

THE REPRESENTATIVE BODY OF THE CHURCH IN WALES

Annual Report and Accounts 2008



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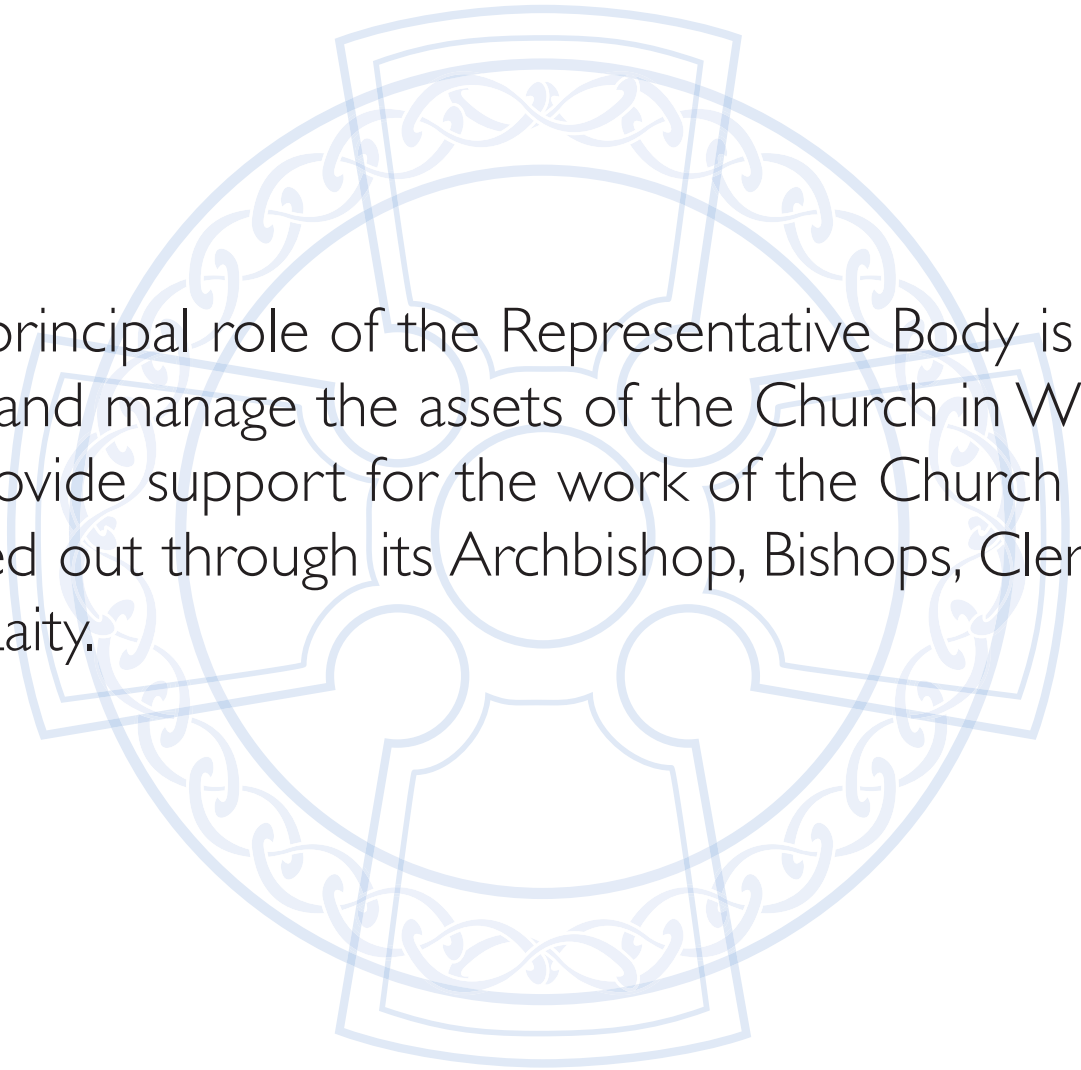
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our *role*

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 2008

Careful stewardship of the Church's resources enabled the Representative Body to extend the range of support provided to the Church in Wales, despite the global economic downturn.

