

THE REPRESENTATIVE BODY OF THE CHURCH IN WALES

Annual Report and Accounts 2015



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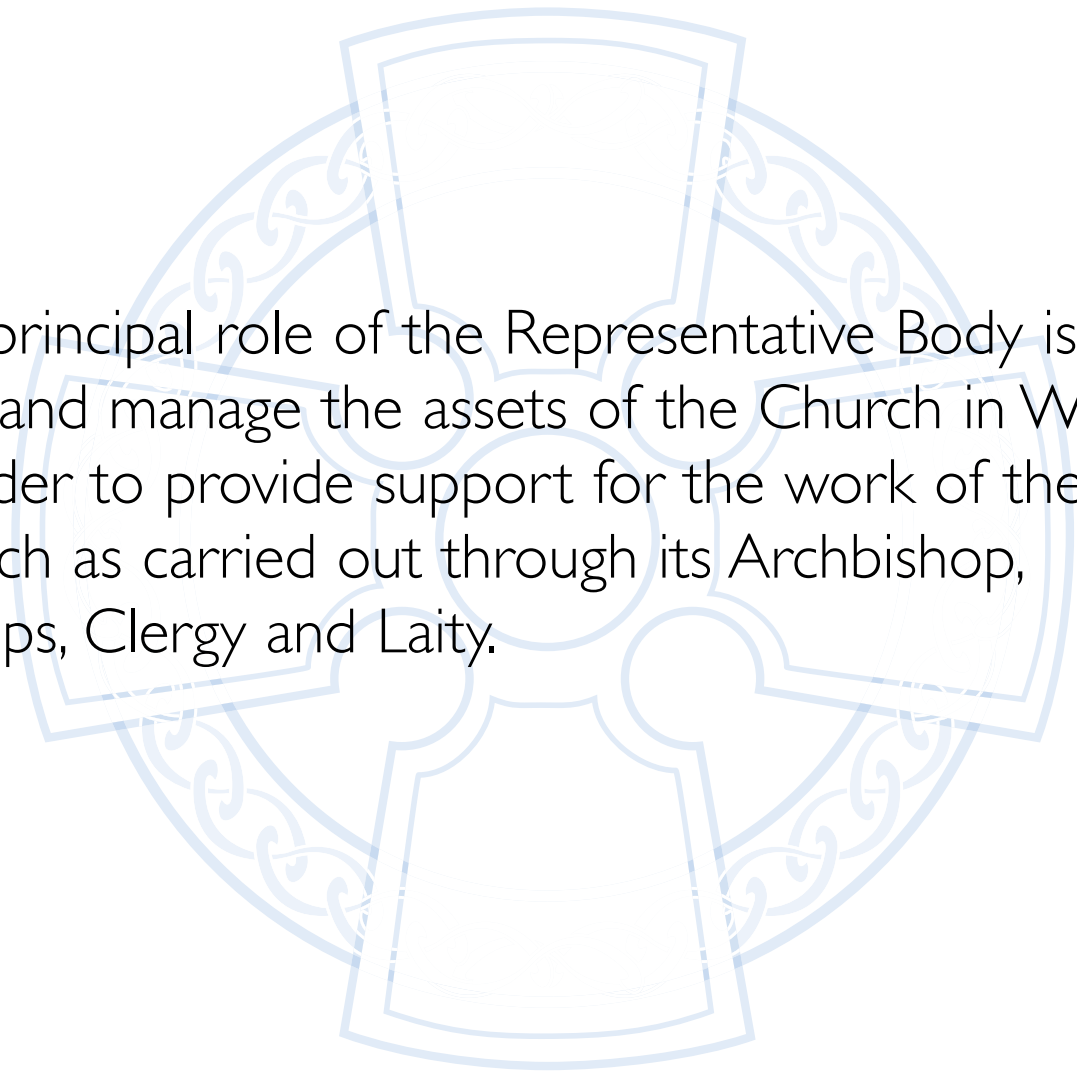
Charity Registration Number 1142813

Front cover photographs (clockwise): Britain and Ireland Primates Meeting, St Michael's College, Ordination service, St Davids Cathedral, St Catherine's, Pontypridd, General Election Hustings, Ely, Cardiff, St Margaret's, Mountain Ash.

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our *role*

The principal role of the Representative Body is to hold and manage the assets of the Church in Wales in order to provide support for the work of the Church as carried out through its Archbishop, Bishops, Clergy and Laity.



highlights of 2015

In 2015 the Representative Body made significant investment in some key long-term projects.

2020 Vision Transformation Fund

As reported last year, the Representative Body has set aside £3.5 million to support exciting work being undertaken by dioceses and the province as part of the *2020 Vision* process. The Transformation Fund has been made available for three years, with the first £1 million tranche of diocesan funding distributed equally among dioceses in 2015. Reports on the use of the Fund will be made annually and shared with the wider Church, although it is already clear that dioceses are making use of this funding in a wide variety of ways. The only condition placed upon this funding is that it be used on new work linked to the broader *2020 Vision*, and dioceses are being encouraged to match-fund projects.

Investment Performance

2015 proved to be a more turbulent year for investment markets than 2013 and 2014, and that instability is reflected in our investment performance for the year. Uncertainty caused by new concerns about the ongoing Eurozone sovereign debt crisis and fears of an economic slowdown in China, combined with falling oil prices, made for a difficult investment climate. The Representative Body's own investment portfolio produced a total return of 5.1%, compared with the benchmark of 4.3%. Performance was particularly strong in property (a return of 17.0%, compared to the benchmark 14.0%). Full details may be found in the Financial Review on page 13.

Ethical Investment

The Representative Body takes seriously its duty to invest carefully on behalf of the Church in Wales so that funds may be created to support the work of the Church on one hand, without compromising the Church's reputation on ethical matters on the other. Following work in 2014 to introduce new prohibitions on investment in firms involved in payday lending, the Representative Body asked its Ethical Investment Group for new advice on the implications of the Church's "green agenda" for future investment policy. As a result of that work a revised Ethical Investment Policy statement as set out on page 16 was adopted by the Governing Body in April 2016.

Review of Ministerial Training

The Representative Body and provincial staff worked closely with the Bench of Bishops and dioceses to help implement the Bishops' vision for a new model for education for discipleship and training for ministry in the Church in Wales. The St Padarn's Institute is due to begin its work on 1 July 2016, but this timetable has required significant preparatory work, not least by current staff at St Michael's College and the St Seiriol's Centre but also by finance, legal and human resources staff. The new model will also require significant financial investment by the Representative Body and the dioceses.



chair's introduction



In looking after the assets of the Church, the Representative Body is keenly aware of its responsibility both to support the life of the Church today and to ensure that the longer term obligations of tomorrow, such as pensions, can be met.

An aspect of this long-term focus is the understanding that sometimes the impact of an investment (for example, in a new piece of work) may not be predictable or immediately evident. This is not only the case for the Representative Body. In all parts of the Church in Wales seeds are being sown every day which may not bear fruit tomorrow or the day after, but in many weeks, months or years ahead. The Parable of the Sower prepares us for the possibility that some seeds will fall on stony ground or, after initial growth, wither and die. But the Gospel imperative is clear: we have a duty to invest in long-term projects with faith.

In our current work we are seeing a number of important examples of this approach.

First, the Representative Body is confident that the funding it has made available for 2020 Vision-related projects via the Transformation Fund will help the province, dioceses and parishes to make the changes that are required in the short-term to equip the Church in Wales for more effective missionary and community focus in the longer term.

Secondly, a significant investment is being made in the St Padarn's Institute to help ensure that the Bishops' vision for the Church's ministry can be delivered. A new model of training, intended to equip all members (lay and ordained) for the key roles we will play in the future mission of the Church as disciples and ministers, has the potential to transform our Church for generations to come.

Thirdly, there is ongoing investment in provincial services to ensure that professional support can be provided to the wider Church in key areas. The funding this year, alongside dioceses, of a new safeguarding structure for the Church in Wales was considered by the Representative Body to be an essential upgrade in an area of particular sensitivity and importance. We have a Christian and legal

duty to ensure that we are a Safe Church, and the employment of new case workers and support officers, the overhauling of the Church's policies and procedures and the provision of training across Wales are key steps towards this objective. In addition, this more recent work builds upon foundations laid by the independent review of historic cases and the Provincial Safeguarding Committee, and taken together will help ensure that we are better prepared to participate fully in the forthcoming Independent Inquiry into Child Sexual Abuse.

We are extremely fortunate in the Church in Wales that, through the generosity and wise stewardship of previous generations, there are significant funds available for the use of the Church. These provide us with a God-given opportunity to invest with faith in ambitious strategic projects to further God's mission and ministry in Wales. Our duty in the Representative Body is to continue to ensure that such investment is made prudently and fairly for the benefit of the whole Church. But as we approach 2020 we live in exciting times for the Church in Wales.

