	13,983	316	10	14,309
Interest from money market deposits and loans	54	-	-	54	70	-	-	70
	17,919	353	10	18,282	17,461	316	10	17,787

3 Raising Funds

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2016 £000				Funds 2015 £000			
Stock Exchange Advisers	1,766	-	-	1,766	1,619	-	-	1,619
Investment Property Advisers	235	-	-	235	174	-	-	174
Property Unit Trusts	21	-	-	21	23	-	-	23
Sundry Property	155	-	-	155	80	-	-	80
Support Costs	100	-	-	100	156	-	-	156
	2,277	-	-	2,277	2,052	-	-	2,052

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 2016 £000				Funds 2015 £000			
Bishops	923	-	-	923	872	-	-	872
Clergy Pensions								
Clergy Pension Provision – allocation from income (note 21)	4,975	-	-	4,975	4,919	-	-	4,919
Ministry Training								
St Padarn's Institute	253	-	348	601	-	-	-	-
St Michael's College	-	-	233	233	-	-	304	304
Training of Ordinands	272	-	-	272	505	-	-	505
Lay Readers' Course	41	-	-	41	71	-	-	71
Continuing Ministerial Development	54	-	-	54	133	-	-	133
Clergy Property								
Diocesan Inspectors' costs	439	-	-	439	416	-	-	416
Episcopal Residences	64	-	-	64	83	-	-	83
Interest on Diocesan Parsonage Improvement Funds	8	-	-	8	12	-	-	12
Sundry Clergy Benefits	4	-	-	4	6	-	-	6
Support Costs	1,101	-	-	1,101	1,135	-	-	1,135
	8,134	-	581	8,715	8,152	-	304	8,456

5 Support for Dioceses and Parishes

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2016 £000				Funds 2015 £000			
Block Grant to Dioceses	6,293	-	-	6,293	6,293	-	-	6,293
Transformation Fund	1,000	62	-	1,062	1,000	47	-	1,047
Repairs and Extensions to Churches	-	167	-	167	-	89	-	89
Emergency Aid	-	205	-	205	-	238	-	238
Support Costs	1,229	-	-	1,229	1,188	-	-	1,188
	8,522	434	-	8,956	8,481	374	-	8,855

6 Other Church Property

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2016 £000				Funds 2015 £000			
Redundant Churches	-	292	-	292	-	148	-	148
Church Sales Regulations	-	961	-	961	-	761	-	761
Other Property Costs	32	-	-	32	36	-	-	36
Support Costs	464	-	-	464	456	-	-	456
	496	1,253	-	1,749	492	909	-	1,401

7 Other Financial Support

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2016 £000				Funds 2015 £000			
DACs and Cathedrals and Churches Commission	67	-	-	67	65	-	-	65
Grants to Anglican and Ecumenical Bodies	143	-	-	143	157	16	7	180
Provincial Court and Tribunals	60	-	-	60	20	-	-	20
St Michaels Centre*	41	8	-	49	-	-	-	-
Other support	45	-	-	45	45	-	-	45
Support Costs	169	-	-	169	171	-	-	171
	525	8	-	533	458	16	7	481

* In 2015 this formed part of St Michael's College.

8 Communication

	General	Designated	Restricted	Total	General	Designated	Restricted	Total
	Funds 2016 £000				Funds 2015 £000			
Church in Wales Publications	47	-	-	47	46	-	-	46
Support Costs	184	-	-	184	182	-	-	182
	231	-	-	231	228	-	-	228

9 Support Costs

	Investment Management Costs	Support for Ministry	Support for Dioceses and Parishes	Other Church property	Other Financial Support	Communications	Total 2016
Funds 2016 £000							
Secretariat	-	134	127	14	85	58	418
Human Resources and Office Services	12	487	376	57	21	23	976
Finance	72	158	152	80	53	2	517
Property	-	80	170	152	-	-	402
Legal	10	-	44	134	-	-	188
Information Technology	6	173	263	27	10	11	490
Bishops' Advisers	-	69	97	-	-	90	256
	100	1,101	1,229	464	169	184	3,247
	Investment Management Costs	Support for Ministry	Support for Dioceses and Parishes	Other Church property	Other Financial Support	Communications	Total 2015
Funds 2015 £000							
Secretariat	-	101	100	26	91	49	367
Human Resources and Office Services	22	520	458	66	24	26	1,116
Finance	109	151	137	69	47	2	515
Property	-	80	140	150	-	-	370
Legal	17	-	35	122	-	-	174
Information Technology	8	152	225	23	9	9	426
Bishops' Advisers	-	131	93	-	-	96	320
	156	1,135	1,188	456	171	182	3,288

The above figures include audit fees of £29,000 (2015: £37,000) in respect of the audit of the Representative Body, and £5,400 (2015: £4,800) in respect of the audit of the Staff Retirement Benefit Scheme.

