

THE REPRESENTATIVE BODY OF THE CHURCH IN WALES

Annual Report and Accounts 2010



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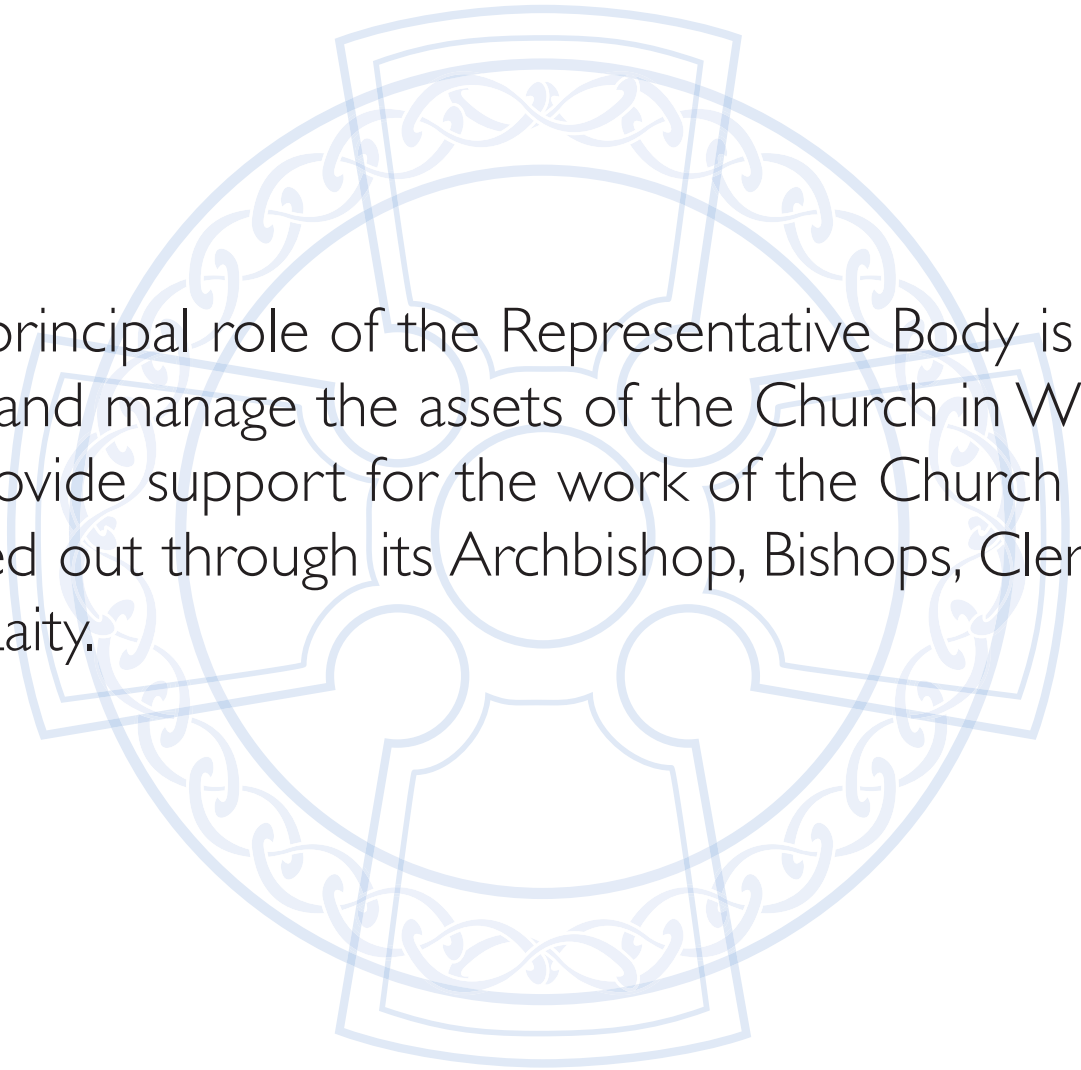
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our *role*

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



highlights of 2010

Despite the challenges that continue to be posed by the difficult financial climate, the Representative Body made a significant investment in key areas of the Church's work.

Financial situation becomes more difficult

The outturn for 2010 confirmed the difficult investment conditions, particularly for the generation of income. A further drop in net income between 2009 and 2010 meant that a deficit of £701,000 was recorded for the year. The shortfall of income against expenditure commitments, which is also reflected in other parts of the church, indicates a wider issue for the Church in Wales about finding more sustainable ways to support the Church's work in the future.

St Michael's College

The Representative Body has worked with the Bench of Bishops and College Trustees to identify the most appropriate way forward in its close working relationship with St Michael's College. Following the significant investment made by the RB in the College in recent years, the RB, Bench and College Trustees brought forward a proposal to merge the College with the Representative Body, which was accepted by the Governing Body in April 2011. It is felt by all parties that this will be the most effective and efficient way to protect both the Church's ability to provide high quality training for ministry into the future, and the Representative Body's financial investment.

Clergy Terms of Service

Following the adoption of the Clergy Terms of Service Canon in September 2010, the Representative Body was given responsibility for preparing the Statement of Terms of Service that will bring the Canon fully into effect. The new arrangements set out clearly the rights and responsibilities of clergy, so extending many "employment rights" to clergy while preserving their status as office holders. The Representative Body's staff have been heavily involved in this process.

Safeguarding

The Church in Wales takes its responsibility to its more vulnerable members extremely seriously. To help co-ordinate the Church's safeguarding policy and practice across the province, the Representative Body created a new part-time post of Provincial Safeguarding Officer.

Listed Places of Worship Grant Scheme

The Representative Body joined other churches in the intensive lobbying campaign for the retention of the Listed Places of Worship Grants Scheme, which resulted in the UK Government's announcement that the Scheme would continue, albeit in an amended form. The Scheme has provided grants totalling £5.3 million to Welsh churches since its introduction in 2001.

Chilean Bells

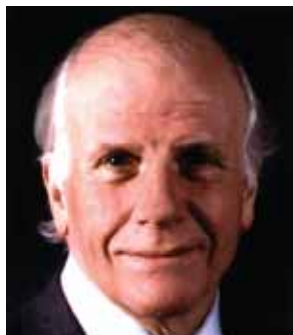
Media attention in 2010 focused on the plight of the Chilean miners. The Church in Wales had its own connection with Chile in 2010 when it agreed to return three bells located at All Saints Church, Oystermouth to the people of Chile. The bells originally came from Santiago, Chile having been the last surviving remnant of the Jesuit Cathedral of La Campana which burnt down in 1863 killing 2500 people. The bells will form the centrepiece of a memorial to this tragic event to be unveiled in 2013.

Advice for Parishes

New accounting advice, including a standard form of accounts together with the Association of Church Accountants and Treasurers (ACAT) Handbook, was provided to parish treasurers during 2010. The Parochial Administration Handbook was also updated and is available on the Church in Wales' website.



chairman's introduction



Last year I wrote about the initial effect of this recession on the financial position of the Church in Wales. We now have a clearer picture of the year under review in which the Representative Body's net income fell to £14.6 million compared to £19 million in 2008 and £15.2 million in 2009. The £2.6 million surplus that

was generated in 2008 has been eroded. Our advisers predict now that the Representative Body will face a significant deficit in each of the next five years.

In the short-term there is limited scope for the Representative Body to reduce its expenditure. We are committed to the current level of the annual Block Grant to all dioceses up to and including 2014 and also of course to meet the cost to the Representative Body of the past-service clergy pension liability. The Representative Body will be undertaking its regular detailed review of all expenditure and financial commitments during 2011, which will take into account the results of the triennial actuarial valuation of the Clergy Pension Scheme which was carried out at the end of 2010. The actuary's report will undoubtedly require the Representative Body to allocate a greater proportion of its income to supporting the Pension Scheme over the next three years, thus further reducing funds available for other purposes.

Despite this challenging context, we remain focused on the needs of the Church in Wales which we exist to serve. During 2010 we have invested significantly in vital areas of the Church's work. This has included support for training for ministry and the work of St Michael's College; the encouragement of vocations via the Provincial Vocations Strategy; additional resources for Safeguarding; and funding for key events that help demonstrate the Church's commitment to the communities and people it serves. I regard this aspect of our work as a significant and positive expression of the Representative Body's confidence in the Church's future, the importance of its message and its continued relevance to the life of the Welsh nation.

We have also invested in further direct support for the work of the Church at a parish level, where support is needed most of all, in a number of ways: by the appointment (with financial support from HLF and Cadw) of a Churches Heritage and Conservation Officer to provide training on the maintenance of our buildings; by provision of additional advice to make parish administration (and particularly financial administration) easier for volunteers; and by the production of new materials to promote giving to parishes via legacies. I would like to record thanks to both Cadw and the Heritage Lottery Fund. The UK Government's decision to retain the Listed Places of Worship Grant Scheme, on which the Representative Body lobbied heavily, will also be helpful to parishes.

There is more significant work to be done for the longer-term if the Church is to continue to carry out its vital work in the communities of Wales. Evidence suggests that parishes are finding it increasingly difficult to meet their expenditure from giving and other income. The Representative Body faces similar pressures. It is my view, and one I have held for sometime, that our Church cannot afford to carry on doing the same things in the same way.

We are a fortunate Church, still able to call upon substantial funds from the Representative Body and the continued generosity of Church members. However, we must relieve the financial pressure on parishes and ensure that funds are used to support effectively the mission and ministry of the Church. For this reason the Representative Body welcomes and gives its full support to the review commissioned by the Bench of Bishops and the Standing Committee.

Finally, I would like to pay tribute to Tim Rees, who died in July 2010. Tim made a major contribution to the Representative Body's work over many years, particularly as a member of the Investment Committee and as the first Chairman of the Audit Committee established in 2006. He also chaired the Working Party which set the arrangements for the Representative Body's Block Grant to dioceses. His dedication, experience and humour will be greatly missed by all his friends within the Church.

A handwritten signature in black ink, appearing to read 'Lord Rowe-Beedoe'.

The Lord Rowe-Beedoe DL
Chairman of the Representative Body

Objectives and Activities

- 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.

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, cathedrals and parishes.
- **To manage the ecclesiastical and secular property vested in the Representative Body for the uses and purposes of the Church in Wales.**
- **To provide an efficient and professional 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 property and human resources;

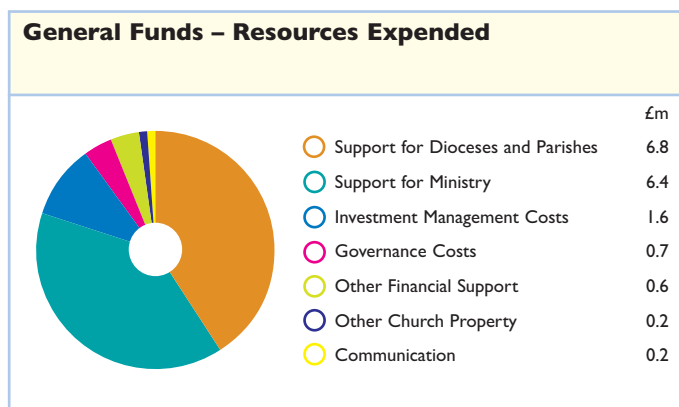
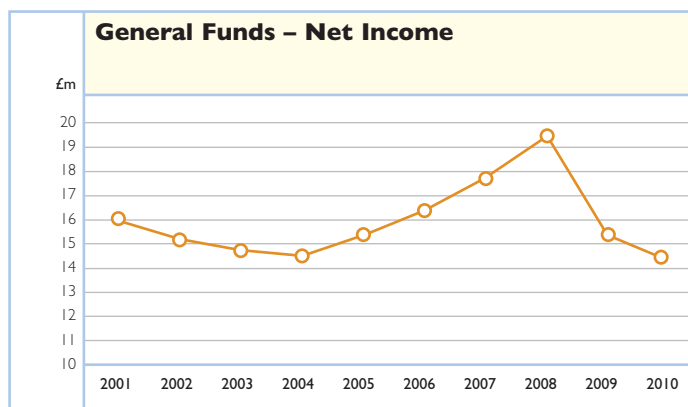
- maintenance of databases and management of information.