Finally, I would like to express my gratitude to all the Provincial staff. This has been another very busy year when in addition to their normal duties considerable work has been undertaken on the St Padarn's Institute and 2020 Vision. I would, however, like to pay special tribute to John Shirley, who retired as Provincial Secretary in May 2016. John's dedication and skill in managing both the provincial administration and the work of the Church's most significant decision-making bodies over 21 years is perhaps another example of a long-term investment that has borne fruit in different ways at different times. Certainly, the Church in Wales as a whole has benefitted enormously from his work. As Chair of the Representative Body, I have good reason to be grateful for his wise counsel and personal support. We thank him for all he has done and wish him and Stella well in retirement.

James Turner

Chair of the Representative Body

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 St Michael's College, including the management of the College's buildings and staff, and (with the Bench of Bishops) the educational provision of the College.**
- **To provide an efficient and professional administrative service across a wide range of administrative functions including:**
 - payment of clerics 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.

2015 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.
- **Safeguarding** – To reform the Ethical Investment Group and monitor the Ethical Investment Policy.
- **Ministerial Training Review** – To help review the provision for ministry training in Wales.

2016 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 support the work of the Church's new training institution, which commences on 1 July 2016.
- **Safeguarding** – To continue to strengthen the Church's capacity to address safeguarding issues and to assist in the Lowell Goddard 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.

how we *performed*

Instability in world financial markets in 2015 made for a challenging investment climate. However, the Representative Body continued to meet its commitments to diocesan funding, clergy benefits and training for ministry.

Overall Financial Position

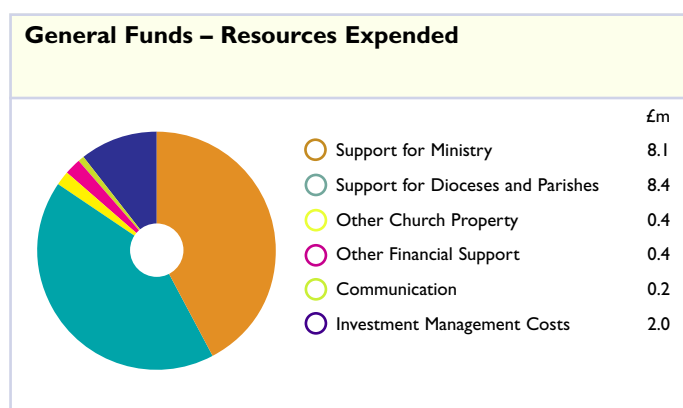
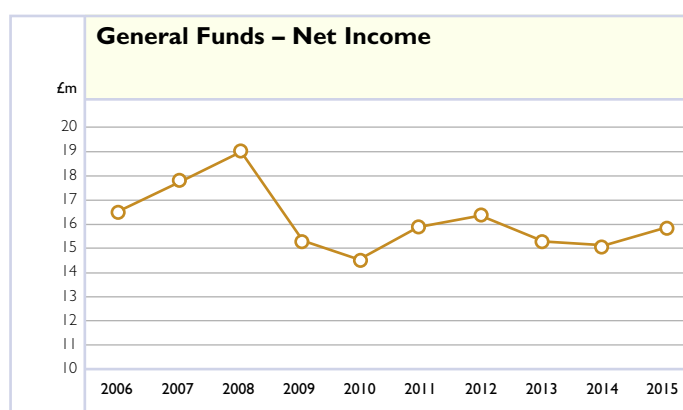
The results for the year are shown in the Statement of Financial Activities on page 32.

Overall the net expenditure deficit of £2.4 million was compensated by the net gains on investments of £5.1 million, resulting in net income of £2.7 million. After taking into account other recognised gains and losses, the net increase in funds for the year was £17 million, taking the total funds of the Representative Body at 31 December 2015 to £618 million.

Although investment gains are not as high as in previous years, there was an overall increase in the Representative Body's total net assets which increased from £601 million to £618 million.

General Funds

General Fund income increased by £628k as a result of increased stock market dividends. Expenditure also increased by £1.356 million – although the additional Block Grant funding ceased in 2015, a further £1 million was made available through the Transformation Fund.



Transitional adjustments to the Annual Report and Accounts

During the year ended 31 December 2015 as noted within the accounting policies on page 35, the Representative Body has adopted as required, the Statement of Recommended Practice for Charities (SORP 2015) which takes into account a number of changes contained within Financial Reporting Statement 102 (FRS 102). This has resulted in changes in the following areas, and have been summarised on page 49 of the financial statements:

Format of the Statement of Financial Activities

The format of the Statement of Financial Activities has changed slightly with amended headings, the removal of the 'governance costs' line, and investment gains and losses split between investments and fixed assets.

Staff Retirement Benefit Scheme

The method of valuation under FRS 102 differs slightly to FRS 17 which had previously been used, and as a result some of the comparatives for 2014 have been restated.

Valuation of the Listed Churches

Since bringing the listed churches onto the balance sheet in 2013, they had been valued using an assessment of the sales values achieved for such properties over a period of time. Taking advantage of FRS 102, which allows for the valuation method to be updated, listed churches are now revalued annually by adjusting for the annual house price inflation. This has resulted in a reduction in the brought forward value of the listed churches at 1 January 2015 by £5.3 million, which requires the 2014 figures to be restated.

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 2015 the total Block Grant was £6.3 million.

The Block Grant for 2016 is set at £6.3 million, and the Representative Body has agreed to maintain it at this level for 2017 and 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 £3.5 million as a Transformation Fund to be used to support projects linked to *2020 Vision*. £500,000 will be made available to each diocese over the years 2015, 2016 and 2017, with another £500,000 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 will also be 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 2016 clergy stipend levels (incorporating an increase of 1.8% on 2015 levels) are:

	2016 Stipend Level £p.a.	% of Incumbent's Stipend
Assistant Curate, Cathedral Chaplain	19,919	85
Incumbent and Vicar in Rectorial Benefice*	23,434	100
Incumbent of Rectorial Benefice*	24,606	105
Residentiary Canon	26,949	115
Archdeacon	35,854	153
Dean	36,323	155
Assistant Bishop	39,838	170
Diocesan Bishop	43,353	185
Archbishop	46,868	200

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

Clergy Pension Scheme

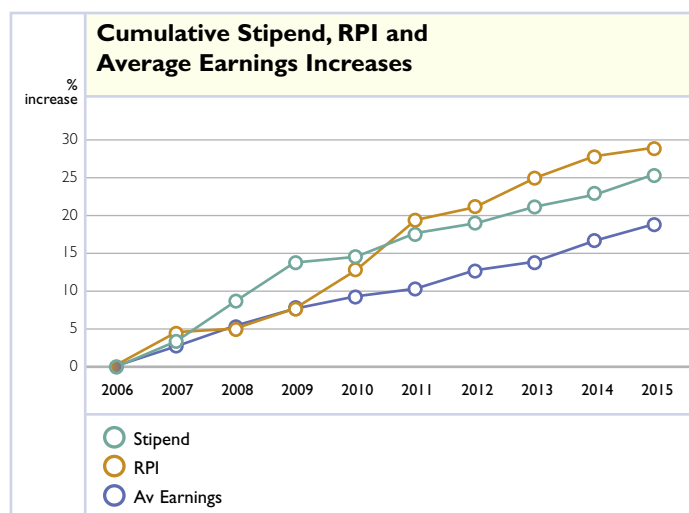
The Clergy Pension Scheme is a non-contributory final salary scheme funded by the Representative Body and the dioceses and is a significant benefit for the clergy.

An incumbent with 40 years' uninterrupted service, retiring in 2016 will receive a lump sum of up to £35,150 and an annual pension of £14,060. On the death of a cleric, a qualifying surviving spouse or civil partner receives 60% of the cleric's pension, which in 2016 is £8,436 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 46. 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 on next page.



Clergy Pension Scheme Membership

	Actives	Deferred	Pensioners	Total
Membership at 1 January 2015	449	245	799	1,493
New entrants	28	–	–	28
Deferreds rejoined	5	(5)	–	–
Leavers with deferred benefits	(12)	12	–	–
Leavers with no liability	(1)	–	–	(1)
Retirements	(25)	(13)	38	–
Deaths	–	–	(34)	(34)
New surviving spouses or civil partners	–	–	16	16
Membership at 31 December 2015	444	239	819	1,502

The Clergy Pension Scheme is reviewed every three years and the results of the previous triennial reviews are shown below. The next actuarial valuation is due on 31 December 2016.

Clergy Pension 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 £147,841 (as at 1 January 2016), 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 2015 the numbers and amounts of loans outstanding were:

	Number	Amount
Interest Bearing Equity Loans	48	£4,644,391
Interest Bearing Loans*	3	£45,000
Advance of lump sum	5	£148,793

* 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 2015 the numbers and amounts of loans outstanding were:

	Number	Amount
Interest Bearing Loans	30	£413,952
Equity Loans	85	£2,474,031

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 2015, there were 68 existing loans outstanding totalling £167,000.