Actuarial Valuation of the Clergy Pension Scheme

In December 2007 the Representative Body commissioned its triennial actuarial valuation of the Clergy Pension Scheme. This review provides the Representative Body with important information not only about the level of funding required for the Scheme, but also on the long-term balance of its assets and liabilities. The latest valuation confirmed that the Scheme is well-funded, and remains within prudent parameters in terms of the size of the pension liability. (Further details on the Clergy Pension Scheme and the actuarial valuation can be found on pages 10 and 11.)

Triennial Review of Expenditure and Commitments

The Representative Body is committed to providing the maximum sustainable level of support for the work of the wider Church in Wales: new or increased expenditure will not be taken on without reference to existing important long-term commitments – in particular the Clergy Pension Scheme. The first of a regular series of triennial reviews of expenditure and commitments was undertaken in 2008 in the light of the results of the actuarial valuation of the Clergy Pension Scheme. As a result, the Representative Body has allocated an additional £1 million per annum to expenditure, including an additional £500,000 of annual funding to dioceses via the block grant system. The next such review will take place in 2011.

Caring for God's Creation

The Representative Body supported a set of principles for sustainability established by the Bench of Bishops and also the production of a Parish Green Guide. This document seeks to help parishes consider green issues through a checklist for action and sources of advice together with ideas for worship activity connected with the environment.

Transforming Communities

The Representative Body organised a second conference exploring ways in which buildings can be used more imaginatively to benefit both the congregation and the wider community. A number of exciting projects are being developed throughout Wales leading to new life and opportunities for these key community assets. Support and advice on this vital topic will develop in future years.



chairman's introduction



There is no doubt that 2008 was a turbulent year for the financial world – and, by extension, for society more generally – with no likelihood of an immediate improvement of the position evident for 2009. In common with investors across the world the

Representative Body has been affected by the instability of the markets, with a significant fall in the valuation of our total assets. Nevertheless there are good reasons for the Representative Body to continue to be confident about the financial outlook and its ability to support the work of the wider Church in a variety of ways in the years ahead.

First, the Representative Body has invested with a view to long-term returns to ensure that important long-term liabilities, such as the Clergy Pension Scheme, can be met.

Second, the Representative Body has planned on the basis of cautious assumptions. This has meant that decisions about how much money we are able to spend have been made in such a way as to ensure that new expenditure is sustainable in the long-term despite fluctuations in the economic climate. For example, the way in which we approached the major review of financial commitments and expenditure in June 2008 has meant that we are able to remain committed to additional expenditure despite the subsequent change in the economic climate. This includes an increase of £500,000 per annum in the Block Grant to dioceses, raising the total grant for 2009 to £5.9 million.

As I hope this Annual Report demonstrates, we have also been able to continue to support the work of the Church in other ways too – advice to parishes on conservation issues, assistance for ambitious projects to find new ways of using our buildings, the provision and extension of various clergy benefits, and advice on all kinds of issues (legal, property, financial, human resources) to parishes and dioceses.

Our message to the Church at this most difficult time financially is that the Representative Body is well placed to continue to support the Church in Wales and its work at all levels, and that it is committed to doing so. We recognise the increased financial constraints upon church members and parishes, and pay tribute to the giving of current church members which is the bedrock of the Church's financial stability. The Representative Body's objective as ever is to employ the significant assets built up by the generosity and prudent stewardship of current and previous generations to support parishes and dioceses in their mission and ministry to the people and communities of Wales at a time when that work is sorely needed. We have confidence in the future, and we would encourage the wider Church to share that confidence.

Finally, the work of the Representative Body owes much to the dedication of its staff and my thanks are due to them for their contribution in the past year.

A handwritten signature in black ink, appearing to read 'Lord Rowe-Beddoe', with a long horizontal stroke extending to the right.

Lord Rowe-Beddoe
Chairman of the Representative Body

Objectives and Activities

The Representative Body's key objectives are:

- **To manage its investments so as:**
 - to meet the past service liabilities of the Clergy Pension Scheme;
 - to provide the maximum sustainable level of support for the work of bishops, dioceses, cathedrals and parish ministry.
- **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 professional and administrative service across a 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 information.