For 2010, the main objectives were:

- **Maintaining Diocesan Support** – To maintain financial support for dioceses in spite of the recession.
- **Financial Stability** – To ensure financial stability with regard to the clergy and staff pension schemes.
- **Fund Performance** – To make investment returns that exceed the benchmarks.
- **St Michael's College** – To work with the College Trustees and the Bench of Bishops to resolve the long-term structural relationship between St Michael's College and the Representative Body.
- **Charities Act** – To help the Church in Wales – both provincially and at a parish level – with the implementation of the Charities Act 2006.
- **Churches Heritage and Conservation Officer** – To provide additional help for parishes through the appointment of a Churches Heritage and Conservation Officer (having obtained part-funding from Cadw and the Heritage Lottery Fund).
- **Safeguarding** – To further strengthen the Church's capacity to address safeguarding issues through the appointment of a Provincial Safeguarding Officer to co-ordinate and resource the Church's Safeguarding Policy and the work of diocesan safeguarding officers.
- **Clergy Terms of Service** – To finalise the Statement of Terms of Service for clergy (and associated documents) in response to the Clergy Terms of Service Canon 2010, for submission to the Governing Body in 2011.
- **Advice for Parishes** – To produce a revised Parochial Administration Handbook and provide new advice on financial reporting in the light of consultation with parish treasurers and others.

how we performed

While good total returns were achieved in what continues to be a difficult investment climate, income fell further on 2009 levels.



Overall Financial Position

The results for the year are shown in the Statement of Financial Activities on page 34 and in the Balance Sheet on page 35. For the second year running, investment values recovered, standing at £447.2 million at the year end. The value of the Representative Body's total assets (including non-investment properties) increased from £616 million to £658 million during the year. Net assets, after deducting the Representative Body's long term liability for pensions, grew from £470 million to £513 million.

General Funds

Total income for 2010 was £16.4 million, £100,000 less than in 2009. The major contributing factor to the fall in income was the suspension of the BP dividend, together with a general reduction in dividend payments from UK and overseas companies.

The increase in General Funds expenditure from £15.8 million to £16.5 million between 2009 and 2010 is predominantly attributable to the increase in Investment Managers' costs.

Reserves Policy General Fund

At 31 December 2010 unrestricted general reserves amounted to £291 million. The Representative Body holds general reserves on a long term basis in order to maximise its income-generating investment assets. Accordingly, the Representative Body has not determined a formal upper or lower limit on the amount of general reserves.

Designated Funds

At 31 December 2010, designated funds amounted to £221 million. Details of the designated funds are set out on pages 47 and 48 of the accounts. The most significant fund is the Revaluation Reserve, with a balance of £179 million. This arises from the SORP's requirement to include most assets on the balance sheet, and represents the difference between the market values assigned to non-investment property (including parsonage houses, unlisted churches, listed redundant churches, church halls and sundry property) and the underlying cost.

There has been a significant increase in the size of the Pension Equalisation Fund from £3.4 million to £15.6 million following a review of the Clergy Pension Fund liability at 31 December 2010.

Restricted Funds

At 31 December 2010, restricted funds amounted to £477,000. Details of the Restricted Funds are set out on page 48 of the accounts.

Investments 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.

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, which may be found on page 28.

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 continually reviewed, and in 2010

investment in Overseas Equities was significantly increased and in UK Equities reduced in order to diversify away from what had become a concentrated UK Equity market dominated by a small number of large companies. The table below shows the asset allocations and investment ranges that were implemented during the first quarter of 2010.

Investment Managers

A selection process for new fund managers commenced at the end of 2009 following the sale by Credit Suisse of its asset management arm, and was assisted by independent investment consultants. Following a thorough selection process involving the review of an extensive list of potential managers, and interviews with a shortlist of the six most suitable managers, Sarasin & Partners and Newton Investment Management were appointed to each manage one half of the stock exchange investment fund (valued at £340 million at 31 December 2009). Sarasin had previously managed the Representative Body's Global Ex-UK Equity Fund. Each manager was given a Global Multi-Asset mandate, and commenced management at the end of January 2010.

Investment strategy, benchmarks and asset allocation ranges were also reviewed. The table below shows the revised asset allocation.

Asset Allocation Ranges							
Asset class	UK Equities	Overseas Equities	Emerging Markets	Fixed Interest	Commercial Property	Alternatives	Cash
2010 Range	12-36%	16-63%	0-14%	4-23%	10-20%	0-10%	0-23%
Allocation at 31/12/10	29%	37%	6%	12%	13%	2%	1%

Performance

Performance Benchmarks

The performance of the Representative Body's total investment fund, including stock exchange investments, cash and property, is measured relative to the WM All Charity Fund Index. Although the charities included in this index all have investment strategies and asset allocations that vary from those of the Representative Body's fund, measurement of performance against this index shows how the total fund has performed against other charities.

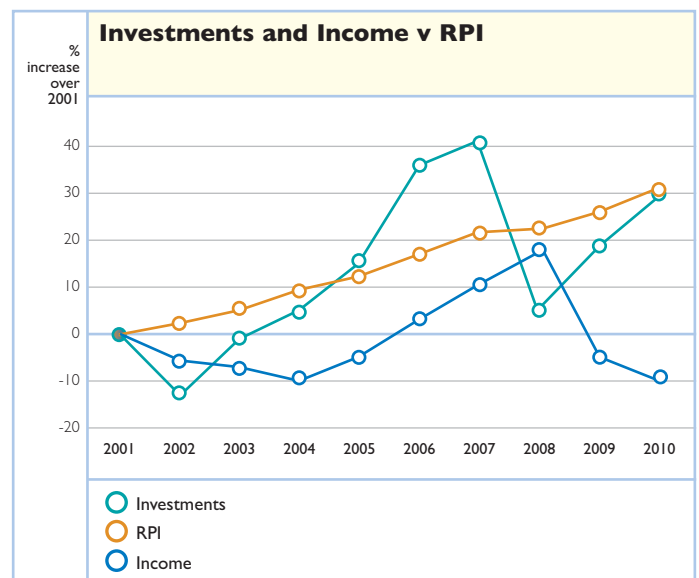
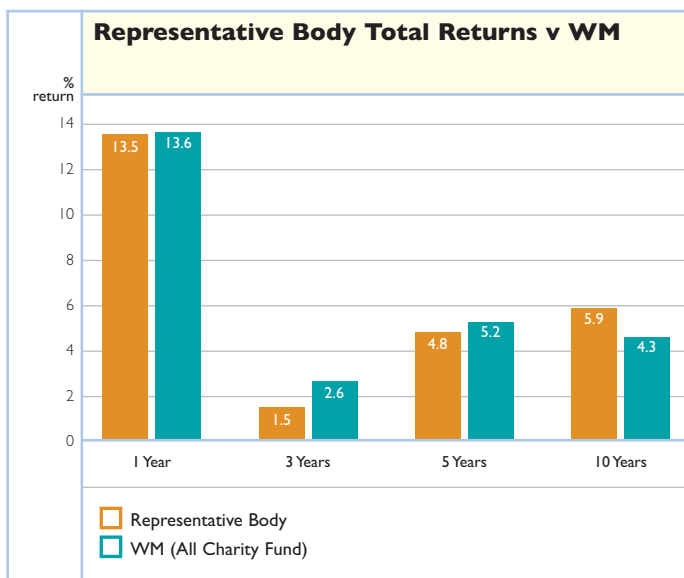
Following the adoption of the revised investment allocation strategy in the first quarter of 2010, a composite benchmark was also agreed against which to measure the performance of the individual investment managers' portfolios. This new benchmark will incorporate the performance of the major indices of the assets in which the portfolios are invested, and therefore will be more representative in future years than the WM index, and will focus on the ability of each of the fund managers to outperform within the various asset classes. The property

portfolio will continue to be measured against the IPD (Investment Property Databank) Index.

Total Fund Performance

The total return (both capital and income) from the Representative Body's fund during 2010 was 13.5%, marginally behind the WM benchmark return of 13.6%. Over 3, 5 and 10 years annualised total returns were 1.5% (WM: 2.6%), 4.8% (WM: 5.2%) and 5.9% (4.3%) respectively. Whilst the fund underperformed the WM benchmark over 3 and 5 years, longer term performance over 10 years exceeded the benchmark by an average of 1.6% per annum and RPI by 3.0% per annum. This was achieved in equal measure by good asset allocation and stock selection.

During 2010 the capital value of the Representative Body's investment fund increased by 9.6% to £447.2 million. Whilst this capital growth was encouraging relative to RPI of 4.8%, the fund was still below the 31 December 2007 valuation of £480 million.



Total Returns on Asset Classes

	1 year %	3 years %	5 years %	10 years %
UK Equities	14.8 (16.2)	2.7 (1.1)	7.0 (5.0)	5.9 (3.9)
UK Bonds	12.2 (7.8)	1.7 (7.0)	0.6 (5.2)	4.6 (5.6)
Overseas Equities	14.3 (17.6)	1.7 (4.3)	4.9 (6.3)	3.9 (3.7)
Cash/Alternatives	-2.9 (7.1)	- * (4.6)	- * (5.3)	- * (5.2)
Property	15.7 (12.0)	-1.7 (-4.1)	1.3 (0.1)	7.2 (5.8)
Total Fund	13.5 (13.6)	1.5 (2.6)	4.8 (5.2)	5.9 (4.3)

* Not invested in this asset class during these periods

The capital value of the investment fund is of particular significance in assessing the proportion of assets required to meet the Clergy Pension Scheme liability, as reported on page 46.

The graph on page 8 shows changes in the capital value of the Representative Body's funds and its income compared with RPI.

Total Returns on Asset Classes

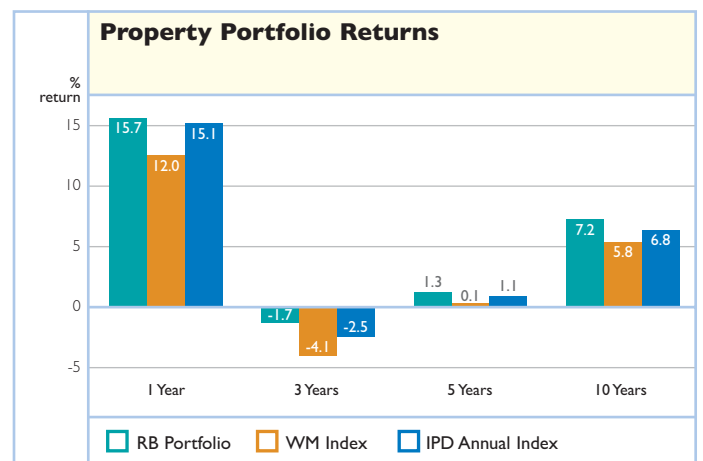
The table above shows the total return on asset classes within the Representative Body's General Fund over the past year, 3, 5 and 10 years compared to the WM All Charity Fund Index (shown in brackets).