Management of Property

Church Insurance

Churches are insured jointly under a group scheme to take advantage of bulk purchasing but also to ensure consistent levels of cover. The policy is openly tendered on a five yearly basis and assessed for best value in terms of premium and other support. Ecclesiastical Insurance Group were awarded the contract in 2015 following receipt of four other tender proposals.

Sales and Purchases

The Representative Body holds the title for most of the Church in Wales' property assets. A core part of the support service offered by the Representative Body is in dealing with sales and purchases of property. In 2015 this involved 55 sales and 11 purchases. The process involves the appropriate instruction of agents, coordinating advice on marketing, ensuring statutory requirements are met and assessing proposals for best value to comply with charity law obligations.

Lettings

An increasing proportion of the property assets of the Church in Wales are let out. These lettings are predominantly residential and around 200 properties are currently let. Letting ensures flexibility for future decision making and provides a useful source of income. The Representative Body coordinates the appointment of agents, the provision of letting agreements, deposit protection and statutory compliance.

Advice, Guidance and Policy

The Property Services department provides parishes and others with a wide variety of advice and guidance on all aspects of property. Guidance and useful information is made available via the website and training courses are provided as required. The Representative Body agrees key policies to guide decision making and ensure consistency.

St Michael's College

The Representative Body is responsible for overseeing the management of the College buildings and staff, and assessing and agreeing the College's budget and financial projections. This means issues relating to numbers of ordinands and the ability of the College to generate income through fees and other sources are part of the Representative Body's agenda.

The Representative Body is working with the Bench of Bishops and others to support the review of ministry training and in implementing its outcome.

The work of the College is covered in its Annual Report which is available on the College website (www.stmichaels.ac.uk).

Administration and Other Services provided from the Provincial Office

During 2015 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 2015 was £39.6 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 2015 amounting to £10.9 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 College, 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;

- 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 2015 (with 2014 in brackets) is as follows:

	Full time	Part time
Representative Body, Governing Body & Archbishop's Registry	39 (39)	6 (4)
Publications	1 (1)	0 (0)
Bishops' Secretaries	5 (5)	2 (2)
Diocesan Inspectors	6 (6)	0 (0)
Bishops' Advisers	4 (4)	3 (3)
Sub Total	55 (55)	11 (9)
St Michael's College	16 (14)	10 (11)
Total	71 (69)	21 (20)

Salary levels were increased from 1 January 2016 by 1.8%, the same increase as that agreed for clergy.

The work of the Provincial Office and St Michael's College 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*

Investment performance remained ahead of the industry benchmark overall, but results were significantly better with the property portfolio outperforming other areas.

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 16.

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.

The asset allocation ranges and the allocation at 31 December 2015 are shown in the table below.

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

Benchmark

Performance of the Representative Body's total investment fund, including stock exchange investments, property and cash is measured relative to the WM All Charity Fund Index.

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

Overall Fund Performance

During 2015 the total value of the Representative Body's investments increased by 1% to £542 million as shown on the Balance Sheet on page 33.

The small increase in the value of the overall fund is mainly due to the volatility of returns from the stock exchange portfolio during the year, which accounts for over 80% of the overall fund.

The year started off with strong asset returns in the first quarter of 2015, but was followed by two consecutive quarters of weak returns. Financial markets fell in the second quarter of 2015 due to the uncertainty surrounding the Greek crises. In the third quarter of 2015 equity markets took a further tumble due to weaknesses in the Chinese economy, the devaluation of the Chinese currency and falling oil prices. There was a rebound in asset returns in the final quarter of 2015, which brought asset values closer to where they were at the beginning of the year.

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 £172.5 million on 31 December 2015.

Total Returns on Asset Classes

	1 year %	3 years % pa	5 years % pa	10 years % pa
UK Equities	0.0 (2.8)	7.7 (8.9)	6.1 (7.2)	6.5 (6.1)
UK Bonds	0.4 (1.4)	3.6 (3.1)	6.4 (5.2)	3.5 (5.2)
Overseas Equities	6.2 (5.2)	13.7 (12.0)	7.9 (7.7)	6.3 (7.0)
Cash/Alternatives	2.8 (3.5)	5.2 (4.7)	4.1 (4.2)	3.9 (4.7)
Property	17.0 (14.0)	17.3 (14.0)	13.2 (10.1)	7.1 (5.0)
Total Fund	5.1 (4.3)	11.0 (9.2)	7.9 (7.0)	6.3 (6.1)

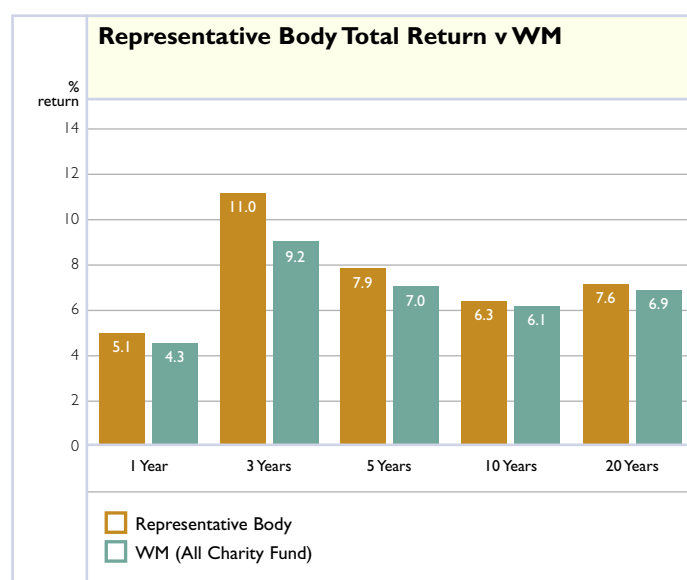
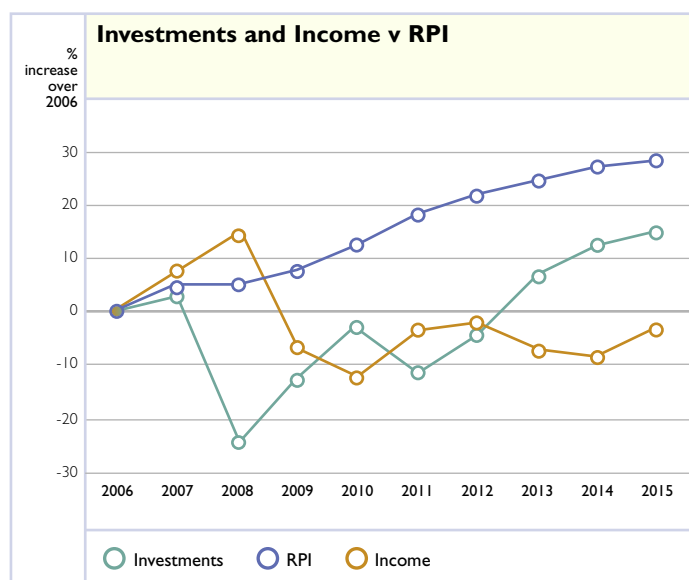
(WM figures in brackets)

Total Return

The total return (both income and capital growth) from the Representative Body's fund during 2015 was 5.1% outperforming the WM benchmark return of 4.3%.

Over 3, 5, 10 and 20 years the annualised total returns also outperformed the benchmark.

After three consecutive strong years of asset returns, performance in 2015 faltered. Domestic and global political uncertainty made 2015 extremely challenging for the UK institutional investor. Funds that held a relatively high proportion of their investments in developed overseas markets, private equity and property will have performed best during 2015.



Asset Allocation Ranges

Asset class	UK Equities	Overseas Equities	Fixed Interest	Alternatives	Cash
Range	15-40%	20-70%	5-25%	0-10%	0-25%
Allocation at 31 December 2015	31%	49%	13%	5%	2%

The fund's investment in overseas equities and property outperformed the benchmark in 2015, whilst UK equities, UK bonds and cash / alternatives all underperformed. Across the asset classes, investments in developed overseas equity, private equity and property performed best during 2015. Japan was the strongest overseas market as investors were encouraged by signs of improving economic growth. UK equities had the weakest returns out of all the developed equity markets. The performance of UK equity markets was marked by falling oil prices. The performance of all bond types was flat during the year with returns ranging between -2% and +2%.