For 2008, the main objectives were:

- **Financial Stability** – To ensure financial stability with regards to the clergy and staff pension schemes.
- **Triennial Review of Expenditure and Commitments** – To ensure future levels of expenditure are sustainable in the long-term.
- **Fund Performance** – To make an investment return that exceeds the benchmarks.
- **Green Issues** – To support and enable the Church in Wales in its efforts at all levels to become more efficient in its use of the world's resources.
- **Redundant Churches** – To seek to reduce the potential liability to the Representative Body of redundant church buildings through providing help for diocesan planning of building needs and pursuing consistency in planning practice across Wales by local authorities.
- **Charities Act** – To help the Church in Wales – both provincially and at a parish level – to prepare for the implementation of the Charities Act 2006.

how we *performed*

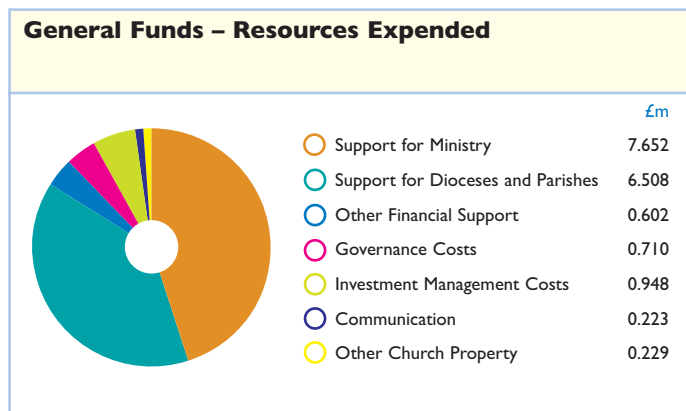
Investment returns were badly hit by the effects of the credit crunch and subsequent downturn. However, significant support has continued to be provided for all areas of the Church's work.

Overall Financial Position

During 2008, the value of the Representative Body's assets decreased from £594 million to £463 million reflecting unrealised losses on investments and property, caused principally by the downturn in the world economy. Further information about investment performance and the fall in capital values is given on page 8 and in the Balance Sheet on page 35.

General Funds

In contrast to the decline in investment values, total income from general funds in 2008 was £19.96 million compared with £18.84 million in 2007, an increase of 6%. Expenditure increased by only 1% from £16.71 million in 2007 to £16.87 million in 2008, leaving a balance of £3.09 million before transfers.



As highlighted in the Ten Year Review on page 50, income has risen steadily since 2004, but this trend is not expected to continue in the short to medium term.

Reserves Policy

General Fund

At 31 December 2008 unrestricted general reserves amounted to £236 million.

The Representative Body holds general reserves on a long term basis in order to maximise its income-generating investment assets, as investment income meets a substantial proportion of the Church's costs. Accordingly, the Representative Body has not determined a formal upper or lower limit on the amount of general reserves.

Designated Funds

At 31 December 2008, designated funds amounted to some £227 million. Details of the designated funds are set out on page 47 of the accounts.

The most significant fund is the Revaluation Reserve, with a balance of £205 million, which arises from the SORP's requirement to include all assets on the balance sheet. This represents the unrealised gains on non-investment property, such as parsonage houses, unlisted churches and church halls.

Restricted Funds

At 31 December 2008, restricted funds amounted to £361,000. 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 23 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 Ethical Investment Policy Statement agreed by the Representative Body and the Governing Body in 2002 (a copy of the Statement may be found on page 28).

Diversification in a range of assets forms part of the investment strategy in order to reduce the level of risk. Asset allocation and performance is reviewed annually and the exposure to asset classes is currently permitted within agreed ranges, as shown below.

A review of asset allocation took place during 2008, and in consultation with the fund managers of both the UK and Overseas equity funds it was agreed that investment in overseas equities should increase. Subsequently, the revised ranges below were agreed, and £34 million was transferred from UK equities to Overseas equities.