Overseas Equities underperformed the benchmark during 2010 and over 3 and 5 years, but outperformed over 10 years. UK Equities, in which the Fund was predominantly invested prior to 2010, produced the strongest relative outperformance of all the asset classes over 3, 5 and 10 years. Commercial property, in which the Fund was significantly overweight relative to the benchmark, also contributed strongly to performance during 2010 and over 3, 5 and 10 years.

UK Bonds performed poorly in relative terms over 3, 5 and 10 years, and in particular over 3 and 5 years. This was a result of the Fund being overweight in corporate bonds which were heavily impacted by the credit crunch. UK Bonds however produced the best relative performance in 2010. Cash and alternatives produced a poor absolute and relative performance during 2010, but this was mitigated by the significantly underweight holding in the Fund relative to the benchmark.

Commercial Investment Property

The Commercial Property portfolio produced the strongest absolute performance during 2010 and over 10 years with returns of 15.7% and 7.2% per annum respectively, outperforming the WM benchmark in 2010 and over 3, 5 and 10 years. The portfolio also outperformed the IPD annual index in 2010 (Investment Property Databank – the industry measure of property performance) with a return of 15.7% compared to 15.1%, and over 3 and 5 years. Outperformance is attributable to the directly held properties within the portfolio, and was enhanced by the low void rate of 1.7% at the end of 2010 (which compares favourably with the IPD average of 9.8%).



Supporting the Ministry Grants to Dioceses

Since 1 January 2007, the Representative Body has provided each diocese with a block grant to help meet such costs as stipends, clergy pensions (current service), and certain other categories of expenditure. The block grant replaced a number of designated grants, and enables provincial funding to be used more flexibly by the dioceses. In 2010 the total block grant was £6.089 million, and will increase to £6.257 million in 2011.

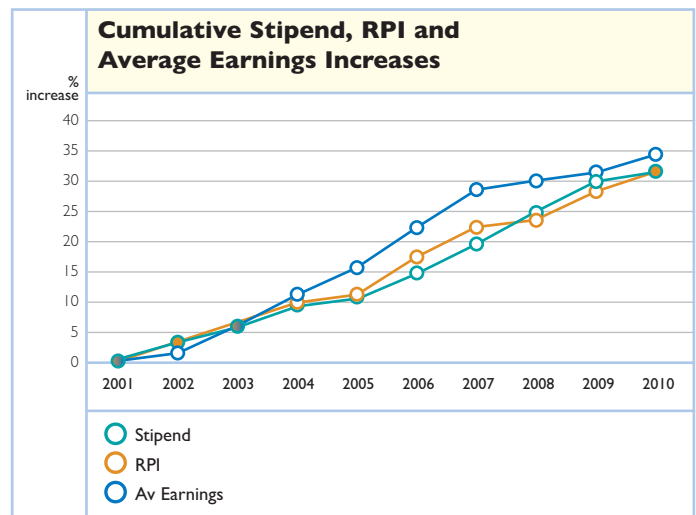
In addition, Bishops' costs continue to be met directly by the Representative Body.

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 Chairmen and Secretaries. From 1 January 2011 clergy stipend levels (incorporating an increase of 2.0% on 2010 levels) are:

	2011 Stipend Level £	% of incumbent's Stipend
Assistant Curate, Cathedral Chaplain	18,184	85
Incumbent and Vicar in Rectorial Benefice*	21,394	100
Incumbent of Rectorial Benefice*	22,461	105
Residentiary Canon	24,600	115
Archdeacon	32,730	153
Dean	33,158	155
Assistant Bishop	36,366	170
Diocesan Bishop	39,576	185
Archbishop	42,784	200

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



Clergy Pension Scheme

The Clergy Pension Scheme is a 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 2010 would have received a lump sum of £31,243 and an annual pension of £12,584. On the death of a cleric, the spouse (assuming marriage before retirement) receives 60% of the cleric's pension, which in 2010 was £7,550 for full service.

The Clergy Pension Scheme is reviewed every three years. The valuation at 31 December 2010 will be considered by the Representative Body in June 2011. The results of previous triennial reviews are shown on page 11.

Clergy Pension Funding				
	2007	2004	2001	1998
Market Value of General Funds	£483m	£370m	£339m	£346m
Value of Past Service Liability	£126.8m	£102.9m	£90.9m	£90.3m
Liability as a proportion of General Fund	26.2%	27.8%	26.8%	26.1%
Employer's contribution	26.3%	24.3%	20.2%	16.5%

The pension provision forms part of the overall investments of the Representative Body and the long term challenge is to ensure that the pension liability is held at an acceptable percentage of total investments.

The Clergy Pension Provision is shown in note 21 on page 46. The significant expenditure is payment of pension benefits and the income is made up of contributions from the Dioceses for current service and a proportion of income and net investment gains of the Representative Body for past service.

There were two changes to the Clergy Pension Scheme during 2010 with the introduction of:

- the opportunity for clerics to retire with an actuarially adjusted pension at the age of 62; and
- the introduction of the option of an enhanced lump sum on retirement in exchange for a reduced pension.

Movements in membership of the Clergy Pension Scheme in 2010 are shown below.

Clergy Pension Scheme Membership				
	Actives	Deferred	Pensioners	Total
Membership at 1 January 2010	561	237	700	1,498
New entrants	17	–	–	17
Leavers with no liability	(2)	–	–	(2)
Leavers with deferred benefits	(18)	18	–	–
Retirements	(22)	(6)	28	–
Deaths	–	–	(24)	(24)
New Widow(er)s	–	–	10	10
Membership at 31 December 2010	536	249	714	1,499

Clergy Retirement Housing Loan Schemes

Scheme 1 – Original Loan Scheme

(Available to those clerics aged 50 or above on 1 August 1990)

There are three types of loan available for clergy within two years of retirement:

- A loan up to a maximum of £15,000 bearing interest at 6% per annum;
- An equity-linked loan up to a maximum of £30,000 which is interest-free;

At 31 December 2010 the numbers and amounts of loans outstanding were:

	Number	Amount
Loans @ 6%	69	£949,546
Equity Loans	104	£3,032,831

No new interest bearing or equity linked loans were made during 2010.

Scheme 2 – Introduced on 1 January 2006

(Available to clerics aged 55 or above on 31 December 2005)

A new scheme was introduced with effect from 1 January 2006 available to clergy within three years of the normal retirement age to assist with the purchase of a retirement property.

The new scheme provides the following loans:

- An interest bearing equity-linked loan of up to £133,300 (as at 1 January 2011), reviewed in line with the quarterly change in the Nationwide Welsh Average House Price Index, subject to further borrowing restrictions based on an applicant's income.
- An interest-free loan equivalent to the retirement lump sum earned to date.

At 31 December 2010 the numbers and amounts of loans outstanding were:

	Number	Amount
Equity Loans	22	£2,000,049
Advance of lump sum	10	£167,800

The two schemes will run in parallel pro tem.

Clergy Car Loan Scheme

The Representative Body provides loans to assist clergy to buy cars. The Scheme, which offers loans up to a maximum of £5,000 at an interest rate of 5%, has proved popular, with 111 loans outstanding at 31 December 2010 totalling £267,000.

Management of Property

The Representative Body holds its property for the use and purposes of the Archbishop, Bishops, Clergy and Laity of the Church in Wales. The fundamental purpose of its property is to further the mission and ministry of the Church.

Places of Worship

Places of worship, whilst owned by the Representative Body, are operated and maintained through each Parochial Church Council (PCC). Each PCC must plan the repairs and maintenance necessary for the building and try to look ahead to ensure the building meets the changing needs of congregations and communities. This challenge is taken up by volunteer members of the congregation, supported by the parish priest, and it is a testament to their commitment that these vitally important local buildings continue to be cared for by the people from the communities they serve.

However, running what can often be complex buildings, requires an ever increasing base of knowledge and skills. Over the last few years, the Representative Body has sought to provide a range of guidance notes and information on particular topics. These are available via the website at www.churchinwales.org.uk/resources/property.

To develop the knowledge, skills and confidence of congregations to manage their buildings, the Representative Body has also initiated a new programme called 'Taking Forward Our Church Heritage'. This programme has been developed with financial assistance from the Heritage Lottery Fund and Cadw and is, through the work of a dedicated officer, developing training and guidance in this important area.

Much effort was applied in lobbying the UK Government to continue the Listed Places of Worship Grant Scheme in 2010. This scheme refunds the VAT element of repair projects to listed church buildings as a grant. The scheme was saved from the Comprehensive Spending Review of October 2010, although eligible types of expenditure were

reduced. Arrangements for claiming the grant which were announced in March 2011 have created uncertainty as to the precise level of grant that parishes might receive but at least this vital form of support is retained.

Churchyards

The Governing Body debate on churchyards in April 2010 proved a useful springboard for a wider public debate and discussions have started to take place with representatives from Local Authorities and Community Councils over co-operation on areas of mutual concern.

Churchyards remain a key community asset but a significant drain on a congregation's resources. The harsh winters at the beginning and end of 2010 have taken their toll on churchyard walls and this is proving a serious issue for many parishes. The Emergency Aid Fund operated by the Representative Body has sought to help parishes in severe difficulties where walls are especially dangerous.

The management of churchyards will be a key area for further training and guidance for parishes in the next year. A new guidance note on the management of churchyards will be issued during 2011.

Parsonages

Providing decent and appropriate housing for clergy in the communities they serve is a key priority for the Church. The pace of parish groupings and changes in the pattern of communities makes this a challenging task. It falls to each Diocesan Parsonage Board, in consultation with the Bishop, to seek to ensure the right house in the right place.

Repairs are undertaken to an agreed budget and improvements are funded from the sale of redundant parsonages and development opportunities on parsonage land. In recent years, there has been a strong focus on ensuring that parsonages have appropriate safety and security systems in place.

Opportunities are being developed to introduce green technologies into our housing stock. This is partly driven by the rising regulatory standards and also by a drive to ensure parsonages can be affordably occupied as heating and energy costs rise.

Glebe

The glebe portfolio is essentially an investment portfolio to generate capital from sales. The income on this capital is used to provide grants for church repairs. In recent years, there have been fewer sales of glebe largely as a result of the slower property market. Obtaining planning permission on glebe to maximise value has become increasingly more difficult and expensive to achieve and can often be delayed through external factors such as flood risk assessment or sewerage capacity.

The development of land for affordable housing is actively being explored on appropriate sites where there is housing need in communities and such developments can be shown to offer best value to the Church. Unfortunately, these schemes can take a long time to come to fruition and depend upon continuing government support.

Administration and Other Services provided from the Provincial Office

During 2010 the Provincial Office at 39 Cathedral Road, 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 a number of funds held on trust on behalf of beneficiaries. The aggregate value of these special trusts at 31 December 2010 was £31.9 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 2010 amounting to £12.4 million.

To give some examples of the range of services provided by the Provincial Office:

- The provincial Information Communication Technology department provides support not only for the Provincial Office but also for Bishops' offices, diocesan offices and the archdeacons;
- The payment of Council Tax on parsonages and the letting of parish properties is managed from the Provincial Office;
- Advice for parishes on compliance with secular legislation, such as child protection/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;
- CRB disclosures are managed and processed at the Provincial Office for all clergy 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.
- Staff at the Representative Body have also had significant involvement in preparing for the proposed merger with St Michael's College which has required input from all departments.



helping it happen

The Representative Body is responsible for supporting the work of the Church in a variety of ways. Here are some examples.