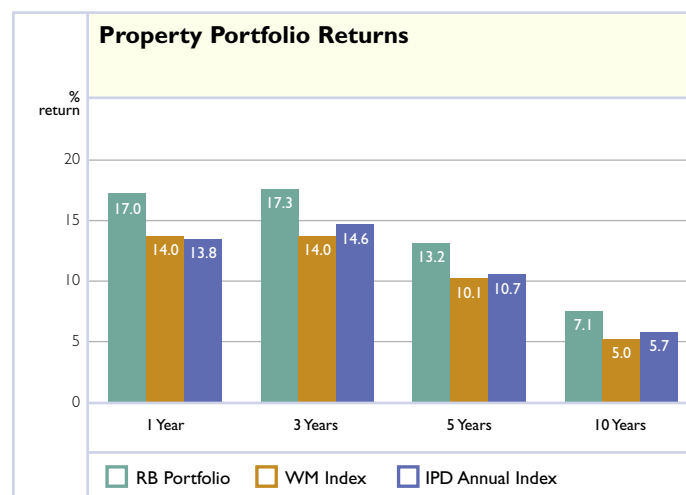
Stock Exchange Investments

The asset allocation ranges and the allocation as at 31 December 2015 are shown in the table above.

Investment Property

The commercial property portfolio outperformed both the WM benchmark and IPD Annual Index over all periods shown in the table below.

The strong performance of the investment property portfolio was driven by direct investment in industrial warehouse property, where the best performing property provided a total return of 27%. The Representative Body's indirect investments in student accommodation property also provided strong returns during 2015 of 23.9%.



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 four areas where the residual assessment has been graded as 'high'. These areas and the associated mitigation strategies are:

1. Poor total investment returns consistently below the benchmark

- Investment performance and strategy is regularly reviewed;
- Annual meetings have taken place with WM Company, who report on the Representative Body's performance against the benchmark;
- A total return approach to expenditure has been developed which sets spending at a level intended to provide vital funding for the Church in the short term whilst preserving the investment base.

2. 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 RB main fund;
- The investment portfolio is reviewed quarterly by the Investment Committee.

3. Significant reduction in the stock exchange investments and/or caused by a major event

- Diversification of investments so that income is not concentrated on a small number of investments.

4. 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 2015 the total funds of the Representative Body amounted to £618.1 million (2014: £601.4 million).

Restricted Funds

At 31 December 2015 Restricted Funds held by the Representative Body amounted to £1.7 million (2014: £2 million), and are not available for the general purposes of the Representative Body.

Details of the Restricted Funds are set out on page 48, and includes £1.3 million of funds which have been ring-fenced 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 2015 Designated Funds amounted to £250 million (2014: £244 million). Details of the Designated Funds are set out on page 47. The most significant fund is the Revaluation Reserve, with a balance of £204 million, 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 2015 totalled £367 million (2014: £356 million).

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.

the *future*

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 (2015-18) 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

Redevelopment of Cathedral Road site

The Representative Body decided in 2015 to pursue the redevelopment of the Cathedral Road site to provide new modern offices as well as conversion of remaining buildings as apartments for letting. Working up the concept into a detailed proposal for planning and tendering is key work in 2016.

Online Faculty System

A commitment has been made to developing an online faculty system linked to an online database of information relating to churches across the Province. This will enable faculties to be submitted and tracked online supported by useful and accurate background information. This should help the faculty process to be more efficient and useable going forward.

Landlord Registration

The new requirements, as a result of the Housing (Wales) Act 2014, for landlord licensing and registration will be completed during 2016 but the complex nature of management of church property with involvements at a Provincial, Diocesan and Parochial level mean an extensive requirement for training and information.

Redundant Churches

The increasing rate of church closures as parishes respond to changing needs and demands places a significant burden on the Representative Body as the responsibility for redundant churches rests with it. Over the next year, resources will be allocated to ensuring regular and comprehensive site monitoring and risk management.

Ensuring clergy are provided with appropriate and high quality housing is a key priority and increasing efforts are being made to improve energy performance to ensure houses are comfortable and affordable whilst meeting climate change objectives. All houses now have an Energy Performance Certificate which is helping to focus and drive improvements.

Affordable Housing

The Representative Body has identified an objective to help in the provision of affordable housing to help those in need in society. A number of schemes have been developed with Housing Associations and it is hoped this process will continue and expand. Such schemes can be very positive for people in need within communities and show the Church is active in addressing societal issues.

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.

Government and wider sector liaison

Ensuring Government support is especially important for our church buildings and the Representative Body will be working hard with the Government and other agencies, in particular through the new Places of Worship Forum to ensure the sectors needs are identified and supported.

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 (also referred to as the "Lowell Goddard Inquiry"). The investigation of cases arising from the work of the Church of England and the Church in Wales will be in the first tranche of the Inquiry's work, 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, is due to begin 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, is due to report in 2016. It may be that the Review's recommendation will hold implications for funding and/or 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 if and when it has been endorsed by the Bench and (as required) 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 next actuarial valuation is due to take place at 31 December 2016.

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.

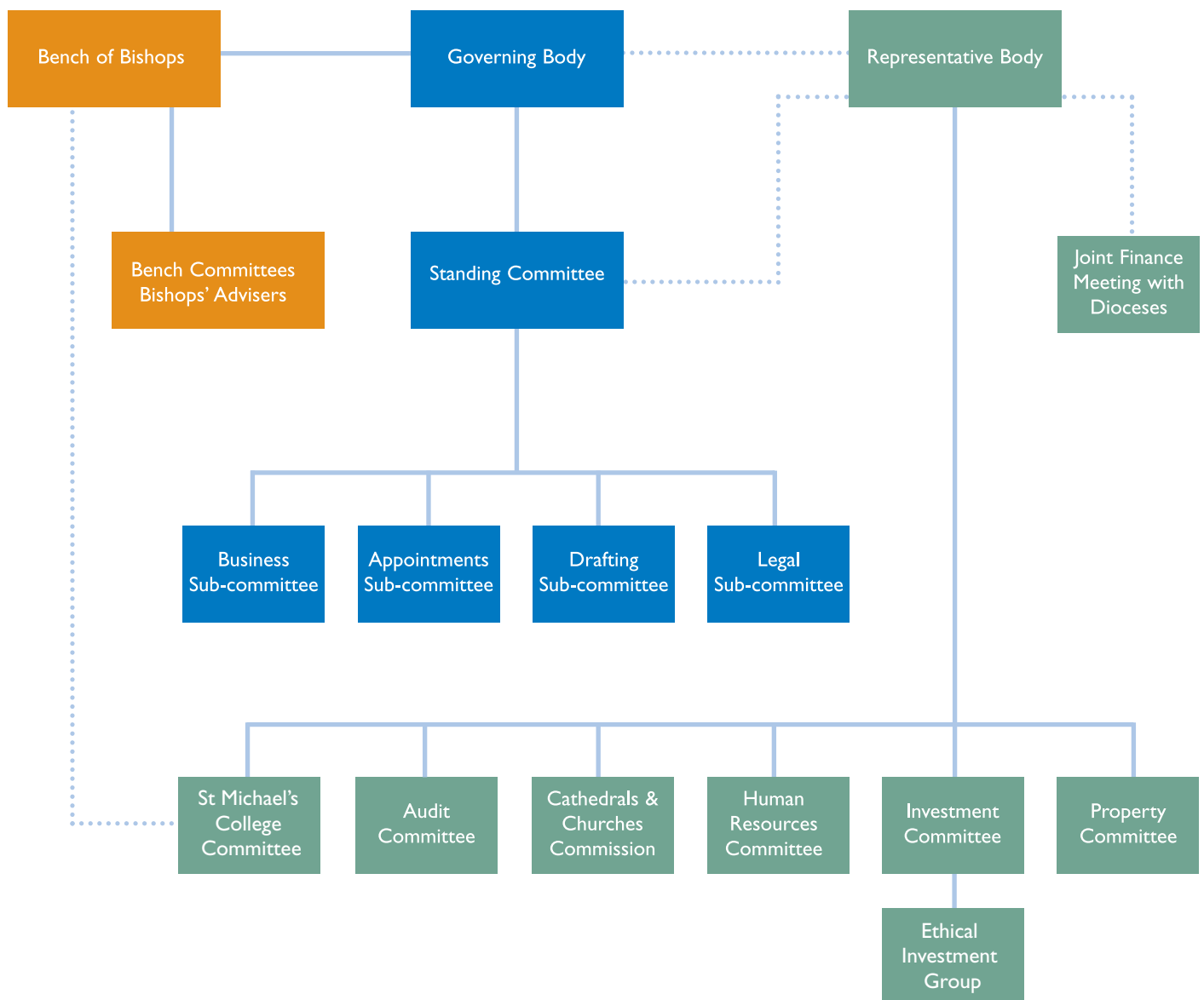
Climate Change

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



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 23.

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 or has held an ecclesiastical office in the Church in Wales or a licence from a Welsh Diocesan Bishop;
- 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) has been a contributor to Church in Wales funds within 12 months of nomination for membership;
 and does not belong to a religious body which itself is not in communion with the Church in Wales.