The support costs also include £209,000 (2015: £185,000) of Safeguarding costs.

Basis of Allocation

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

10 Staff Numbers and Remuneration

	Total 2016 £000	Total 2015 £000
Staff Costs		
Salaries	3,055	3,121
National Insurance contributions	271	222
Current Service Pension costs	561	674
Unfunded Pension costs	11	12
	3,898	4,029

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

	Total 2016 Number	Total 2015 Number
£0 to £10,000	12 (12*)	10 (10*)
£10,001 to £20,000	17 (17*)	14 (9*)
£20,001 to £30,000	35 (3*)	35 (2*)
£30,001 to £40,000	10	15
£40,001 to £50,000	15	10
£50,001 to £60,000	2	3
£60,001 to £70,000	4	4
£70,001 to £80,000	1	-
£90,001 to £100,000	1	-
£100,001 to £110,000	-	1
	97	92

*Denotes part-time staff

The key management personnel consists of eight staff members. The total amount of their employee benefits was £676,705 (2015: £687,351).

Trustees

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

Twenty one (2015: twenty three) 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 £9,128 (2015: £7,986).

One Trustee received remuneration from the Representative Body in connection with his office. This was The Most Reverend Dr B C Morgan, Archbishop of Wales, who was an Ex Officio Member of the Representative Body. His total remuneration was £46,868 (2015: £46,040) and pension contributions of £15,326 (2015: £15,055) were made during the year. A car was provided for the performance of his duties for which the cash benefit was £4,705 (2015: £4,213). Under the terms of the Clergy Housing Loan Scheme he also received an advance of gratuity in 2015 of £67,500 which was repayable in full on the date of his retirement on 31 January 2017.

11 Staff Pensions

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

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 March 2015. The initial results of that valuation have been updated by an independent qualifying actuary to 31 December 2016 allowing for cashflows in and out of the Scheme and changes to the assumptions over the period.

	2016 £000	2015 £000
Amounts recognised in the Balance Sheet		
Fair value of assets	12,954	10,923
Present value of funded obligations	(23,207)	(16,222)
Deficit	(10,253)	(5,299)
Net defined benefit liability	(10,253)	(5,299)
Amounts recognised in the Statement of Financial Activities		
Current service cost	561	674
Administration cost	61	45
Interest on liabilities	653	634
Interest on assets	(443)	(388)
Total	832	965
Remeasurements over the year		
(Gain) / loss on Scheme assets in excess of interest	(1,308)	537
Experience losses on liabilities	-	539
Losses / (gains) from changes to assumptions	6,125	(3,241)
Total remeasurements	4,817	(2,165)
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	10,923	10,495
Interest on assets	443	388
Employer contributions	695	623
Contributions by Scheme participants	175	164
Benefits paid	(529)	(165)
Administration costs	(61)	(45)
Return on plan assets less interest	1,308	(537)
Fair value of assets at the end of the year	12,954	10,923

11 Staff Pensions <small>continued</small>	2016 £000	2015 £000
The change in the defined benefit obligation over the year was:		
Defined benefit obligation at the beginning of the year	16,222	17,617
Current service cost	561	674
Contributions by Scheme participants	175	164
Interest cost	653	634
Benefits paid	(529)	(165)
Experience loss on defined benefit obligation	-	539
Changes to assumptions	6,125	(3,241)
Defined benefit obligation at the end of the year	23,207	16,222

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 £1,751,000.

The assets do not include any investment in the Employer.

Actuarial Assumptions

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

	2016	2015
Discount Rate	2.8%	4.0%
Inflation assumption (RPI)	3.7%	3.4%
Limited Price Indexation pension Increases (RPI Max 5%)	3.5%	3.3%
Revaluation in deferment	3.7%	3.4%
Salary Increases	3.2%	2.9%
Proportion married at retirement or earlier death	80%	80%
Post retirement mortality assumption:		95% of the PCA00 tables and CMI 2014 projections with a long-term rate of improvement of 1.25% pa.