Taking Forward Our Church Heritage

The Church in Wales, through its parishes, cares for a vast array of heritage assets. Indeed, 29% of the Grade I Listed buildings in Wales are owned by the Church in Wales while over 2 million people visit our churches each year. These national treasures are cared for by local volunteers in congregations who have worked tirelessly over the centuries to ensure the retention of these special places.

The Representative Body has developed a project to support parishes and those charged with the care of these buildings. This has been funded with the help of the Heritage Lottery Fund and Cadw and Tina Andrew has been employed as Churches Heritage and Conservation Officer. Her work involves organising training events and guidance as well as an annual national conference. The role is also there to offer advice on individual building issues and help develop Open Churches Day.

Funding lasts for three years and it is hoped that parishes will be able to benefit from the various initiatives to boost both knowledge and confidence.

The state of public finances is putting pressure on grants and funding streams as we enter 2011. The Listed Places of Worship Grant Scheme which gives a grant equivalent to the rate of VAT on repairs has been saved (albeit in a reduced form) and the share of money going to the Heritage Lottery Fund is to be increased. However, it looks likely that government funding will not reach the levels experienced in previous years. This financial pressure emphasises the need to ensure parishes have the knowledge and skills to manage their buildings with less support and this will be a key aim for the coming years.

The photograph shows Rhys Jones and Dan Clayton-Jones (Chairman of Heritage Lottery Fund Wales) at Eglwys Dewi Sant, Caerdydd.



The Church in Society

In his Presidential Address to the Governing Body in April 2010, the Archbishop asked the Church to look ahead to the centenary of its disestablishment in 2020. He challenged parishes to be more outward-looking and to consider how they might best serve the communities and people in Wales. This call is equally important at a provincial level.

In 2010 the Representative Body has been pleased to be able to support and fund a number of projects led by the Bench of Bishops designed to help meet the needs of Welsh society and to demonstrate the Church's concern for the communities in which it is based. These included:

- The **Believing in Wales** event (above), which was hosted by the Bishops at the Senedd in Cardiff Bay in January 2010. This was an opportunity to bring together Assembly Members, local leaders and members of the wide range of national and community organisations across Wales with which the Church has a close working relationship to discuss issues facing Wales.
- **The Rural Issues Hub:** A programme of learning for clergy and others delivered at the Royal Welsh Showground to encourage and support engagement with the challenging issues of rurality which face Wales in the future.
- **Leading Wales Awards:** In recognition of the importance of inspirational leadership in transforming our communities, the Church in Wales has sponsored an annual Leading Wales Award in 2009, 2010 and 2011. In 2010, funding was provided for the award for "a leader who has demonstrated the most visionary and effective involvements in the local area, bringing positive community benefit".



Investing in Future Ministry

Whilst continuing to support ministry via funding for dioceses and training for ministry, the Representative Body has also been involved in two key projects which hold significant implications for the future ministry of the Church in Wales.

In April 2010 the Governing Body welcomed plans for a Vocations Strategy in the Church in Wales to encourage new vocations to the ordained ministry. Projections show that new ordinands are very much needed over the next ten years, as the Church seeks to replace a large number of retiring clergy, to ensure that the parish system as we currently understand it can continue to be supported. The Vocations Strategy is a provincial exercise, and the work of the Vocations Strategy Group chaired by the Bishop of St Asaph, including the production of resources for Vocations Sunday and the organisation of a Vocations Conference, is funded by the Representative Body.

The Representative Body has also been involved in developing new Terms of Service for Church in Wales clergy through Common Tenure.

Between 2004 and 2010 detailed work was carried out by a Standing Committee working group in response to the (then) Department of Trade and Industry's request in 2004 that faith communities provide certain employment rights to ministers of religion. Following consultation with clergy, the Bench of Bishops and the Representative Body, the Governing Body approved the Clergy Terms of Service Canon 2010. In the light of the 2010 Canon, it was the responsibility of the Representative Body to prepare the detailed Statement of Terms of Service for Common Tenure which was adopted by the Governing Body in April 2011. Provincial staff will now work with dioceses to implement the new arrangements, which provide clergy with fair and transparent terms of service in which clergy rights and responsibilities are clearly set out.



A Church for the Future

As the Church faces increasing financial pressures, it is important that we review the ways in which we seek to raise funds to support our work.

We are fortunate to have a large membership base which gives regularly and generously. However, we can also learn from other charities which must rely more heavily on other sources of income, including legacies.

Raising the subject of legacies might sometimes feel awkward for clergy and parish officers, and so with the help of the Bench of Bishops and the Provincial Stewardship Executive, a pack of resources has been prepared and circulated to enable Parochial Church Councils to consider how they may wish to approach the promotion of legacies in their parish. The resources provided – which include posters, sermon notes, leaflets and bookmarks – can then be used as best suits the local context.



Advice for Parishes

There is no doubt that parish administration can sometimes place a heavy burden on church members, particularly our volunteers serving as parish officers. One of the roles of the Representative Body is to provide advice and other resources to help ease this load where possible.

During 2010, the Parochial Administration Handbook was completely revised and is now available as a web-based resource covering a broader range of subjects than previous editions. It is hoped that the new format will make it more widely-accessible, easier to keep up-to-date and enable more flexible use.

A particular area of concern in many parishes is financial accounting and reporting, as this is a specialised area subject to Charity Accounting Regulations. During 2009, meetings were held at 13 venues across Wales with parish treasurers and others to consult on ways in which help might be provided. There have been two key developments in the light of those meetings:

First, a Standard Form of Accounts for Parishes has been introduced to enable parish accounts to be prepared easily in a format that complies with both the Church in Wales and Charity Accounting Regulations. A selection of spreadsheets to maintain the accounts is available free of charge via the Church in Wales Website (www.churchinwales/resources/finance) and also on CD. A useful by-product of this resource is that it will be easier to assess and understand the financial position of the Church at all levels – province, diocese, parish – and for future decisions to be taken accordingly.

Second, in 2010 the Representative Body agreed to pay for each Parish Treasurer to receive a copy (and regular updates) of the Handbook of the Association of Church Accountants and Treasurers (ACAT).

the future

The Representative Body is currently considering a number of future issues. The most significant relate to clergy pensions and church buildings.

Short to medium term issues

Continuing Economic Difficulties

The effects of the current economic downturn continue to be felt throughout society, and the Representative Body and the Church in Wales are no exception. The fall in the Representative Body's income in 2009 and 2010 has already been reported, and advisers' projections show that recovery is likely to be slow. These developments are another consideration in the Representative Body's ability to provide financial support for the Church at a time when parishes and members are facing financial pressures of their own.

The next triennial review of the Representative Body's expenditure and commitments will take place in 2011, following the results of the triennial actuarial review of the Clergy Pension Scheme at the end of 2010. The aim, as ever, is to provide financial stability so that all parts of the Church can plan for the future with confidence.

Numbers of Ordinands

In anticipation of the significant reduction in clergy numbers through retirements over the next 10 years, a Provincial Vocations Strategy was launched in 2010 as reported on page 18. The Representative Body is funding the implementation of the strategy. If successful, the strategy will hold further financial implications for the Representative Body, which currently meets 75% of the cost of training for ministry.

Clergy Terms of Service

In the light of the Clergy Terms of Service Canon 2010 (page 18), the Representative Body will have responsibility for monitoring the arrangements known as Common Tenure. Provincial staff will provide significant support for dioceses as they implement these newly formalised arrangements.

Gift Aid

The Representative Body is involved in ongoing discussions between charities and the Treasury/HMRC on ways to make Gift Aid a more effective tool for the reclaim of tax relief on charitable donations. It is also working with the Provincial Stewardship Executive to encourage parishes to make use of the Gift Direct facility. This enables the central collection of donations and tax reclaim on behalf of parishes on a monthly basis, at no cost to parishes.

In 2010, over 2,000 donors gave a total of £86,000 per month to just under 300 parishes via the Gift Direct Scheme.

Burial Grounds

The Representative Body owns 1,223 churchyards, of which 1,053 are burial grounds. These are maintained by the Parochial Church Council in each parish, and the Representative Body is mindful of the significant responsibility for parishes that churchyards represent. Research carried out in 2007 suggests that volunteers give 125,000 hours of time across Wales to maintaining churchyards each year – equivalent to £1.3 million of unpaid labour.

However, in addition to confirming anecdotal evidence on the extent to which we rely upon volunteers in this regard, the research painted a worrying picture. It is estimated that £16 million of works is required, with just £3.6 million held in reserves to meet these costs. Income from burials does not meet the costs of maintaining churchyards, and there is an additional problem where a churchyard has been closed because it is full, but still remains the responsibility of the parish. This is very different from the position in England, where the responsibility for maintaining closed churchyards passes to local authorities. Of concern to the wider community is the telling projection that two thirds of our churchyards will have no space for burials within 10 years.

The Representative Body is working in consultation with other bodies within the Church, and in discussion with secular authorities, to identify ways in which these two problems (the maintenance of churchyards, and the shortage of burial space in Wales) might be tackled.

Charities Act 2006

As a result of the Charities Act 2006, the Representative Body lost its exempt status and is currently working with the Charity Commission on its registration. In addition, approximately 65 parishes with an annual income in excess of £100,000 lost their exempt status, and have formally registered with the Charity Commission. However, parishes with an income below £100,000 will continue to be exempt and need not register with the Charity Commission, although this status will be reviewed on 1 October 2012.

Long Term Issues

Pensions

The Clergy Pension Scheme (final salary) is funded by the Representative Body and the Dioceses. The pension provision forms part of the overall investments of the Representative Body and the long term challenge is to ensure the pension liability is held at an acceptable percentage of total investments.

An actuarial review of the Clergy Pension Scheme took place at 31 December 2010, and the results will be considered by the Representative Body in 2011.

Church Buildings

Supporting volunteers and developing their knowledge and skills are key issues for the future management of our church buildings. Building confidence through encouragement and training are key objectives and come through shared experience and a feeling that people are not alone.

The geographical spread of communities in Wales makes this often difficult to achieve although the internet is an invaluable tool in sharing information. The initiative to establish an officer to develop training and guidance is a key step and it is hoped that through working in partnership with Cadw and the Heritage Lottery Fund, this work will be even more effective.

Innovative Approaches

It is clear that innovation will be needed to look after many of our property assets in the future. Churchyards are key community spaces that can offer a variety of benefits as places for wildlife, recreation, recycling or simply remembrance. To develop these ideas requires close cooperation with the wider community and may need different approaches such as community land trusts. All of these ideas need to be considered in the light of the Church's trustee and charity obligations.

Planning and Appraisal

The future of our buildings needs careful planning and discussion in the context of the plan for mission for the parish. There needs to be dialogue between all those with knowledge and experience to help parishes plan their future. The Diocesan Churches and Pastoral Committees are key to this process, backed up by professional knowledge from the Representative Body. This work needs to be undertaken with a strong forward-looking focus to anticipate future issues rather than be reacting to them.

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 29. 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 26.

Membership Composition

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

- The Archbishop;
- The Chairman of the Standing Committee of the Governing Body;
- The Chairman 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.

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 established five committees – Investment, Property, Human Resources, Audit and the Cathedrals and Churches Commission – each with specific terms of reference and functions delegated by the Representative Body.

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 an important role in monitoring the operation of the block grant funding arrangement between the Representative Body and dioceses.

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.