The Governing Body has been reviewing these criteria in conjunction with the Representative Body and some changes will be introduced in 2016 as the Representative Body has now obtained the necessary Supplemental Charter from the Privy Council.

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 Michael's College 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 and internal 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 Michael's College Committee

St Michael's College Committee is responsible for overseeing the educational provision of the College to meet criteria set by the Bench of Bishops and other sponsoring bodies. This includes ensuring that the College operates within the agreed quality standards for inspection and validation as agreed with any university with which the College has a partnership agreement. The Committee is also responsible for developing and overseeing strategies for the promotion and marketing of the College and its facilities.

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
7 June 2016

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

His Honour Philip Price QC
Chair, Standing Committee

Mr J C Myers
Chair, St Asaph Diocesan Board of Finance

Mrs J M Evans
Chair, Bangor Diocesan Board of Finance
(From 24 November 2015)

Mr N Griffin
Chair, St Davids Diocesan Board of Finance
(From 2 December 2015)

Mr P Campbell
Chair, St Davids Diocesan Board of Finance
(To 10 December 2015)

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

Mr R D Blair CBE
Chair, Monmouth Diocesan Board of Finance
(To 20 July 2015)

Mr P E Lea
Chair, Monmouth Diocesan Board of Finance
(From 20 July 2015)

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

(From 12 March 2015 to 11 March 2016)

The Reverend I J Girling *

(To 5 February 2015)

Mr R Anning *

(From 19 November 2015)

Mr J Fox *

Mr L James

Mr P B Kelly * (To 20 May 2015)

Mr D G Myrddin-Evans

Mrs L O'Halloran *

(To 12 March 2015)

Mr R Page *

(From 12 March 2015)

Mr R D Thomas *

Mr J J Turner

Audit Committee

Mr G I Moses (Chair)

Mrs J Heard

Mr D W Jenkins *

Mr V Jones *

(From 19 November 2015)

Mr C O'Shea * (To 12 March 2015)

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 *

St Michael's College Committee

The Most Reverend Dr B C Morgan (Chair) Archbishop of Wales

The Right Reverend J D E Davies *

Bishop of Swansea & Brecon

The Right Reverend R E Pain *

Bishop of Monmouth

The Right Reverend T Willmott *

Bishop of Dover

The Reverend I J Girling *

(To 10 March 2015)

The Reverend Dr S Wigley *

Miss P R Brown

Mr L T W Evans

(From 12 March 2015)

Mr P R Marshall OBE

Professor C Williams *

Human Resources Committee

Mr J C Myers (Chair)

The Right Reverend G K Cameron *

Bishop of St Asaph

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

(From 12 March 2015)

Cathedrals and Churches Commission

Mr T O S Lloyd OBE, DL, FSA (Chair)

The Right Reverend J W Evans *

Bishop of St Davids

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 *

Dr G L Worsley *

(To 12 March 2015)

Advisers

Independent Auditors:

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

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
Summers 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 to the Trustees of the Representative Body of the Church in Wales

Report on the financial statements

Our Opinion

In our opinion, the Representative Body of the Church in Wales' financial statements (the "financial statements"):

- give a true and fair view of the state of the charity's affairs as at 31 December 2015 and of its incoming resources and application of resources and cash flows, 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 section 144 of the Charities Act 2011 and Regulation 8 of the Charities (Accounts and Reports) Regulations 2008).

What we have audited

The financial statements, included within the Annual Report and Accounts 2015 (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the statement of financial activities for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under the Charities Act 2011 we are required 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. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 24 of the Charities (Accounts and Reports) Regulations) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the trustees; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Cardiff, UK

7 June 2016

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

- (a) The maintenance and integrity of the Representative Body of the Church in Wales' website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Financial Activities

For the Year Ended 31 December 2015

		Unrestricted Funds 2015 £000	Designated Funds 2015 £000	Restricted Funds 2015 £000	Total Funds 2015 £000	Restated Total Funds 2014 £000
Note						
Income and Endowments from:						
	Donations and Legacies	35	—	10	45	12
	Charitable Activities	—	968	—	968	1,630
2	Investments	17,461	316	10	17,787	17,157
	Other	252	—	—	252	254
	Total	17,748	1,284	20	19,052	19,053
Expenditure on:						
3	Raising Funds	2,052	—	—	2,052	2,128
	Charitable Activities					
4	Support for Ministry	8,152	—	304	8,456	7,823
5	Support for Dioceses and Parishes	8,481	374	—	8,855	8,229
6	Other Church Property	492	909	—	1,401	1,353
7	Other Financial Support	458	16	7	481	458
8	Communication	228	—	—	228	260
	Total	19,863	1,299	311	21,473	20,251
	Net Expenditure before Investment Gains	(2,115)	(15)	(291)	(2,421)	(1,198)
	Net Gains on Investments	5,239	(103)	—	5,136	25,295
	Net Income / (Expenditure)	3,124	(118)	(291)	2,715	24,097
Transfers Between Funds						
	Emergency Aid Fund	(100)	100	—	—	—
	Undesignation of Funds	8,002	(8,002)	—	—	—
Other Recognised Gains / (Losses)						
	Gains / (losses) on revaluation of fixed assets	(699)	9,197	—	8,498	4,351
	Less: Allocation to Clergy Pension Provision	(1,412)	—	—	(1,412)	(9,513)
	Add: Transfer from / (to) Clergy Pension Provision	—	4,724	—	4,724	(5,423)
	Actuarial gain / (loss) on Staff Pension Scheme	2,165	—	—	2,165	(2,908)
	Net Movement in Funds	11,080	5,901	(291)	16,690	10,604
Reconciliation of Funds						
	Total Funds brought forward as previously stated	355,574	249,213	1,961	606,748	590,832
27	FRS 102 Prior Year Adjustment	—	(5,312)	—	(5,312)	—
	Total Funds brought forward as restated	355,574	243,901	1,961	601,436	590,832
	Total Funds carried forward	366,654	249,802	1,670	618,126	601,436

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

All activities are continuing.

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

The balances for the year ended 31 December 2014 have been restated to account for the transitional changes arising from SORP 2015.

Balance Sheet

As at 31 December 2015

	Note	31 December 2015 £000	31 December 2015 £000	Restated 31 December 2014 £000	Restated 31 December 2014 £000
Fixed Assets					
Non-Investment Properties	12	251,295		245,322	
Tangible Assets	13	195		133	
			251,490		245,455
Investments					
Investment Properties	14	43,055		41,300	
Property Unit Trusts	15	20,887		22,257	
Stock Exchange Securities	16	450,307		448,905	
Funds held by Investment Managers		7,237		10,838	
Money Market Deposits and Loans	17	20,099		13,582	
			541,585		536,882
Current Assets					
Debtors	18	3,247		3,631	
Cash at Bank and in Hand		3,004		795	
		6,251		4,426	
Current Liabilities					
Creditors: amounts falling due within one year	19	(3,401)		(3,305)	
Net Current Assets			2,850		1,121
Total Assets Less Current Liabilities			795,925		783,458
Long Term Liabilities					
Clergy Pension Provision	21		(172,500)		(174,900)
Net Assets excluding Staff Pension Liability			623,425		608,558
Defined Benefit Staff Pension Liability	11		(5,299)		(7,122)
Net Assets including Staff Pension Liability			618,126		601,436
Capital and Reserves					
General Funds		371,953		362,696	
Pension Reserve		(5,299)		(7,122)	
			366,654		355,574
Designated Funds	22		249,802		243,901
Restricted Funds	23		1,670		1,961
Total Funds			618,126		601,436

The financial statements on pages 32 to 49 were approved by the Representative Body on 7 June 2016.

Mr James Turner, Chair

Mr Paul Marshall OBE, Deputy Chair

Cash Flow Statement

For the Year Ended 31 December 2015

	Note	31 December 2015 £000	Restated 31 December 2014 £000
Reconciliation of net income to net cash provided by operating activities			
Net income		2,715	24,097
Adjustments for:			
Gains on revaluation of fixed assets		8,498	4,351
Allocations to clergy pension provision		3,312	(14,936)
Gain / (loss) on staff pension scheme		2,165	(2,908)
Depreciation of tangible assets	13	66	44
Income from investments	2	(17,787)	(17,157)
Expenditure on raising funds	3	2,052	2,128
(Gains) on investments		(5,136)	(29,154)
(Gains) on fixed assets		(9,681)	(4,063)
Add:			
Movement in debtors	18	384	985
Movement in creditors	19	96	(668)
Movement on clergy pension provision	21	(2,400)	16,000
Movement on staff pension liability	11	(1,823)	3,018
Net cash provided by operating activities		(17,539)	(18,263)
Statement of cash flows			
Cash flows from operating activities			
Net cash provided by operating activities		(17,539)	(18,263)
Cash flows from investing activities			
Income from investments	2	17,787	17,157
Expenditure on raising funds	3	(2,052)	(2,128)
Non-investment properties: additions	12	(2,554)	(4,062)
Non-investment properties: sale proceeds	12	6,262	4,953
Tangible assets: additions	13	(128)	(45)
Tangible assets: sale proceeds	13	—	11
Investment properties: sale proceeds	14	2,272	2,867
Property unit trusts: sale proceeds	15	4,464	1,499
Stock exchange securities: additions	16	(136,910)	(131,987)
Stock exchange securities: sale proceeds	16	133,217	129,164
Other sale proceeds		306	(9)
Movement in funds held by investment managers		3,601	2,017
Movement in money market deposits and loans	17	(6,517)	(1,617)
Net cash provided by investing activities		19,748	17,820
Change in cash and cash equivalents		2,209	(443)
Cash and cash equivalents at 1 January		795	1,238
Cash and cash equivalents at 31 December		3,004	795

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 as it applies from 1 January 2015.