Asset Allocation				
Asset class	UK Equities	Overseas Equities	UK Fixed Income & Cash	Commercial Property
Range	40-50%	15-25%	7.5-22.5%	10-20%
Allocation at 31/12/08	50%	24%	13%	13%

Performance

Total Fund Performance

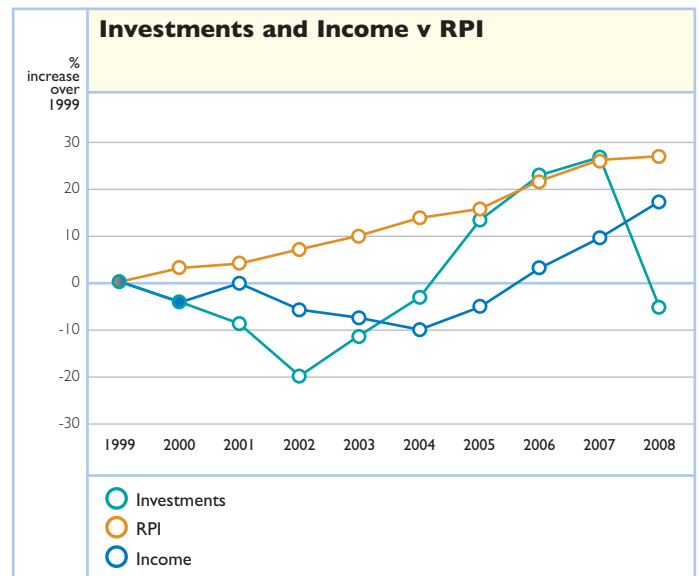
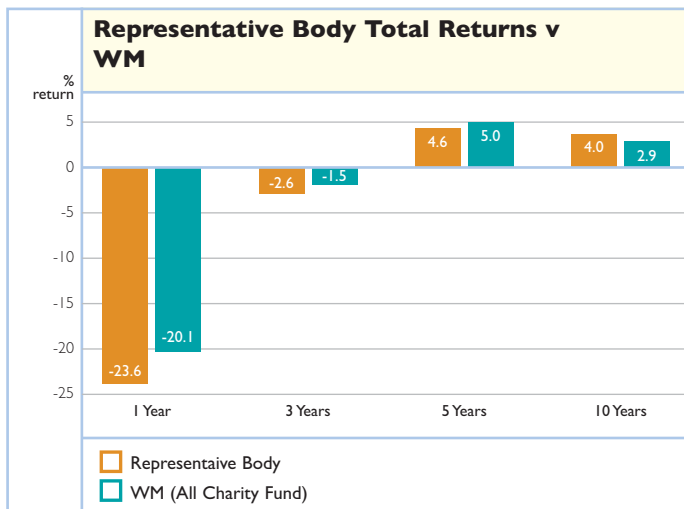
The Representative Body's investment fund performance is measured relative to the WM All Charity Fund Index.

The Representative Body's Fund produced a total return in 2008 of -23.6% compared to the benchmark WM return of -20.1%. Total returns over periods of 3, 5 and 10 years were -2.6% (-1.5%), 4.6% (5.0%) and 4.0% (2.9%) respectively (WM benchmark return in brackets). Whilst 3 and 5 year performance was below the benchmark, longer term performance over 10 years exceeded the benchmark by an average of 1.1% per annum and RPI by 1.4% per annum. During 2008 the capital value of the Representative Body's investments fell from £480 million to £357.5 million.

Total return takes account of both income and changes in capital values. The value of the capital base is of particular significance in assessing the Clergy Pension Scheme liability. The next valuation of the Clergy Pension Scheme is due at the end of 2010.

The extent of the world economic downturn is illustrated by looking at the effect on the long-term performance of the Representative Body's Fund. At the end of 2007 the annual total returns for the previous 5 and 10 year periods were 13.9% and 8%, whereas at the end of 2008 the corresponding figures were 4.6% and 4% respectively.

The graph below shows changes in the capital value of the Representative Body's funds and income generated compared with RPI.