Risk Management

The Representative Body's risk management procedure was subject to a major review in 2010. The newly formatted risk register identifies the major risks to which the organisation is exposed including the scope of such risks, and identifies the systems and procedures which have been established to manage and mitigate those risks. The register is reviewed and updated annually by Senior Management, and scrutinised by the Audit Committee and the Representative Body.

Administration and Staff

The number of posts of the Representative Body at 31 December 2010 (2009 in brackets) was as follows:

	Full time	Part time
Representative Body, Governing Body & Archbishop's Registry	37 (35)	5 (4)
Publications	1 (2)	1 (1)
Bishops' Secretaries	4 (4)	3 (3)
Diocesan Inspectors	6 (6)	0 (0)
Bishops' Advisers	5 (5)	3 (3)
Total	53 (52)	12 (11)

The increased staffing levels at the Representative Body during 2010 relate to the need for additional professional support through the appointment of a Human Resources (HR) Adviser and a part time Provincial Safeguarding Officer.

The appointment of the additional post of HR Adviser followed a request from dioceses for the Representative Body to provide professional HR support for dioceses. The post is also integral to implementation of the Terms of Service proposals to extend employment rights to clergy.

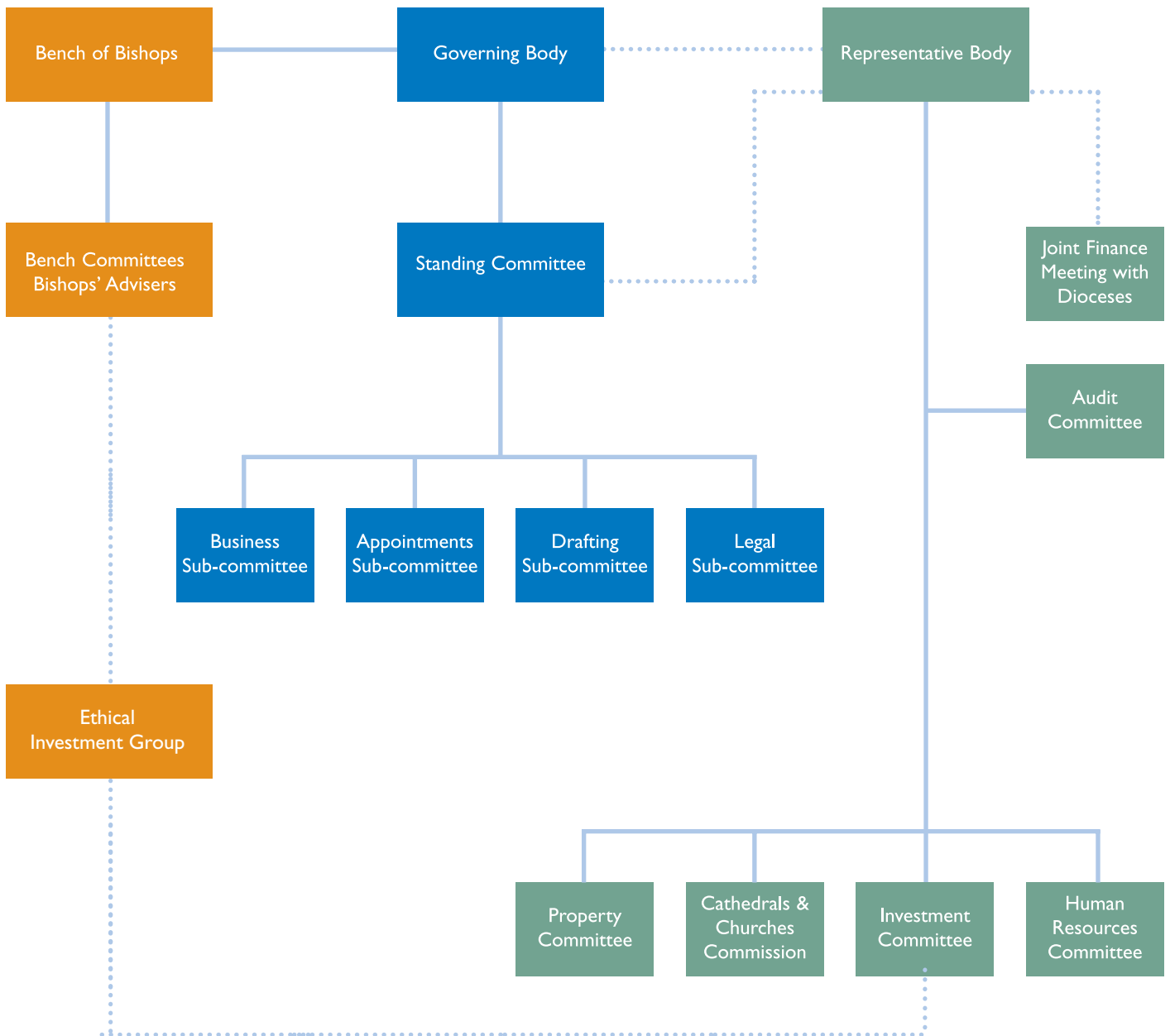
The appointment of a part time Provincial Safeguarding Officer implements one of the key recommendations made in the 2009 Review of Historic Child Protection Cases in the Church in Wales.

In addition, success in securing grant funding for three years from the Heritage Lottery Fund and Cadw has enabled the Representative Body to appoint a Churches Heritage and Conservation Officer (see page 16).

The work of the Representative Body staff is varied and focuses not just on the traditionally expected functional role of the Representative Body but also on wider provincial requirements. This has been achieved with and through the wide range of skills, experience and flexibility of the staff within the Representative Body.

Salary levels were increased from 1 January 2011 by 2.0%, the same increase as that agreed for clergy.

the provincial structure



Statement of Trustees' Responsibilities

The trustees are responsible for preparing financial statements for each financial year which give a true and fair view of the Representative Body's financial activities during the year and of its financial position at the end of the year.

In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any 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 operation.

The trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable them to ascertain the financial position of the charity and which enable them to ensure that the financial statements comply with the provisions of the Constitution of the Church in Wales. The trustees are responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Representative Body

J M Shirley
Provincial Secretary
39 Cathedral Road
Cardiff
CF11 9XF

9 June 2011

reference and administrative information

Ethical Investment Policy Statement

The following policy statement was adopted by the Governing Body of the Church in Wales in April 2010.

As a Christian Church we are tasked with discerning and describing the presence and activity of God 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 community. The Church in Wales has a particular responsibility to further these aims as they affect the people and nation of Wales.

We wish to have a responsible investment policy that is consistent with the furtherance of these aims. We believe that it is entirely appropriate to hold this policy alongside our requirements to maximise returns from investments in the interests of our beneficiaries. Principally, the Church in Wales is committed to using investments as an ethical means of contributing to the cost of ministry and mission.

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 and to implementing:

- Responsible employment practices
- Conscientious corporate governance
- Policies that show awareness of environmental impact
- Policies sensitive to the human rights and wellbeing of individuals and communities in which they operate
- Fair trading practices

The Church in Wales does not wish to be associated with companies whose products or policies are in direct contradiction with its aims. That is, the Church in Wales does not wish to invest in companies responsible for the wanton despoliation of the environment, or responsible

for anything that threatens peace, security and communal well-being, or that exploits or demeans, corrupts or degrades humankind, or is indifferent to the well-being of animals.

We recognise the complexities and ambiguities 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 who are in clear breach of our ethical 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:

- more than 20% of whose turnover derives from a primary focus on gambling, and the production or sale of alcoholic beverages or tobacco products;
- whose turnover derives to a material extent from pornography or the proliferation of armaments beyond areas of legitimate defence and international peace keeping.

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 whom it refers problematic cases, and from whom it receives an annual report.

Representative Body Membership

Chairman and Deputy Chairman

The Lord Rowe-Beddoe DL
(Chairman)

Mr J J Turner
(Deputy Chairman)

Ex Officio Membership

The Most Reverend Dr B C Morgan
Archbishop of Wales

His Honour Philip Price QC
Chairman, Standing Committee

Mr J J Turner
Chairman, St Asaph Diocesan Board of Finance

Mr J E Evison *(To 13 May 2011)*
Chairman, Bangor Diocesan Board of Finance

Mr M P Jones
Chairman, St Davids Diocesan Board of Finance

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

Mr R D Blair CBE
Chairman, Monmouth Diocesan Board of Finance

Mr D P L Davies DL
Chairman, Swansea and Brecon Diocesan Board of Finance

Elected Membership

St Asaph

The Reverend Canon R H Griffiths
Mr J C Myers

Bangor

The Venerable M L Williams, Archdeacon of Bangor
(To 31 May 2011)
Mr B A Wynne

St Davids

The Venerable A W Evans, Archdeacon of Carmarthen
Mrs A Lister

Llandaff

The Venerable C B W Smith, Archdeacon of Morgannwg
Mr G I Moses

Monmouth

The Venerable R G Hackett, Archdeacon of Newport
Miss J A Sollis

Swansea and Brecon

The Venerable A J R Thomas, Archdeacon of Brecon
Mr T J P Davenport

Nominated Membership

The Lord Rowe-Beddoe DL
Mr R D Chegwin
Mr J A Roberts *(To 14 February 2011)*
(One vacancy)

Co-opted Membership

Mr J D Hogg OBE
(One vacancy)

Committee Membership

(* denotes non-RB member)

Investment Committee

Mr J A Roberts (Chairman)
(To 10 March 2011)
Mr P R Marshall OBE
(From 3 June 2010)
(Chairman from 10 March 2011)
The Venerable A J R Thomas
Mr P B Kelly *
Mr D Myrddin-Evans *
Mr N V S Paravicini *
Mr R D Thomas *
Mr J J Turner
The Lord Rowe-Beddoe DL
(ex-officio)

Audit Committee

Mr G I Moses (Chairman)
Mr D W Jenkins *
Mrs A Lister

Property Committee

Mr R D Chegwin (Chairman)
The Venerable A W Evans
The Venerable R G Hackett
The Venerable C B W Smith
The Venerable A J R Thomas
The Venerable E B Thomas *
The Venerable M L Williams
(To 31 May 2011)
Mr R Davies *
Mr J E George *
Mr J E Jones *
Mr P M Jones *
(To 3 February 2010)
Mr D A Williams *
(From 15 September 2010)

Human Resources Committee

Mr J C Myers (Chairman)
The Right Reverend D Walker *
Bishop of Monmouth
The Venerable M Squires *
The Reverend Canon R H Griffiths
The Reverend V Hodges *
Mr R D Blair CBE
Mr T J P Davenport
Miss J A Sollis
Mr B A Wynne

Cathedrals and Churches Commission

Mr J D Hogg OBE (Chairman)
The Right Reverend J W Evans *
Bishop of St Davids
The Very Reverend G O Marshall *
(From 6 October 2010)
Mr P G Birkhead *
(To 15 February 2011)
Mr J Orbach *
Mr R J Silvester *
Dr G L Worsley *

Advisers

Auditors:

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Bankers:

Lloyds TSB 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
Quantum House
Pascal Close
St Mellons
Cardiff
CF3 0LW

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

We have audited the financial statements of the Representative Body of the Church in Wales for the year ended 31 December 2010 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

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

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with Regulation 24 of the Charities (Accounts and Reports) Regulations 2008 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.

Scope of the audit of the financial statements

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. In addition, we read all the financial and nonfinancial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2010 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 the Charities Act 1993.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Cardiff, UK

9 June 2011

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.