Charity constitutes a public benefit entity as defined by FRS 102.

The date of transition is 1 January 2014. As a result, the prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year.

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). Following the transition to FRS 102, all accounting policies have been aligned with those standards. Where these have resulted in a material change to the amounts, classification or presentation within the financial statements a restatement of the comparatives has been made (note 27).

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) Incoming Resources

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) Resources Expended

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 middle market prices at 31 December 2015.

Stock Exchange Securities

Stock exchange securities are stated at market values based on middle market prices at 31 December 2015. 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, 1,438 Churches and 1,224 Churchyards at 31 December 2015. 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 2015 and basis of the valuation is set out below:

Parsonages, Bishops' Houses and Sundry Provincial Property

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 2015. 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 2015.

I Accounting Policies continued

(e) Non-Investment Properties continued

Church Halls

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.

Administrative Offices and St Michael's College

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

Churches

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

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 33⅓ % 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.

2 Investments

Gross income from property
Income from stock exchange securities
Interest from money market deposits and loans

	General Funds 2015 £000	Designated Funds 2015 £000	Restricted Funds 2015 £000	Total Funds 2015 £000	General Funds 2014 £000	Designated Funds 2014 £000	Restricted Funds 2014 £000	Total Funds 2014 £000
	3,408	—	—	3,408	3,513	—	—	3,513
	13,983	316	10	14,309	13,281	315	9	13,605
	70	—	—	70	39	—	—	39
	17,461	316	10	17,787	16,833	315	9	17,157

3 Raising Funds

	General Funds 2015 £000	Designated Funds 2015 £000	Restricted Funds 2015 £000	Total Funds 2015 £000	Restated General Funds 2014 £000	Designated Funds 2014 £000	Restricted Funds 2014 £000	Restated Total Funds 2014 £000
Stock Exchange Advisers	1,619	—	—	1,619	1,603	—	—	1,603
Investment Property Advisers	174	—	—	174	195	—	—	195
Property Unit Trusts	23	—	—	23	26	—	—	26
Sundry Property	80	—	—	80	195	—	—	195
Support Costs	156	—	—	156	109	—	—	109
	2,052	—	—	2,052	2,128	—	—	2,128

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

4 Support for Ministry

	General Funds 2015 £000	Designated Funds 2015 £000	Restricted Funds 2015 £000	Total Funds 2015 £000	Restated General Funds 2014 £000	Designated Funds 2014 £000	Restricted Funds 2014 £000	Restated Total Funds 2014 £000
Bishops	872	—	—	872	839	—	—	839
Clergy Pensions								
Clergy Pension Provision – past service contributions (note 21)	4,919	—	—	4,919	4,686	—	—	4,686
Ministry Training								
St Michael's College (note 26)	—	—	304	304	—	—	206	206
Training of Ordinands	505	—	—	505	441	—	—	441
Lay Readers' Course	71	—	—	71	80	—	—	80
Continuing Ministerial Development	133	—	—	133	91	—	—	91
Clergy Property								
Diocesan Inspectors' costs	416	—	—	416	411	—	—	411
Episcopal Residences	83	—	—	83	77	—	—	77
Interest on Diocesan Parsonage Improvement Funds	12	—	—	12	8	—	—	8
Sundry Clergy Benefits	6	—	—	6	5	—	—	5
Support Costs	1,135	—	—	1,135	979	—	—	979
	8,152	—	304	8,456	7,617	—	206	7,823

Bishops

Clergy Pensions

Clergy Pension Provision – past service contributions (note 21)

Ministry Training

St Michael's College (note 26)

Training of Ordinands

Lay Readers' Course

Continuing Ministerial Development

Clergy Property

Diocesan Inspectors' costs

Episcopal Residences

Interest on Diocesan Parsonage Improvement Funds

Sundry Clergy Benefits

Support Costs

Block Grant to Dioceses
Transformation Fund
Repairs and Extensions to Churches
Emergency Aid
Support Costs

	General Funds 2015 £000	Designated Funds 2015 £000	Restricted Funds 2015 £000	Total Funds 2015 £000	Restated General Funds 2014 £000	Designated Funds 2014 £000	Restricted Funds 2014 £000	Restated Total Funds 2014 £000
	6,293	–	–	6,293	6,793	–	–	6,793
	1,000	47	–	1,047	–	96	–	96
	–	89	–	89	–	110	–	110
	–	238	–	238	–	215	–	215
	1,188	–	–	1,188	1,015	–	–	1,015
	8,481	374	–	8,855	7,808	421	–	8,229

6 Other Church Property

Redundant Churches
Church Sales Regulations
Other Property Costs
Support Costs

	General Funds 2015 £000	Designated Funds 2015 £000	Restricted Funds 2015 £000	Total Funds 2015 £000	Restated General Funds 2014 £000	Designated Funds 2014 £000	Restricted Funds 2014 £000	Restated Total Funds 2014 £000
	–	148	–	148	–	160	–	160
	–	761	–	761	–	758	–	758
	36	–	–	36	15	–	–	15
	456	–	–	456	420	–	–	420
	492	909	–	1,401	435	918	–	1,353

7 Other Financial Support

DACs and Cathedrals and Churches Commission
Grants to Anglican and Ecumenical Bodies
Provincial Court and Tribunals
Other support
Support Costs

	General Funds 2015 £000	Designated Funds 2015 £000	Restricted Funds 2015 £000	Total Funds 2015 £000	Restated General Funds 2014 £000	Designated Funds 2014 £000	Restricted Funds 2014 £000	Restated Total Funds 2014 £000
	65	—	—	65	68	—	—	68
	157	16	7	180	162	22	12	196
	20	—	—	20	—	—	—	—
	45	—	—	45	30	—	—	30
	171	—	—	171	164	—	—	164
	458	16	7	481	424	22	12	458

8 Communication

Church in Wales Publications
Support Costs

	General Funds 2015 £000	Designated Funds 2015 £000	Restricted Funds 2015 £000	Total Funds 2015 £000	Restated General Funds 2014 £000	Designated Funds 2014 £000	Restricted Funds 2014 £000	Restated Total Funds 2014 £000
	46	—	—	46	40	—	—	40
	182	—	—	182	220	—	—	220
	228	—	—	228	260	—	—	260

9 Support Costs

	Investment Management Costs £000	Support for Ministry £000	Support for Dioceses & Parishes £000	Other Church Property £000	Other Financial Support £000	Communications £000	Total 2015 £000	Restated Investment Management Costs £000	Restated Support for Ministry £000	Restated Support for Dioceses & Parishes £000	Restated Other Church Property £000	Restated Other Financial Support £000	Restated Communications £000	Restated Total 2014 £000
Secretariat	–	101	100	26	91	49	367	–	96	96	24	89	47	352
Human Resources and Office Services	22	520	458	66	24	26	1,116	13	378	334	51	20	27	823
Finance	109	151	137	69	47	2	515	86	153	137	68	46	2	492
Property	–	80	140	150	–	–	370	–	76	141	138	–	–	355
Legal	17	–	35	122	–	–	174	4	13	48	115	–	–	180
Information Technology	8	152	225	23	9	9	426	6	138	174	24	9	13	364
Bishops' Advisers	–	131	93	–	–	96	320	–	125	85	–	–	131	341
	156	1,135	1,188	456	171	182	3,288	109	979	1,015	420	164	220	2,907

Under SORP 2015 Governance costs are no longer disclosed separately and therefore the 2014 comparatives have been restated. The above figures include audit fees of £37,000 (2014: £36,500) in respect of the audit of the Representative Body, and £4,800 (2014: £4,774) in respect of the Staff Retirement Benefit Scheme. The support costs also include £185,000 (2014: £132,000) 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

	Representative Body 2015 £000	St Michael's College 2015 £000	Total 2015 £000	Restated Total 2014 £000
Staff Costs				
Salaries	2,515	606	3,121	2,663
Social Security costs	180	42	222	206
Current Service Pension costs	605	69	674	465
Unfunded Pension costs	12	—	12	13
	3,312	717	4,029	3,347

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

	Representative Body 2015 Number	St Michael's College 2015 Number	Total 2015 Number	Total 2014 Number
£0 to £10,000	3 (3*)	7 (7*)	10 (10*)	14 (14*)
£10,001 to £20,000	8 (7*)	6 (2*)	14 (9*)	18 (7*)
£20,001 to £30,000	27 (1*)	8 (1*)	35 (2*)	31 (3*)
£30,001 to £40,000	11	4	15	11
£40,001 to £50,000	9	1	10	9
£50,001 to £60,000	3	—	3	4
£60,001 to £70,000	4	—	4	3
£90,001 to £100,000	—	—	—	1
£100,001 to £110,000	1	—	1	—
	66	26	92	91

* Denotes part-time staff

The key management personnel consists of eight staff members. The total amount of their employee benefits was £687,351 (2014: £651,371).