Total Returns on Asset Classes

The table below shows the total returns on asset classes within the Representative Body's general fund over the past year, 5 and 10 years compared to the benchmark WM All Charity Fund Index Return (shown in brackets):

	1 year 2008 %	5 years 2004-2008 %	10 years 1999-2008 %
UK Equities	-27.8 (-30.3)	5.5 (3.7)	3.3 (1.6)
Overseas Equities	-21.7 (-20.5)	5.4 (5.8)	2.8 (2.6)
UK Fixed Income	-11.1 (6.5)	0.9 (5.2)	3.5 (4.9)
Cash	2.4 (4.4)	4.4 (4.6)	4.6 (4.9)
Commercial Property	-25.1 (-22.4)	3.6 (3.7)	6.2 (6.5)
Total Fund	-23.6 (-20.1)	4.6 (5.0)	4.0 (2.9)

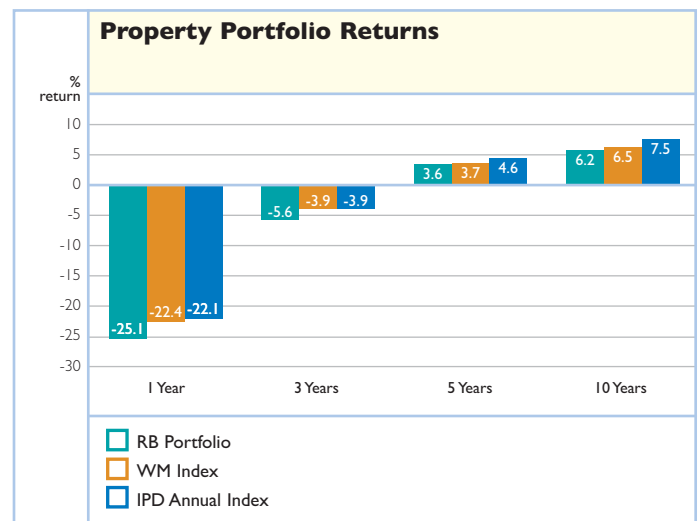
The Representative Body's funds are predominantly invested in UK equities, which outperformed the benchmark over all periods, and particularly over 5 and 10 years where it was one of the few asset classes to outperform. Overseas equities underperformed in 2008, and over 5 years, although performance over the 1 and 5 year benchmarks had been extremely strong in 2007.

Cash, in which only a small proportion of the fund was invested, underperformed over all periods. UK Fixed Interest was the worst performing class relative to the benchmark over all periods, with very weak 2008 performance caused by the impact of the credit crunch on corporate bonds where the fund was overweight relative to the benchmark. This caused the underperformance of the total fund in 2008 and over the 5 years to 2008, and impacted on the fund's performance over ten years.

Commercial Investment Property

The Commercial Property portfolio underperformed during 2008, but has produced average annual returns of 6.2% over 10 years, making property the best performing asset class for the Representative Body in absolute terms.

The graph below shows the total return from the Representative Body's property portfolio compared to the property element of the WM benchmark and the IPD Annual Index (IPD = Investment Property Databank).



Cluttons LLP were appointed to manage the investment property portfolio at the end of 2007, and commenced their management of the portfolio at the start of 2008. The strategy for the portfolio was reviewed during 2008 in consultation with the new property managers, and it was agreed to rebalance the portfolio to 70% direct property and 30% property unit trusts. The allocation at the end of 2008 was 56% direct property and 44% indirect property. In accordance with the agreed strategy, a distribution warehouse located in Avonmouth was purchased in February 2009 for £2.25 million, at an initial yield of 9.1%, with a lease term to September 2018.

Supporting the Ministry

Grants to Dioceses

Since 2007, the Representative Body has provided each diocese with an annual block grant to help meet such costs as clergy pensions (current service), maintenance of clergy housing, diocesan dignitaries and funding for cathedrals. The block grant replaced a series of designated grants, and enables provincial funding to be used more flexibly by the dioceses. In 2008 the total block grant was £5.87 million.

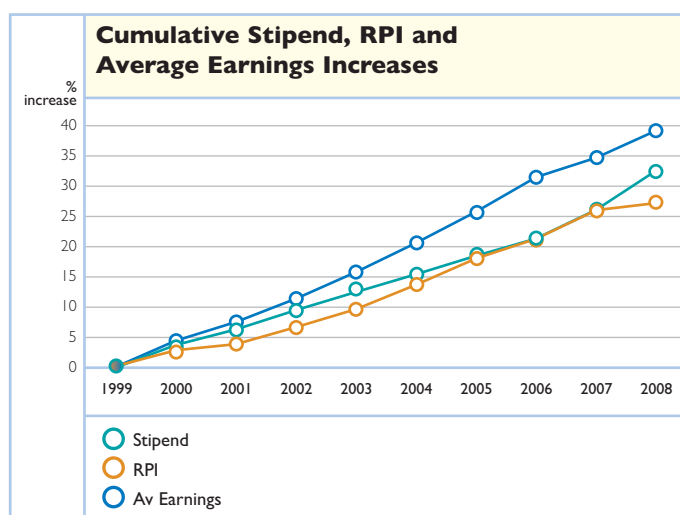
During 2008 the Representative Body also contributed £654,000 to the Maintenance of Ministry Fund. In addition, Bishops' costs continue to be met directly by the Representative Body.