12 Non-Investment Properties	2016 £000	2015 £000
At 1 January	251,295	245,322
Additions	3,811	2,554
Disposals	(5,245)	(6,262)
Net increase on revaluation	13,793	9,681
At 31 December	263,654	251,295
Comprising:		
Parsonages, bishops' houses and sundry provincial property	162,934	154,128
Churches and church halls	84,146	80,679
Glebe	10,850	10,850
Administrative offices	1,497	1,448
St Michael's College site	4,227	4,190
	263,654	251,295

13 Tangible Assets

	Office Equipment £000	Motor Vehicles £000	Total £000
Cost			
At 1 January 2016	493	183	676
Additions	45	-	45
At 31 December 2016	538	183	721
Accumulated Depreciation			
At 1 January 2016	359	122	481
Charge for the Year	95	25	120
At 31 December 2016	454	147	601
Net Book Value			
31 December 2016	84	36	120
31 December 2015	134	61	195

14 Investment Properties

	2016 £000	2015 £000
At 1 January	43,055	41,300
Additions	7,106	-
Disposals	(1,833)	(447)
Net increase on revaluation	4,257	2,202
At 31 December	52,585	43,055

Investment properties were valued by Cushman & Wakefield at 31 December 2016 at £52,585,000 (2015: £43,055,000) in accordance with the RICS valuation – Professional Standards 2014 and FRS 102.

15 Property Unit Trusts

	2016 £000	2015 £000
At 1 January	20,887	22,257
Disposals	-	(4,230)
Net (decrease) / increase on revaluation	(1,022)	2,860
At 31 December	19,865	20,887

16 Stock Exchange Securities

	2016 £000	2015 £000
At 1 January	450,307	448,905
Additions	142,009	136,910
Disposals	(130,850)	(133,217)
Net increase / (decrease) on revaluation	46,431	(2,291)
At 31 December	507,897	450,307
Historical cost at 31 December	408,709	397,550
Unrealised investment gains at 31 December	99,187	52,756
Investment gains calculated on historic basis	16,591	16,609
Listed in UK	243,602	215,542
Listed overseas	264,295	234,765
	507,897	450,307

17 Money Market Deposits and Loans

	2016 £000	2015 £000
At 1 January	20,099	13,582
Transfers in	-	79
Advances	8,052	16,744
Repayments	(16,257)	(10,306)
At 31 December	11,894	20,099
Comprising:		
Money Market Deposits	3,444	12,014
Diocesan Loans	8,240	7,842
Clergy Car Loans	109	167
Curates House Loans	76	76
Churches' Mutual Credit Union	25	-
	11,894	20,099

18 Debtors

	2016 £000	2015 £000
Prepayments	76	77
Other debtors	1,911	1,071
Accrued income	1,556	1,799
Amounts due from stockbrokers	51	300
	3,594	3,247

19 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Taxation and National Insurance contributions	412	417
Rents received in advance	429	429
Amounts owed to special trusts	434	639
Other creditors	1,381	444
Accruals	1,403	1,472
	4,059	3,401

20 Diocesan Maintenance of Ministry Fund

	31 December 2016		31 December 2015	
	£000	£000	£000	£000
Income				
Diocesan Boards of Finance	11,188		10,892	
Other Income	7		7	
		11,195		10,899
Less: Payments				
Clergy Stipends	9,018		8,939	
Curates Stipends	938		791	
National Insurance Contributions	923		894	
Vacancy Fees	143		150	
Sundry expenses and other payments	173		125	
		11,195		10,899

21 Clergy Pension Provision

	31 December 2016		31 December 2015	
	£000	£000	£000	£000
Balance at 1 January		172,500		174,900
Current service contributions from dioceses	3,250		3,318	
Other current service contributions	124		195	
Transfer from General Funds:				
Allocation from income (note 4)	4,975		4,919	
Allocation of net investment gains	20,239		1,412	
		28,588		9,844
Less:				
Pension payments to retired clergy	(4,623)		(4,548)	
Pension payments to surviving spouses and civil partners	(1,560)		(1,529)	
Gratuity payments of retired clergy	(1,011)		(989)	
Transfer payments	(316)		(384)	
Death in service payments	(151)		-	
Administrative expenses	(76)		(70)	
		(7,737)		(7,520)
Transfer to Pension Equalisation Fund		(5,751)		(4,724)
Balance at 31 December		187,600		172,500