Five (2014: Four) employees earning over £60,000 a year were members of the Staff Retirement Benefit Scheme, and a total of £59,897 (2014: £46,233) of current service employer contributions were made during the year in respect of these employees.

Trustees

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

Twenty three (2014: twenty) Trustees had expenses paid or were reimbursed for expenses in the year. This covered their expenses incurred in performing their duties as Trustees. The payments were for travel, subsistence and accommodation costs and totalled £7,986 (2014: £8,123).

One Trustee has received remuneration from the Representative Body in connection with his office. This was The Most Reverend Dr B C Morgan, Archbishop of Wales, who is an Ex Officio Member of the Representative Body. His total remuneration was £46,040 (2014: £44,918) and pension contributions of £15,055 (2014: £14,688) were made during the year. A car is provided for the performance of his duties for which the cash benefit is £4,213 (2014: £3,794). Under the terms of the Clergy Housing Loan Scheme he also received an advance of gratuity during the year of £67,500 which will be repayable in full at the date of his retirement.

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 is was carried out as at 31 March 2015. The initial results of that valuation were updated by an independent qualifying actuary to 31 December 2015 allowing for cashflows in and out of the Scheme and changes to the assumptions over the period.

	2015 £000	2014 £000
Amounts recognised in the Balance Sheet		
Fair value of assets	10,923	10,495
Present value of funded obligations	(16,222)	(17,617)
Deficit	(5,299)	(7,122)
Net defined benefit liability	(5,299)	(7,122)

Amounts recognised in the Statement of Financial Activities

Current service cost	674	465
Administration cost	45	41
Interest on liabilities	634	633
Interest on assets	(388)	(446)
Total	965	693

Remeasurements over the year

Loss / (gain) on scheme assets in excess of interest	537	(112)
Experience losses / (gains) on liabilities	539	(11)
(Gains) / losses from changes to assumptions	(3,241)	3,031
Total remeasurements	(2,165)	2,908

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	10,495	9,464
Interest on assets	388	446
Employer contributions	623	583
Contributions by Scheme participants	164	149
Benefits paid	(165)	(218)
Administration costs	(45)	(41)
Return on plan assets less interest	(537)	112
Fair value of assets at the end of the year	10,923	10,495

11 Staff Pensions continued

	2015 £000	2014 £000
The change in the defined benefit obligation over the year was:		
Defined benefit obligation at the beginning of the year	17,617	13,568
Current service cost	674	465
Contributions by Scheme participants	164	149
Interest cost	634	633
Benefits paid	(165)	(218)
Experience loss / (gain) on defined benefit obligation	539	(11)
Changes to assumptions	(3,241)	3,031
Defined benefit obligation at the end of the year	16,222	17,617

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 £149,000.

The assets do not include any investment in the Employer.

Actuarial Assumptions

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

	2015	2014
Discount Rate	4.0%	3.6%
Inflation assumption (RPI)	3.4%	3.3%
Limited Price Indexation pension Increases (RPI Max 5%)	3.3%	3.2%
Revaluation in deferment	3.4%	3.3%
Salary Increases	2.9%	3.3%
Proportion married at retirement or earlier death	80%	90%
Post retirement mortality assumption	95% of the PCA00 tables and CMI 2014 projections with a long-term rate of improvement of 1.25% pa	95% of the PCA00 tables with the long cohort projection subject to a minimum annual rate of improvement of 1.5% pa for males based on each member's year of birth.

12 Non-Investment Properties

	2015 £000	2014 £000
At 1 January as previously reported	250,634	242,150
FRS 102 Prior Year Adjustment	—	(5,312)
At 1 January as restated	245,322	236,838
Transfer	—	(288)
Additions	2,554	4,062
Disposals	(6,262)	(4,953)
Net increase on revaluation	9,681	9,663
At 31 December	251,295	245,322
Comprising:		
Parsonages, bishops' houses and sundry provincial property	154,128	150,505
Churches and church halls	80,679	77,338
Glebe	10,850	11,941
Administrative offices	1,448	1,355
St Michael's College	4,190	4,183
	251,295	245,322

13 Tangible Assets

	Office Equipment £000	Motor Vehicles £000	Total £000
Cost			
At 1 January 2015	365	183	548
Additions	128	–	128
At 31 December 2015	493	183	676
Accumulated Depreciation			
At 1 January 2015	318	97	415
Charge for the Year	41	25	66
At 31 December 2015	359	122	481
Net Book Value			
31 December 2015	134	61	195
31 December 2014	47	86	133

14 Investment Properties

	2015 £000	2014 £000
At 1 January	41,300	39,545
Disposals	(447)	(2,867)
Net increase on revaluation	2,202	4,622
At 31 December	43,055	41,300

Investment properties were valued by Cushman & Wakefield at 31 December 2015 at £43,055,000 (2014: £41,300,000) in accordance with the RICS valuation – Professional Standards 2014 and FRS 102.

15 Property Unit Trusts

	2015 £000	2014 £000
At 1 January	22,257	19,957
Disposals	(4,230)	(1,499)
Net increase on revaluation	2,860	3,799
At 31 December	20,887	22,257

16 Stock Exchange Securities

	2015 £000	2014 £000
At 1 January	448,905	425,345
Additions	136,910	131,987
Disposals	(133,217)	(129,164)
Net (decrease) / increase on revaluation	(2,291)	20,737
At 31 December	450,307	448,905
Historical cost at 31 December	397,550	377,252
Unrealised investment gains at 31 December	52,756	71,653
Investment gains calculated on historic basis	16,609	15,921
Listed in UK	215,542	211,414
Listed overseas	234,765	237,491
	450,307	448,905

17 Money Market Deposits and Loans

	2015 £000	2014 £000
At 1 January	13,582	11,965
Transfers in	79	—
Advances	16,744	25,652
Repayments	(10,306)	(24,035)
At 31 December	20,099	13,582
Comprising:		
Money Market Deposits	12,014	5,542
Diocesan Loans	7,842	7,868
Clergy Car Loan Scheme	167	172
Curates House Loans	76	—
	20,099	13,582

18 Debtors

	2015 £000	2014 £000
Prepayments	77	165
Other debtors	1,071	1,688
Accrued income	1,799	1,556
Amounts due from stockbrokers	300	222
	3,247	3,631

19 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Other taxation and social security	417	408
Rents received in advance	429	544
Amounts owed to special trusts	639	609
Other creditors	444	495
Accruals	1,472	1,249
	3,401	3,305

20 Diocesan Maintenance of Ministry Fund

	31 December 2015 £000	31 December 2014 £000
Income		
Diocesan Boards of Finance	10,892	11,434
Other Income	7	7
	10,899	11,441
Less: Payments		
Clergy Stipends	8,939	9,458
Curates Stipends	791	755
National Insurance Contributions	894	938
Services in vacant incumbencies	150	136
Sundry expenses and other payments	125	154
	10,899	11,441

21 Clergy Pension Provision

	31 December 2015 £000	31 December 2014 £000
Balance at 1 January	174,900	158,900
Current service contributions from dioceses	3,318	3,328
Other current service contributions	195	226
Transfer from General Funds:		
Allocation from income (note 4)	4,919	4,686
Allocation of net investment gains	1,412	9,513
	9,844	17,753
Less:		
Pension payments to retired clergy	(4,548)	(4,325)
Pension payments to surviving spouses and civil partners	(1,529)	(1,516)
Gratuity payments of retired clergy	(989)	(1,248)
Transfer payments	(384)	6
Administrative expenses	(70)	(93)
	(7,520)	(7,176)
Transfer (to) / from Pension Equalisation Fund	(4,724)	5,423
Balance at 31 December	172,500	174,900

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 31.4% 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 2015, using a discount rate of 3.7% at £172.5 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. 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.