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 2010

	General Funds 2010 £000	Designated Funds 2010 £000	Restricted Funds 2010 £000	Total Funds 2010 £000	Restated* Total Funds 2009 £000
Incoming Resources					
Incoming Resources from Generated Funds					
Voluntary Income	260	–	16	276	322
Investment Income	2	15,903	205	8	16,116
Incoming Resources from Charitable Activities					
Church Property	–	69	–	69	100
Other Incoming Resources	256	–	–	256	256
Total Incoming Resources	16,419	274	24	16,717	16,900
Resources Expended					
Costs of Generating Funds					
Investment Management Costs	3	1,656	–	–	1,656
Charitable Activities					
Support for Ministry	4	6,371	–	–	6,371
Support for Dioceses and Parishes	5	6,759	474	–	7,233
Other Church Property	6	240	356	–	596
Other Financial Support	7	591	16	26	633
Communication	8	206	–	–	206
Governance Costs	9	723	–	–	723
Total Resources Expended	16,546	846	26	17,418	16,577
Net (outgoing) / incoming resources before transfers	(127)	(572)	(2)	(701)	323
Gross Transfers Between Funds					
Grants	(1)	1	–	–	–
Emergency Aid Fund	(100)	100	–	–	–
Total Transfers	(101)	101	–	–	–
Net (outgoing) / incoming resources before Holding Gains and Losses	(228)	(471)	(2)	(701)	323
Holding Gains and Losses					
Gains on Investment Assets	39,863	1,544	28	41,435	35,697
Less: Allocation to Clergy Pension Provision	21	(10,444)	–	(10,444)	(24,713)
Transfer from / (to) Clergy Pension Provision	21	–	12,139	–	12,139
Actuarial loss on Staff Pension Scheme	11	(61)	–	(61)	(997)
Net Movement in Funds	29,130	13,212	26	42,368	6,250
Reconciliation of Funds:					
Total Funds brought forward as previously reported	262,198	206,873	451	469,522	463,267
Prior Year Cumulative Adjustment	26	–	894	–	894
Total Funds brought forward as restated	262,198	207,767	451	470,416	464,166
Total Funds carried forward	291,328	220,979	477	512,784	470,416

The statement of financial activities incorporates the statement of total recognised gains and losses required by FRS 3. All activities are continuing.

*The 2009 figures have been restated to include listed redundant churches.

Balance Sheet

As at 31 December 2010

	Note	31 December 2010		Restated 31 December 2009	
		£000	£000	£000	£000
Fixed Assets					
Non-Investment Properties	12	204,593		204,804	
Other Tangible Assets	13	142		167	
			204,735		204,971
Investments					
Investment Properties	14	34,255		32,115	
Property Unit Trusts	15	21,161		17,979	
Stock Exchange Securities	16	379,250		340,461	
Money Market Deposits and Loans	17	12,577		17,609	
			447,243		408,164
Current Assets					
Debtors	18	9,606		6,754	
Cash at Bank and in Hand		110		252	
			9,716		7,006
Current Liabilities					
Creditors due within one year	19	(3,651)		(3,781)	
Net Current Assets			6,065		3,225
Total Assets Less Current Liabilities			658,043		616,360
Long Term Liabilities					
Clergy Pension Provision	21		(141,900)		(142,500)
Net Assets before Staff Pension Liability			516,143		473,860
Defined Benefit Staff Pension Liability			(3,359)		(3,444)
Net Assets after Staff Pension Liability			512,784		470,416
Capital and Reserves					
General Funds		294,687		265,642	
Pension Reserve		(3,359)		(3,444)	
			291,328		262,198
Designated Funds	22		220,979		207,767
Restricted Funds	23		477		451
Total Funds			512,784		470,416

The financial statements on pages 34 to 49 were approved by the Representative Body on 9 June 2011.

Lord Rowe-Beddoe, Chairman

Mr JJ Turner, Deputy Chairman

Cash Flow Statement

For the Year Ended 31 December 2010

	31 December 2010		31 December 2009	
	£000	£000	£000	£000
Net cash flow from continuing operating activities				
Net movement in General Funds		29,130		25,834
Net investment (gains) / losses:				
Stock exchange securities	(35,089)		(48,953)	
Investment properties	(3,639)		(1,070)	
Freehold ground rents	(95)		(34)	
Other tangible fixed assets	(1)		(4)	
Non-investment properties	(1,040)		(882)	
Staff Pension Scheme	61		997	
(Decrease) / increase in Restricted Funds	(2)		8	
Increase / (decrease) in Designated Funds	16,690		(4,415)	
(Decrease) / increase in Clergy Pension Provision	(600)		30,110	
Depreciation	60		52	
Staff Pension Scheme	(146)		(185)	
Increase in debtors	(2,852)		(3,502)	
(Decrease) / increase in creditors	(130)		629	
Net cash flow from operating activities		2,347		(1,415)
Cash Flow Statement				
Net cash flow from continuing operations		2,347		(1,415)
Capital expenditure and investments				
Purchase of non-investment properties	(5,826)		(2,683)	
Sale of non-investment properties	3,311		4,116	
Purchase of other tangible fixed assets	(46)		(124)	
Sale of other tangible fixed assets	12		37	
Purchase of property unit trusts	(4,091)		–	
Sale of property unit trusts	2,408		–	
Purchase of investment properties	–		(4,963)	
Sale of investment properties	–		331	
Purchase of stock exchange securities	(351,548)		(178,442)	
Sale of stock exchange securities	348,135		187,819	
Sale / (purchase) of glebe	29		(56)	
Sale of freehold ground rents	95		34	
Increase in loans	(1,122)		(551)	
Decrease / (increase) in clergy car loans	18		(21)	
		(8,625)		5,497
Management of liquid resources				
Decrease / (increase) in money market deposits		6,136		(3,935)
(Decrease) / increase in cash		(142)		147
Analysis of cash				
Balance at 1 January 2010		252		105
Net cash (outflow) / inflow		(142)		147
Balance at 31 December 2010		110		252

Notes to the Accounts

I Accounting Policies

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.

Following the Charities Act 2006, the Representative Body is no longer an exempt charity, and is currently in the process of registering with the Charity Commission. The financial statements are prepared in accordance with the Statement of Recommended Practice 2005 (SORP 2005), and applicable accounting standards in the United Kingdom.

As a result of the existence of a growing database of information concerning the sale of listed redundant churches, the Representative Body has concluded that there is sufficient information available in order to enable a reasonable estimate of the market value of such assets to be calculated. Accordingly, a prior year adjustment to reflect the value of such assets has been made and the impact of the prior year adjustment is set out in note 26. This change in accounting policy is in accordance with FRS 15 "Tangible Fixed Assets" (see (g) on page 38). Further information on the valuation method is set out within (e) below.

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 are accrued. Interest and dividends on stock exchange securities and proceeds from the sale of parsonages are credited on the date of receipt.

(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 2010.

Stock Exchange Securities

Stock exchange securities are stated at market values based on middle market prices at 31 December 2010. 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

In order to fully comply with the SORP 2005 and Financial Reporting Standard 15 'Tangible Fixed Assets', the Representative Body includes parsonages, unlisted churches, listed redundant churches, former churches and church halls in the Balance Sheet.

These asset classes were valued by the in-house Property Department under the control of Alex Glanville, FRICS.

The valuations were carried out as at 31 December 2010.

The basis of the valuation for each type of asset 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 2010. 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 2010.

Administrative Offices

The office at 39 Cathedral Road is valued at open market value (existing use) based on a professional valuation.

Unlisted Churches, Listed Redundant Churches, Former Churches and Church Halls

Unlisted churches, listed redundant churches, former churches and church halls are stated at their net realisable values using evidence from sales of these types of property over the past five years.

Glebe

Glebe is valued on the average price of agricultural land in Wales, according to the RICS Rural Land Market Survey.

(f) Depreciation of Other Tangible Assets

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

Motor vehicles 20% p.a. Office Equipment 33 $\frac{1}{3}$ % p.a.

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

Notes to the Accounts

I Accounting Policies continued

(g) Heritage Assets

Financial Reporting Standard 15 'Tangible Fixed Assets' requires that all tangible fixed assets should be capitalised in the Balance Sheet. Following the publication of FRS 30 "Heritage Assets", the Representative Body has reconsidered the nature of its heritage assets and concluded that there is no significant impact on the accounting treatment adopted for such assets.

The Representative Body considers that Cathedrals, listed Churches (except listed redundant churches) and Churchyards, many of which were transferred under the provision of the Welsh Church Acts 1914 to 1945 or were bequeathed to the Representative Body since 31 March 1920, are not valued because significant costs would be involved in the reconstruction or analysis of past accounting records, and valuations would be onerous compared with the additional benefit derived by users of the accounts in assessing the trustees' stewardship of the assets.

The Representative Body's Property Database confirms that heritage assets, including 6 Cathedrals, 977 Listed Churches and 1,223 Churchyards were held at 31 December 2010. Listed places of worship have been classified as heritage assets in accordance with the SORP. 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.

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 period which were converted at the actual rate obtaining.

(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 Clergy Widow(er)s

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.

Following the introduction of FRS 17, an annual actuarial valuation is obtained and any excess or shortfall between the actuarial liabilities and the Clergy Pension Provision is transferred to or from 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. Further details are given in note 21.

(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 17, 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 of the Church in Wales 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 Investment Income

	General Funds 2010 £000	Designated Funds 2010 £000	Restricted Funds 2010 £000	Total Funds 2010 £000	Total Funds 2009 £000
Gross income from property	3,854	–	–	3,854	3,730
Income from stock exchange securities	11,910	205	8	12,123	12,286
Interest from money market deposits and loans	139	–	–	139	206
	15,903	205	8	16,116	16,222

3 Investment Management Costs

	General Funds 2010 £000	Designated Funds 2010 £000	Restricted Funds 2010 £000	Total Funds 2010 £000	Total Funds 2009 £000
Stock Exchange Advisers	1,294	–	–	1,294	732
Investment Property Advisers	149	–	–	149	179
Property Unit Trusts Advisers	23	–	–	23	20
Sundry Property Costs	79	–	–	79	108
Support Costs	111	–	–	111	105
	1,656	–	–	1,656	1,144

4 Support for Ministry

	General Funds 2010 £000	Designated Funds 2010 £000	Restricted Funds 2010 £000	Total Funds 2010 £000	Total Funds 2009 £000
Bishops	813	–	–	813	818
Diocesan and Parochial Clergy					
Contribution to Clergy Council Tax	–	–	–	–	9
Sundry Clergy Benefits	7	–	–	7	54
Clergy Pensions					
Clergy Pension Provision – past service contributions (note 21)	3,829	–	–	3,829	3,991
Clergy Training					
Training of Ordinands	485	–	–	485	412
Clergy Property					
Diocesan Inspectors' costs	448	–	–	448	366
Episcopal Residences	79	–	–	79	100
Interest on Diocesan Improvement Funds	9	–	–	9	11
Support Costs	701	–	–	701	677
	6,371	–	–	6,371	6,438

5 Support for Dioceses and Parishes

	General Funds 2010 £000	Designated Funds 2010 £000	Restricted Funds 2010 £000	Total Funds 2010 £000	Total Funds 2009 £000
Grant to Dioceses	6,089	–	–	6,089	5,926
Repairs and Extensions to Churches	–	357	–	357	248
Emergency Aid	–	117	–	117	182
Support Costs	670	–	–	670	581
	6,759	474	–	7,233	6,937