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, and for budgetary purposes are set one year in advance. From 1 January 2009 clergy stipend levels (incorporating an increase of 4.0% on 2008 levels, based on RPI at 31 December 2007) are:

	2009 Stipend Level £	% of incumbent's Stipend
Assistant Curate, Cathedral Chaplain	17,581	85%
Incumbent and Vicar in Rectorial Benefice*	20,684	100%
Incumbent of Rectorial Benefice*	21,716	105%
Residentiary Canon	23,784	115%
Archdeacon	31,645	153%
Dean	32,058	155%
Assistant Bishop	35,160	170%
Diocesan Bishop	38,264	185%
Archbishop	41,366	200%

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



Clergy Pensions and Gratuities 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' service, retiring in 2008 would receive a lump sum gratuity of £29,832 and an annual pension of £11,933. On the death of a cleric, the spouse (assuming marriage before retirement) would receive 60% of the cleric's pension, which in 2008 was £7,160 for full service.

The pension provision forms part of the overall investments of the Representative Body and the long term challenge is to ensure that pension liabilities are held at an acceptable percentage of the Representative Body's assets.

The Clergy Pension Scheme was subject to an actuarial valuation at 31 December 2007, the purpose of which was to revise contributions to the Scheme to ensure the Scheme's financial stability over the next three years. As highlighted in the table on page 11, the employer's contribution rate increased although by less than had

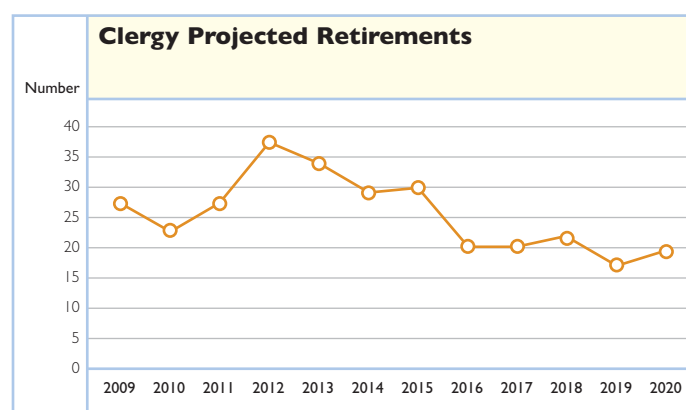
Clergy Pension Funding				
	2007	2004	2001	1998
Market Value of General Funds	£483m	£370m	£339m	£346m
Value of Past Service Liability	£126.8m	£102.9m	£90.9m	£90.3m
Liability as a proportion of General Funds	26.2%	27.8%	26.8%	26.1%
Employer's contribution	26.3%	24.3%	20.2%	16.5%

been predicted. The value of past service liability has also increased but so had the market value of general funds at 31 December 2007.

In the light of the actuarial valuation, the Representative Body also considered its policy of holding the Clergy Pension Scheme as part of General Funds, which was last reviewed in 2005. In doing so, the Representative Body's main concern was for the security of the Pension Scheme. With the actuaries' valuation showing the Scheme representing less than 30% of the Representative Body's general funds, only a catastrophic loss to general funds would threaten the Scheme itself. Consideration was given to the potential risk posed by litigation of the type brought against some churches in North America linked to cases of child abuse. However, it was felt that the risk to the Church in Wales in this regard was mitigated by the policies, procedures and insurance cover that the Church in Wales has in place in the area of child protection.

Consequently, and in view of the substantial costs involved in separating the funds and then administering two separate funds, it was agreed that the Clergy Pension Provision should continue to be held as part of General Funds. This arrangement will be reviewed again in three years' time following the next actuarial revaluation of the Clergy Pension Scheme.