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

22 Designated Funds

	Restated Balance 1 January 2015 £000	Movement in Resources		Balance 31 December 2015 £000
		Incoming £000	Outgoing £000	
Revaluation Reserve (Unrealised gains on parsonages, churches, church halls and sundry property)	199,901	4,505	—	204,406
Property Reserve	18,617	2,421	—	21,038
Church Repairs Capital Reserve (Capital fund for church repairs)	7,120	231	103	7,248
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)	6,093	867	761	6,199
Pension Equalisation Fund	3,049	4,724	—	7,773
Diocesan Parsonage Improvement Fund (Funds available for improvements to parsonages and acquisitions of new parsonages)	249	7,398	5,356	2,291
Transformation Fund (Funds available for 2020 Vision related projects)	404	—	47	357
Repairs and Extensions to Churches (Funds available to parishes)	217	199	89	327
Redundant Churches (Funds available to contribute to costs arising in the maintenance and safety of redundant churches)	165	102	148	119
Emergency Aid (Funds available for costs arising due to emergencies)	69	203	238	34
Overseas Fund (Funds available at the discretion of the Bishops to assist in overseas aid)	12	13	16	9
St Michael's College (Funds available to provide financial assistance to overseas students)	1	—	—	1
Clergy Retirement Housing Reserve (Capital fund for clergy housing loans)	5,772	—	5,772	—
Provincial Houses for Curates Reserve (Capital fund for provincial curates houses)	1,863	—	1,863	—
Other Purposes (Funds for specific non-recurring purposes)	145	—	145	—
Publications (Funds for publications)	135	—	135	—
Grants for Curates Houses (Funds available to provide grants to parishes to assist in the acquisition of curates houses)	89	—	89	—
	243,901	20,663	14,762	249,802

23 Restricted Funds

	Balance 1 January 2015 £000	Movement in Incoming £000	Resources Outgoing £000	Balance 31 December 2015 £000
St Michael's College (Funds available for the education and practice of theology)	1,578	—	304	1,274
Parsonage Houses (Funds available from the sale of parsonage houses to be used for acquisitions of new parsonages in the same parish)	382	10	—	392
Jubilee Fund (Funds available for overseas projects)	1	10	7	4
	<u>1,961</u>	<u>20</u>	<u>311</u>	<u>1,670</u>

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 2015 was £39,642,000 (2014: £40,683,000) and was invested in stock exchange securities and the Church in Wales Common Investment Fund. The income on these funds was £1,354,000 (2014: £1,319,000) and was wholly distributed to beneficiaries.

Custodian Trustee

The Representative Body is the custodian trustee of 11 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 8 of this report.
- The six Diocesan Boards of Finance receive a Block Grant totalling £6,293,300 (2014: £6,793,300). In 2015 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 £2,888,000 (2014: £2,967,00) which have been advanced under the Clergy Retirement Housing Loan Scheme.

26 St Michael's College

	31 December 2015 £000	£000	31 December 2014 £000	£000
Income:				
College Fees	563		597	
Conference and Accommodation	160		157	
Other income	68		63	
		<u>791</u>		<u>817</u>
Less: Payments				
Staff Salaries and Pension Costs	682		629	
Academic Training Costs	159		142	
Building Costs	132		153	
Office Costs	122		99	
		<u>(1,095)</u>		<u>(1,023)</u>
Deficit for the year (note 4)		<u>(304)</u>		<u>(206)</u>

The deficit is charged to the St Michael's College Restricted Fund (note 23).

Analysis of Net Assets Between Funds

Fixed Assets	4,191	4,183
Current Assets	62	94
Current Liabilities	<u>(2,979)</u>	<u>(2,699)</u>
	<u>1,274</u>	<u>1,578</u>

27 FRS 102 Prior Year Adjustment

	General Funds 2014 £000	Designated Funds 2014 £000	Restricted Funds 2014 £000	Total Funds 2014 £000
At 31 December 2014	355,574	249,213	1,961	606,748
Value of Churches at 31 December 2014	–	(5,312)	–	(5,312)
Restated at 31 December 2014	355,574	243,901	1,961	601,436

The valuation of churches at 1 January 2014 has been taken as the deemed cost with future revaluations adjusted by house price inflation. There has been no change to the valuation of the churches at 1 January 2014.

Also as a result of FRS 102, the net income before investment gains was previously (£1,033k) and is restated to (£1,198k) due to the staff pension scheme.

28 Charitable and Capital Commitments

At 31 December 2015 the Representative Body has committed to pay £6,300,000 to the dioceses in respect of the Block Grant in 2017 and 2018. In addition, £1,000,000 in both 2016 and 2017 has been committed to dioceses in respect of the Transformation Fund.

29 Stock Exchange Securities

	31 December 2015 Market Value	
	£000	%
Fixed Interest		
British Government Bonds	14,765	3.3
UK Bonds	36,346	8.0
Overseas Bonds	5,770	1.3
Total Fixed Interest	56,881	12.6
Equities		
Consumer Goods & Services	91,762	20.4
Financials	99,050	22.0
Health Care	46,878	10.4
Industrials	16,270	3.6
Materials	19,370	4.3
Oil & Gas	17,387	3.9
Property & REITs	11,087	2.5
Technology	40,999	9.1
Telecommunications	16,423	3.6
Utilities	24,031	5.3
Total Equities	383,257	85.1
Alternative Assets	10,169	2.3
GRAND TOTAL	450,307	100

Top Twenty Holdings as at 31 December 2015

	£000		£000
Vodafone Group Plc	8,128	Citigroup Inc	5,191
Glaxosmithkline Plc	7,224	Royal Dutch Shell Plc	5,173
3.25% Treasury Stock 2044	7,033	Astrazeneca Plc	4,679
Prudential Corporation Plc	6,693	Unilever Plc	4,551
Roche Holdings AG	6,145	National Grid Plc	4,494
British Petroleum Plc	5,872	Greencoat UK Wind Plc	4,377
Novartis AG	5,707	Microsoft Corporation	4,181
International Public Partnership Ltd	5,296	Associated British Foods Plc	4,181
Bluefield Solar Income Fund Ltd	5,256	Walgreen Boots Alliance	4,108
SSE Plc	5,234	Alphabet Incorporated Class C	3,874

Ten Year Review – General Funds

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income										
Stock Exchange Investments	12,363	11,678	11,288	12,139	11,991	10,615	11,346	14,794	13,201	12,526
Property Income	3,132	3,097	3,643	3,680	3,501	3,604	3,424	3,285	3,467	3,147
Other income	323	293	356	420	357	395	462	951	1,163	914
Total Net Income	15,818	15,068	15,287	16,239	15,849	14,614	15,232	19,030	17,831	16,587
Expenditure										
Clergy Emoluments	883	844	840	816	877	820	881	1,580	2,198	3,735
Clergy and Surviving Spouses and Civil Partners pensions	4,919	4,686	4,800	5,099	4,976	3,829	3,991	4,986	4,957	7,381
Clergy Houses	527	511	594	517	482	560	496	453	389	1,368
Block Grant to Dioceses	6,293	6,793	6,610	6,430	6,257	6,089	5,926	5,870	5,699*	—
Transformation Fund	1,000	500	—	—	—	—	—	—	—	—
	13,622	13,334	12,844	12,862	12,592	11,298	11,294	12,889	13,243	12,484
Provincial Services	2,626	2,456	2,458	2,424	2,388	2,324	2,242	2,169	1,972	1,866
Sundry Grants including Ministry Training	1,112	972	991	1,016	1,053	1,119	1,034	843	315	840
Bishops' Advisers	320	341	341	397	408	456	420	451	340	373
Publications	46	40	60	58	57	51	71	63	70	112
Total Expenditure	17,726	17,143	16,694	16,757	16,498	15,248	15,061	16,415	15,940	15,675
(Deficit) / Surplus	(1,908)	(2,075)	(1,407)	(518)	(649)	(634)	171	2,615	1,891	912
Reconciliation to the Statement of Financial Activities:										
Net income before investment gains / (losses) and transfers	(2,115)	(1,584)	(940)	(218)	(358)	(127)	702	3,089	2,124	1,233
Clergy Training	—	—	—	—	—	—	—	—	—	(330)
Grants	—	—	—	—	(1)	(1)	(1)	(1)	(11)	(11)
Transformation Fund	—	(500)	—	—	—	—	—	—	—	—
Emergency Aid Fund	(100)	(100)	(100)	(100)	(100)	(100)	(100)	—	—	—
Redundant Churches	—	—	—	—	—	—	—	(293)	—	—
Capital Gifts and Legacies	(35)	(1)	(255)	(100)	(26)	(260)	(245)	(85)	(167)	(25)
FRS 102 Pension Scheme Adjustment	342	110	(112)	(100)	(164)	(146)	(185)	(95)	(55)	45
(Deficit) / Surplus as shown above	(1,908)	(2,075)	(1,407)	(518)	(649)	(634)	171	2,615	1,891	912

* The Block Grant to Dioceses was introduced in 2007 and replaces items of expenditure previously shown in other categories.