6 Other Church Property

	General Funds 2010 £000	Designated Funds 2010 £000	Restricted Funds 2010 £000	Total Funds 2010 £000	Total Funds 2009 £000
Redundant Churches	–	104	–	104	185
Church Sales Regulations	–	252	–	252	–
Sundry Property Insurance	16	–	–	16	13
Land Registration	1	–	–	1	3
Church Heritage Officer	7	–	–	7	3
Support Costs	216	–	–	216	212
	240	356	–	596	416

Notes to the Accounts

7 Other Financial Support

	General Funds 2010 £000	Designated Funds 2010 £000	Restricted Funds 2010 £000	Total Funds 2010 £000	Total Funds 2009 £000
Church in Wales Bodies:					
DACs and Cathedrals and Churches Commission	67	–	–	67	67
Disciplinary Tribunal Costs	–	–	–	–	4
Anglican and Ecumenical Bodies:					
CTBI and Cytun	48	–	–	48	44
Anglican Consultative Council	38	–	–	38	38
Commission of Covenanting Churches	14	–	–	14	14
Mission to Seafarers	32	–	–	32	31
World Council of Churches	5	–	–	5	5
Sundry Grants	41	16	26	83	194
Other support					
St Michael's College	155	–	–	155	159
Redundant Churches Mechanism	30	–	–	30	30
Lay Readers' Course	69	–	–	69	49
St Michael's College – pension contributions	34	–	–	34	34
Support Costs	58	–	–	58	55
	591	16	26	633	724

8 Communication

	General Funds 2010 £000	Designated Funds 2010 £000	Restricted Funds 2010 £000	Total Funds 2010 £000	Total Funds 2009 £000
Church in Wales Publications	51	–	–	51	71
Support Costs	155	–	–	155	149
	206	–	–	206	220

9 Support Costs

	Investment Management Costs £000	Support for Ministry £000	Support for Dioceses & Parishes £000	Other Church Property £000	Other Financial Support £000	Communication £000	Governance £000	Total 2010 £000	Total 2009 £000
Secretariat	–	16	20	8	29	10	256	339	338
Human Resources and Office Services	10	151	149	19	5	14	75	423	343
Finance	86	174	81	16	18	1	166	542	514
Property	–	69	103	129	–	–	36	337	330
Legal	7	35	85	28	2	–	79	236	232
Information Technology	8	97	116	16	4	11	49	301	300
Bishops' Advisers	–	159	116	–	–	119	62	456	420
	111	701	670	216	58	155	723	2,634	2,477

Governance costs includes audit fees of £35,000 (2009: £38,000) in respect of the audit of the Representative Body, and £4,500 (2009: £4,500) in respect of the Staff Retirement Benefit Scheme. Governance costs also include £58,000 (2009: £59,000) 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

	2010 £000	2009 £000
Staff Costs		
Salaries	1,758	1,658
Social Security costs	149	140
Current Service Pension costs	289	202
Unfunded Pension costs	9	11
	2,205	2,011

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

	2010 Number	2009 Number
£0 to £10,000	3 (*3)	3 (*3)
£10,001 to £20,000	9 (*3)	9 (*4)
£20,001 to £30,000	27 (*1)	25 (*1)
£30,001 to £40,000	13	12
£40,001 to £50,000	4	4
£50,001 to £60,000	3	4
£60,001 to £70,000	2	1
£70,001 to £80,000	–	–
£80,001 to £90,000	1	1
	62	59

* Denotes part-time staff

Three employees earning over £60,000 a year were members of the Staff Retirement Benefit Scheme, and a total of £32,000 of current service employer contributions were made during the year in respect of these employees.

11 Staff Pensions

The Representative Body of the Church in Wales operates a defined benefit pension scheme providing benefits for staff it employs directly, based on length of service and final pensionable salaries. The assets of the Scheme are held separately from those of the Representative Body, and are invested with Ecclesiastical Insurance Office Plc, in the Allchurches Higher Income Fund.

The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The current service pension cost for the Representative Body for the Scheme in 2010 was £289,000 (2009: £202,000).

At the date of the last triennial valuation on 31 March 2009, the market value of the assets of the Scheme was £3.215 million. On the basis of the long term assumptions used by the actuary, the Scheme's funding level at 31 March 2009 was 47%, which was equivalent to a deficit of £3.631 million. The contribution rates of the Representative Body and employees during 2010 were 16.1% and 6% respectively. The Representative Body also paid a monthly flat rate in respect of past service totalling £352,728 in 2010.

The valuation used for FRS 17 has been based on the most recent actuarial valuation at 31 March 2009, and updated by Barnett Waddingham to assess the liabilities of the Scheme at 31 December 2010. The FRS 17 liability does not include any allowance for discretionary benefits.

The main financial assumptions used by the actuary to calculate the Scheme liabilities under FRS 17 were as follows:

	31/12/10	31/12/09
Rate of increase in salaries	4.25%	4.25%
Rate of increase in pension payment for service before 1998	5.00%	5.00%
Rate of increase in pension payment for service after 1998	3.50%	3.50%
Discount Rate	5.40%	5.70%
Inflation assumption (RPI)	3.30%	3.30%

Notes to the Accounts

11 Staff Pensions *continued*

Mortality Assumption – The PCxA00 series tables with the long cohort projection subject to a minimum annual rate of improvement of 1.5% per annum for males based on each member's year of birth.

	31/12/10 Basis	31/12/09 Basis
Life Expectancy from age 60		
Male currently aged 50	31.6 years	31.4 years
Male currently aged 60	29.8 years	29.7 years
Female currently aged 50	31.6 years	31.5 years
Female currently aged 60	31.0 years	30.9 years

	31/12/10 £000	31/12/09 £000
The assets in the scheme and the expected rate of return were:		
Value at 31 December	5,994	4,682
Long term rate of return expected at 31 December	6%	6%

The assets are invested in Ecclesiastical Life Limited's Allchurches Higher Income Fund and deferred annuities with Ecclesiastical Life Limited. The overall expected return on assets assumption has been determined by reference to the underlying asset allocation on the assets held and the expected long term rate of return on those asset classes at the year end.

The assets do not include any investment in the Representative Body.

The actual return on the Scheme's assets net of expenses over the period to 31 December 2010 was a gain of £751,000 (2009: £810,000).

	31/12/10 £000	31/12/09 £000
Amounts recognised in the Balance Sheet		
Assets	5,994	4,682
Liabilities	(9,353)	(8,126)
Deficit	(3,359)	(3,444)

Amounts recognised in the Statement of Financial Activities

Current service cost	(289)	(202)
Interest cost	(481)	(405)
Expected return on assets	298	218
Total	(472)	(389)
Actuarial loss	(61)	(997)

Reconciliation of assets and defined benefit obligations

Fair value of assets at 1 January	4,682	3,389
Expected return on assets	298	218
Employer contributions	618	574
Contributions by Plan participants	99	92
Transfers in less benefits paid	(156)	(183)
Actuarial gain on assets	453	592
Fair value of assets at 31 December	5,994	4,682

11 Staff Pensions continued

	31/12/10 £000	31/12/09 £000
Defined benefit obligation at 1 January	8,126	6,021
Current service cost	289	202
Contributions by Plan participants	99	92
Interest cost	481	405
Transfers in less benefits paid	(156)	(183)
Actuarial loss on assets	514	1,589
Defined benefit obligation at 31 December	9,353	8,126

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
History of prior year amounts:					
Assets	5,994	4,682	3,389	3,227	2,785
Liabilities	(9,353)	(8,126)	(6,021)	(6,915)	(6,831)
Deficit	(3,359)	(3,444)	(2,632)	(3,688)	(4,046)
Actual less expected return on assets	453	592	(624)	(28)	96
	8% of the assets	13% of the assets	18% of the assets	1% of the assets	3% of the assets
Experience gains / (losses) on the Scheme liabilities:	77	(145)	(34)	(68)	(63)
	<1% of the liabilities	2% of the liabilities	1% of the liabilities	1% of the liabilities	1% of the liabilities

12 Non-Investment Properties

	2010 £000	Restated 2009 £000
At 1 January 2010	204,804	221,401
Additions	5,826	2,683
Disposals	(3,311)	(4,005)
Net decrease on revaluation	(2,726)	(15,275)
At 31 December 2010	204,593	204,804
Comprising:		
Parsonages, bishops' houses and sundry provincial property	144,986	146,191
Administrative offices	1,895	1,945
Unlisted churches, listed redundant churches, former churches and church halls	48,477	48,944
Glebe	9,235	7,724
	204,593	204,804

Non-investment properties includes parsonages, unlisted churches, listed redundant churches, former churches, church halls, bishops' houses, glebe and sundry provincial property.

Notes to the Accounts

13 Other Tangible Assets

	Office Equipment £000	Motor Vehicles £000	Total £000
Cost			
At 1 January 2010	112	197	309
Additions	31	15	46
Disposals	–	(29)	(29)
At 31 December 2010	<u>143</u>	<u>183</u>	<u>326</u>
Depreciation			
At 1 January 2010	89	53	142
Charge for the year	21	39	60
Disposals	–	(18)	(18)
At 31 December 2010	<u>110</u>	<u>74</u>	<u>184</u>
Net Book Value			
31 December 2010	<u>33</u>	<u>109</u>	<u>142</u>
31 December 2009	<u>23</u>	<u>144</u>	<u>167</u>

14 Investment Properties

	2010 £000	2009 £000
At 1 January 2010	32,115	24,865
Additions	–	4,963
Disposals	–	(331)
Net increase on revaluation	<u>2,140</u>	<u>2,618</u>
At 31 December 2010	<u>34,255</u>	<u>32,115</u>

Investment properties were valued by DTZ Debenham Tie Leung at 31 December 2010 at £34,255,000 on an open market basis in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

15 Property Unit Trusts

	2010 £000	2009 £000
At 1 January 2010	17,979	19,527
Additions	4,091	–
Disposals	(3,151)	–
Net increase / (decrease) on revaluation	<u>2,242</u>	<u>(1,548)</u>
At 31 December 2010	<u>21,161</u>	<u>17,979</u>

16 Stock Exchange Securities

	2010 £000	2009 £000
At 1 January 2010	340,461	299,960
Additions	351,548	178,442
Disposals	(314,106)	(217,224)
Net increase on revaluation	1,347	79,283
At 31 December 2010	<u>379,250</u>	<u>340,461</u>
Historical cost at 31 December 2010	<u>323,220</u>	<u>285,779</u>
Unrealised investment gains at 31 December 2010	<u>56,030</u>	<u>54,682</u>
Investment gains / (losses) calculated on historic basis	<u>34,029</u>	<u>(29,405)</u>
Listed in UK	<u>180,900</u>	<u>257,298</u>
Listed overseas	<u>198,350</u>	<u>83,163</u>
	<u>379,250</u>	<u>340,461</u>

17 Money Market Deposits and Loans

	2010 £000	2009 £000
At 1 January 2010	17,609	13,102
Advances	33,728	50,816
Repayments	(38,760)	(46,309)
At 31 December 2010	<u>12,577</u>	<u>17,609</u>
Comprising:		
Money Market Deposits	3,973	10,109
Diocesan Loans	6,647	6,535
St Michael's College	1,690	680
Clergy Car Loans	267	285
	<u>12,577</u>	<u>17,609</u>

18 Debtors

	2010 £000	2009 £000
Prepayments	898	806
Other debtors	1,737	1,703
Accrued income	1,488	391
Amounts due from stockbrokers	5,483	3,854
	<u>9,606</u>	<u>6,754</u>