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 2013 undertaken by Quantum Advisory, the liability of the Representative Body for past service on the current funding basis was assessed at £158.9 million, which represented 31.1% of total funds at that date. Based upon this valuation, the annual transfer from General Funds has comprised 31.1% of total income (reflecting income on the liability for past service) and 32.7% of total stipends being the contribution for continuing service. A transfer is also made from General Funds comprising 31.1% of net investment gains and losses. Quantum Advisory has reassessed the pension liability as at 31 December 2016, using a discount rate of 2.8% at £187.6 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 2013 and the interim valuations at 31 December 2014 and 31 December 2015 are set out below, together with the assumptions used for the full actuarial valuation at 31 December 2016. 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 full actuarial valuation of the Scheme at 31 December 2016 has yet to be formally agreed by the Representative Body, and the revised contributions will be included in the 2017 accounts.

	31 December			
	2016	2015	2014	2013
Financial assumptions (nominal % pa)				
Discount rate	2.8%	3.7%	3.4%	4.4%
Rate of price inflation (RPI)	3.2%	3.1%	2.9%	3.4%
Rate of increase of stipends for clergy in service	3.4%	3.1%	3.4%	3.9%
Rate of increase of pensions in payment (stipend linked)	2.9%	3.1%	2.9%	3.4%
Rate of increase of pensions in payment (LPI 5%)	3.3%	3.0%	2.9%	3.3%
Deferred pensions increase rate	3.3%	3.0%	2.9%	3.3%
Post retirement mortality (life expectancy, in years)				
Current pensioners age 65 – males	22.0	22.5	22.4	22.3
Current pensioners age 65 – females	23.9	24.6	24.6	24.5
Future pensioners age 65 (currently age 45) – males	23.2	23.8	23.7	23.6
Future pensioners age 65 (currently age 45) – females	25.4	26.2	26.1	26.0

22 Designated Funds

	Balance 1 January 2016 £000	Income* £000	Expenditure* £000	Balance 31 December 2016 £000
Revaluation Reserve (Unrealised gains on parsonages, churches, church halls and sundry property)	204,406	8,062	-	212,468
Property Reserve (Property improvements and acquisitions of parsonages)	21,038	3,645	-	24,683
Church Repairs Capital Reserve (Capital fund for church repairs)	7,248	974	1	8,221
Church Sales Regulations (Funds available from the sale of churches towards the cost of providing or adapting another place of worship in the same parish)	6,199	1,024	961	6,262
Pension Equalisation Fund (Funds available to meet future clergy pension liabilities)	7,773	5,751	-	13,524
Diocesan Parsonage Improvement Fund (Funds available for improvements to parsonages and acquisitions of new parsonages)	2,291	4,840	5,761	1,370
Transformation Fund (Funds available for 2020 Vision related projects)	357	-	61	296
Repairs and Extensions to Churches (Funds available to parishes)	327	232	167	392
Redundant Churches (Funds available to contribute to costs arising in the maintenance and safety of redundant churches)	119	100	292	(73)
Emergency Aid (Funds available for costs arising due to emergencies)	34	208	205	37
Overseas Fund (Funds available at the discretion of the Bishops to assist in overseas aid)	9	14	9	14
St Michael's College (Funds available to provide financial assistance to overseas students)	1	-	-	1
	249,802	24,850	7,457	267,195

*includes gains and losses

23 Restricted Funds

	Balance 1 January 2016 £000	Income £000	Expenditure £000	Balance 31 December 2016 £000
St Michael's College (Funds available for the education and practice of theology)	1,274	-	581	693
Parsonage Houses (Funds available from the sale of parsonage houses to be used for acquisitions of new parsonages in the same parish)	392	10	-	402
Jubilee Fund (Funds available for overseas projects)	4	5	-	9
	1,670	15	581	1,104

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 2016 was £45,589,000 (2015: £39,642,000) and was invested in stock exchange securities and the Church in Wales Common Investment Fund. The income on these funds was £1,382,000 (2015: £1,354,000) 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 receive a Block Grant totalling £6,293,300 (2015: £6,293,300). In 2016 the six Diocesan Boards of Finance received an additional £1,000,000 in respect of the Transformation Fund to support projects linked to the 2020 vision programme. They also have outstanding loans totalling £2,850,000 (2015: £2,888,00) which have been advanced under the Clergy Retirement Housing Loan Scheme.