19 Creditors due within one year

	2010 £000	2009 £000
Other taxation and social security	434	425
Rents received in advance	489	501
Amounts owed to special trusts	1,009	1,060
Other creditors	338	281
Accruals	1,381	1,309
Amounts due to stockbrokers	—	205
	<u>3,651</u>	<u>3,781</u>

Notes to the Accounts

20 Diocesan Maintenance of Ministry Fund

	31 December 2010		31 December 2009	
	£000	£000	£000	£000
Income:				
Diocesan Boards of Finance	12,296		12,278	
Other Income	82		17	
		<u>12,378</u>		<u>12,295</u>
Less: Payments				
Clergy Stipends	10,434		10,270	
Curates Stipends	656		803	
National Insurance Contributions	1,050		1,047	
Services in vacant incumbencies	98		100	
Sundry expenses and other payments	120		52	
Payments to diocesan officers	20		23	
		<u>12,378</u>		<u>12,295</u>

21 Clergy Pension Provision

	31 December 2010		31 December 2009	
	£000	£000	£000	£000
At 1 January 2010		142,500		112,390
Current service contributions from Dioceses	2,895		2,938	
Other current service contributions	181		151	
Transfer from General Funds:				
Allocation from income (note 4)	3,829		3,991	
Allocation of net investment gains	10,444		13,347	
		<u>17,349</u>		<u>20,427</u>
Less:				
Pension payments to retired clergy	3,741		3,680	
Pension payments to clergy widow(er)s	1,484		1,555	
Gratuity payments to retired clergy	525		383	
Transfers	(12)		94	
Administrative expenses	72		31	
		<u>(5,810)</u>		<u>(5,743)</u>
Transfer (to) / from Pension Equalisation Fund		(12,139)		4,060
Transfer from General Funds		–		11,366
At 31 December 2010		<u>141,900</u>		<u>142,500</u>

The Clergy Pension Provision has been established in accordance with the advice of our actuaries, to meet liabilities for clergy and clergy widow(er)s' pensions and gratuities. The actuarial valuation and basis of annual provision is reviewed every three years. The actuarial valuation at 31 December 2007, undertaken by Watson Wyatt, assessed the liability of the Representative Body for past service on the current funding basis at £126.86 million, which represented 26.2% of total funds at that date. Based upon this valuation, the annual transfer from General Funds has comprised 26.2% of total income (reflecting income on the liability for past service) and 26.3% of total stipends being the contribution for continuing service. A transfer is also made from General Funds comprising 26.2% of net investment gains and losses.

Quantum Advisory have reassessed the pension liability as at 31 December 2010, using a discount rate of 5.4% at £141.9 million. The provision has been adjusted to the liabilities and the balance transferred to the Pension Equalisation Fund (note 22). The full actuarial valuation at 31 December 2010 has yet to be formally agreed by the Representative Body, and the revised contribution rates will be included in the 2011 accounts.

21 Clergy Pension Provision continued

The key financial assumptions used for the full actuarial valuations at 31 December 2007 and at 31 December 2010 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 2010	31 December 2007
Financial assumptions (nominal % pa)		
Discount rate	5.4%	5.8%
Rate of price inflation (RPI)	3.4%	3.3%
Rate of increase of stipends for clergy in service *	4.4%	4.3%
Rate of increase of pensions in payment (stipend linked)	3.9%	3.8%
Rate of increase of pensions in payment (LPI 5%)	3.2%	3.3%
Deferred pensions increase rate	3.2%	3.3%
Post retirement mortality (life expectancy, in years):		
Current pensioners age 65 – males	22.1	21.9
Current pensioners age 65 – females	25.0	24.8
Future pensioners age 65 (currently age 45) – males	23.2	23.0
Future pensioners age 65 (currently age 45) – females	26.0	25.8

* including a 0.5% pa allowance for promotional increase.

22 Designated Funds

	Restated 1 January 2010 £000	Movement in Resources		Balance 31 December 2010 £000
		Incoming £000	Outgoing £000	
Grants for Curates Houses (Funds available to provide grants to parishes to assist in the acquisition of Curates Houses)	85	2	–	87
Repairs and Extensions to Churches (Funds available to parishes)	543	191	357	377
Emergency Aid (Funds available for costs arising due to emergencies)	292	102	117	277
Overseas Fund (Funds available at the discretion of the Bishops to assist in overseas aid)	36	12	10	38
Publications (Funds for publications)	135	–	–	135
Other Purposes (Funds for specific non-recurring purposes)	156	1	2	155
Clergy Retirement Housing Reserve (Capital fund for Clergy Housing Loans)	5,116	67	4	5,179
Church Repairs Capital Reserve (Capital fund for Church Repairs)	5,124	289	–	5,413
Provincial Houses for Curates Reserve (Capital fund for Provincial Curates Houses)	1,792	–	–	1,792
Redundant Churches (Funds available to contribute to costs arising in the maintenance and safety of redundant churches)	213	67	104	176
Church Sales Regulations * (Funds available from the sale of churches towards the cost of providing or adapting another place of worship in the same parish)	–	5,931	252	5,679
Diocesan Parsonage Improvements (Funds available for improvements to parsonages and acquisitions of new parsonages)	2,592	3,509	5,368	733
Pension Equalisation Fund (Funds available for Pension Liabilities)	3,444	12,139	–	15,583

Notes to the Accounts

22 Designated Funds continued

	Restated 1 January 2010 £000	Movement in Incoming £000	Resources Outgoing £000	Balance 31 December 2010 £000
Revaluation Reserve (Unrealised gains on parsonages, unlisted churches, listed redundant churches, former churches, church halls and sundry property)	185,739	–	7,075	178,664
Property Reserve	2,500	4,191	–	6,691
	207,767	22,310	9,098	220,979

* Church Sales Regulations were included within Special Trusts in 2009, and therefore incoming resources include an element relating to prior periods.

23 Restricted Funds

	Balance 1 January 2010 £000	Movement in Incoming £000	Resources Outgoing £000	Balance 31 December 2010 £000
Parsonage Houses (Funds available from the sale of parsonage houses to be used for acquisitions of new parsonages in the same parish)	437	36	–	473
Jubilee Fund (Funds available for overseas projects)	14	16	26	4
	451	52	26	477

24 Funds Held on Behalf of Others

Special Trusts

The Representative Body of the Church in Wales 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 of the Church in Wales is the managing or custodian trustee of the funds. The aggregate value of these special trusts at 31 December 2010 was £31,862,000 (2009: £36,563,000) and was invested in stock exchange securities and the Church in Wales' Common Investment Fund.

The income on these funds was £1,324,000 (2009: £1,236,000) and was wholly distributed to beneficiaries.

Custodian Trustee

The Representative Body of the Church in Wales is the custodian trustee of:

- 11 parsonages.
- St Michael's College, Llandaff.

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. All transactions involving organisations in which a member may have an interest are conducted at arms length.

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 the Bishops and Stipendiary Clergy are based on the Clergy Stipends set out on page 10 of this report.
- The six Diocesan Boards of Finance receive a Block Grant totalling £6,089,000, and have outstanding loans totalling £3,982,000 which have been advanced under the Clergy Retirement Housing Loan Scheme.

26 Prior Year Cumulative Adjustment

As explained in note 1, the decision to value listed redundant churches has resulted in a prior year adjustment.

	General Funds 2009 £000	Designated Funds 2009 £000	Restricted Funds 2009 £000	Total Funds 2009 £000	Total Funds 2008 £000
Listed Redundant Churches	–	894	–	894	899

27 Stock Exchange Securities

	31 December 2010	
	Market Value £000	Market Value %
Fixed Interest		
British Government Bonds	14,804	3.9
UK Bonds	31,360	8.3
Overseas Bonds	5,681	1.5
Total Fixed Interest	51,845	13.7
Equities		
Consumer Goods & Services	49,891	13.2
Energy	38,440	10.1
Financials	42,284	11.1
Health Care	33,021	8.7
Industrials	30,667	8.1
Materials	34,351	9.1
Property & REITs	13,012	3.4
Technology	23,460	6.2
Telecommunications	23,590	6.2
Utilities	17,773	4.7
Total Equities	306,489	80.8
Alternative Assets	20,916	5.5
GRAND TOTAL	379,250	100.0

Top Twenty Holdings as at 31 December 2010

	£000		£000
BHP Billiton Plc	8,271	Zurich Financial Services Group	4,040
Royal Dutch Shell Plc	6,844	Findlay Park Latin America Inc	4,010
HSBC Holdings Plc	6,680	Statoil Asia	3,975
Glaxosmithkline Plc	6,584	National Grid Plc	3,759
Barrick Gold Plc	5,948	Centrica Plc	3,674
Vodafone Group Plc	5,748	6% Treasury Loan 2028	3,562
British Petroleum Plc	5,291	ICAP Plc	3,509
BG Group Plc	4,462	Fresenius Medical Care	3,497
Novartis Plc	4,405	Standard Chartered Plc	3,345
Emerson Electric Co	4,054	Sarasin Energingsar Global SICAV	3,308

Ten Year Review – General Funds

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000	2001 £000
Income										
Stock Exchange Investments	10,615	11,346	14,794	13,201	12,526	11,626	10,875	11,255	11,156	11,824
Property Income	3,604	3,424	3,285	3,467	3,147	2,736	3,018	2,966	3,256	3,081
Other income	395	462	951	1,163	914	918	663	679	749	1,180
Total Net Income	14,614	15,232	19,030	17,831	16,587	15,280	14,556	14,900	15,161	16,085
Expenditure										
Clergy Emoluments	820	881	1,580	2,198	3,735	4,377	4,765	5,113	5,388	5,762
Clergy and Clergy Widow(er)s Pensions	3,829	3,991	4,986	4,957	7,381	7,002	6,311	6,238	6,298	5,973
Clergy Houses	560	496	453	389	1,368	1,309	1,275	1,171	1,150	1,071
Block Grant to Dioceses	6,089	5,926	5,870	5,699*	–	–	–	–	–	–
	11,298	11,294	12,889	13,243	12,484	12,688	12,351	12,522	12,836	12,806
Provincial Services	2,324	2,242	2,169	1,972	1,866	1,821	1,774	1,734	1,743	1,583
Sundry Grants including Clergy Training	1,119	1,034	843	315	840	791	598	1,059	812	1,056
Bishops' Advisers / CMM	456	420	451	340	373	517	532	501	530	540
Publications	51	71	63	70	112	90	91	78	71	104
Total Expenditure	15,248	15,061	16,415	15,940	15,675	15,907	15,346	15,894	15,992	16,089
(Deficit) / Surplus	(634)	171	2,615	1,891	912	(627)	(790)	(994)	(831)	(4)
Reconciliation to the Statement of Financial Activities:										
Net (outgoing) / incoming resources before transfers	(127)	702	3,089	2,124	1,233	–	–	–	–	–
Clergy Training Grants	–	–	–	–	(330)	–	–	–	–	–
Emergency Aid Fund	(1)	(1)	(1)	(11)	(11)	–	–	–	–	–
Redundant Churches	(100)	(100)	–	–	–	–	–	–	–	–
Capital Gifts and Legacies	–	–	(293)	–	–	–	–	–	–	–
FRS 17 Pension Scheme Adjustment	(260)	(245)	(85)	(167)	(25)	–	–	–	–	–
	(146)	(185)	(95)	(55)	45	–	–	–	–	–
(Deficit) / Surplus as shown above	(634)	171	2,615	1,891	912	(627)	(790)	(994)	(831)	(4)

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