26 Charitable and Capital Commitments

At 31 December 2016 the Representative Body has committed to pay £6.3million to the dioceses in respect of the Block Grant in 2017 and 2018. In addition, £1million in 2017 has been committed to dioceses in respect of the Transformation Fund.

	31 December 2016 Market Value	
	£000	%
Fixed Interest		
British Government Bonds	21,646	4.3
UK Bonds	33,164	6.5
Overseas Bonds	4,258	0.8
Total Fixed Interest	59,068	11.6
Equities		
Consumer Goods & Services	96,817	19.1
Financials	104,914	20.6
Health Care	50,860	10.0
Industrials	22,438	4.4
Materials	13,633	2.7
Oil & Gas	28,091	5.5
Property & REITs	11,510	2.3
Technology	53,402	10.5
Telecommunications	23,293	4.6
Utilities	29,843	5.9
Total Equities	434,801	85.6
Alternative Assets	14,028	2.8
	507,897	100.0

Top Twenty Holdings as at 31 December 2016

	£000		£000
Royal Dutch Shell Plc	14,176	Microsoft Corporation	5,585
3.25% Treasury Stock 2044	8,818	Bluefield Solar Income Fund Ltd	5,473
Glaxosmithkline Plc	8,055	Roche Holdings AG	5,460
Vodafone Group Plc	8,023	Novartis AG	5,459
Prudential Corporation Plc	7,483	HSBC Holdings Plc	5,348
Unilever Plc	6,690	Applied Materials Inc	5,249
Source Physical Markets Gold Certs	6,588	Infineon Technologies AG	5,167
Alphabet Incorporated Class C	6,343	British Petroleum Plc	5,158
Associated British Foods Plc	6,133	Greencoat UK Wind Plc	5,120
Walt Disney Corporation	5,988	Apple Inc	5,051

Ten Year Review - General Funds

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income										
Stock Exchange Investments	12,619	12,363	11,678	11,288	12,139	11,991	10,615	11,346	14,794	13,201
Property Income	3,070	3,132	3,097	3,643	3,680	3,501	3,604	3,424	3,285	3,467
Other Income	307	323	293	356	420	357	395	462	951	1,163
Total Net Income	15,996	15,818	15,068	15,287	16,239	15,849	14,614	15,232	19,030	17,831
Expenditure										
Clergy Emoluments	928	883	844	840	816	877	820	881	1,580	2,198
Clergy and Surviving Spouses and Civil Partners pensions	4,975	4,919	4,686	4,800	5,099	4,976	3,829	3,991	4,986	4,957
Clergy Houses	543	527	511	594	517	482	560	496	453	389
Block Grant to Dioceses	6,293	6,293	6,793	6,610	6,430	6,257	6,089	5,926	5,870	5,699
Transformation Fund	1,000	1,000	500	-	-	-	-	-	-	-
	13,739	13,622	13,334	12,844	12,862	12,592	11,298	11,294	12,889	13,243
Provincial Services	2,854	2,626	2,456	2,458	2,424	2,388	2,324	2,242	2,169	1,972
Sundry Grants including Ministry Training	1,080	1,112	972	991	1,016	1,053	1,119	1,034	843	315
Bishops' Advisers	256	320	341	341	397	408	456	420	451	340
Publications	47	46	40	60	58	57	51	71	63	70
Total Expenditure	17,974	17,726	17,143	16,694	16,757	16,498	15,248	15,061	16,145	15,940
(Deficit) / Surplus	(1,978)	(1,908)	(2,075)	(1,407)	(518)	(649)	(634)	171	2,615	1,891
Reconciliation to the Statement of Financial Activities:										
Net income before investment gains/(losses)	(2,026)	(2,115)	(1,584)	(940)	(218)	(358)	(127)	702	3,089	2,124
Grants	-	-	-	-	-	(1)	(1)	(1)	(1)	(11)
Transformation Fund	-	-	(500)	-	-	-	-	-	-	-
Emergency Aid Fund	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	-	-
Redundant Churches	-	-	-	-	-	-	-	-	(293)	-
Capital Gifts and Legacies	11	(35)	(1)	(255)	(100)	(26)	(260)	(245)	(85)	(167)
FRS 102 Pension Scheme Adjustment	137	342	110	(112)	(100)	(164)	(146)	(185)	(95)	(55)
(Deficit) / Surplus as shown above	(1,978)	(1,908)	(2,075)	(1,407)	(518)	(649)	(634)	171	2,615	1,891