The graph below shows the projected numbers of clergy likely to retire each year up to 2020, and illustrates that the pension liability will continue to grow.



Clergy Retirement Housing Loan Schemes

The Representative Body is currently operating two schemes to help support clergy in buying a home for their retirement.

Scheme 1 – Original Loan Scheme

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

Under this scheme, 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;
- An interest-free loan equivalent to the retirement gratuity earned to date.

At 31 December 2008 the numbers and amounts of loans outstanding were:

	Number	Amount
Loans @ 6%	79	£1,075,832
Equity Loans	111	£3,232,831
Advance of Gratuity	5	£92,277

No new interest bearing or equity linked loans were made during 2008.

Scheme 2 – Introduced on 1 January 2006:

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

The new scheme was introduced on 1 January 2006 and is available to clergy within three years of retirement 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 £136,000 (as at 1 January 2009), 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 gratuity earned to date.

5 new loans were made during 2008, bringing the total number of loans outstanding at 31 December 2008 to 11 totalling £1,052,749.

The two schemes will run in parallel pro tem.

Clergy Car Loan Scheme

The Representative Body provides loans to help clergy to purchase cars. The Scheme offers loans up to a maximum of £5,000 at an interest rate of 5%. There were 107 loans outstanding at 31 December 2008 totalling £264,000.

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 and the fundamental purpose of its property is to further the mission and ministry of the Church.

Places of Worship

Churches have been described as 'signposts to the Gospels' and continuing efforts are being made to ensure these landmark buildings are not just there for the regular worshipper but to give a visible sign of God's love and the Church's ministry to all. For this reason, all parishes are encouraged to open their church buildings as regularly as possible outside of worship times. Many have made great progress, but there remain many buildings which are locked to the visitor or pilgrim.

For the last few years, an initiative called Open Churches Day has been developed through the Churches Tourism Network Wales (CTNW) and the Church in Wales. Open Churches Day is an annual event which seeks to encourage as many places of worship as possible to be open for the public to visit on one specific day (usually early September).

Together with CTNW, a website has been developed for visitors to find churches that are open. Open churches can easily be registered (it is free) and it is hoped that this will grow into an excellent resource. It can be viewed at www.visitwaleschurches.com and www.ymweldegwlwysicymru.com.

Funding remains a key issue for many parishes to ensure buildings are maintained and the heritage properly protected. With the dioceses, the Representative Body invested in an on-line database of possible funding sources which it is hoped will help parishes to source assistance for their various projects.

Churchyards

For many the knowledge of a future burial within a local churchyard in the community is very comforting. However, it is clear that many of our burial grounds will soon be full (two-thirds of our churchyards will have no more space for burial within 10 years).

The Representative Body discourages parishes from taking on further burial responsibilities which should be the responsibility of the wider community and the State rather than the local congregation. This can be a challenging policy when local feelings run high on the issue but there can be no doubt that burial grounds are a very long term responsibility.

Maintenance of safe burial grounds remains a key challenge. New guidance to be issued in early 2009 from the Health and Safety Executive appears to offer some comfort and this will be assessed and guidance offered to parishes during 2009.

Parsonages

The maintenance and improvement of clergy housing remains a key priority. Appropriate standards are not static, however, and there is a continual need to improve and adapt the houses. In 2008, training for the Representative Body's Parsonage Inspectors on environmental issues and housing was initiated; the high energy prices of 2008 underlined the need to find practical measures to make our housing stock more energy efficient.

The downturn in the property market has meant that redundant parsonages have proved harder to sell. In many cases properties have been let instead, which has placed a strain on the Diocesan Parsonage Improvement Funds. All lettings are coordinated through the Property Department of the Representative Body which provides a letting service for property held by the Representative Body in trust for the benefit of individual parishes.

The management of parsonages has been made more complex with the introduction of a raft of legislation including Home Information Packs, Energy Certificates, and Tenancy Deposit Protection.

Glebe

The Property Committee reviewed its policy in relation to glebe in 2008. This portfolio of property, comprising some 1,400 acres, is largely an investment to provide grants for church repairs across the Province. The policy ensures that land is retained where there is future potential to improve value and that land is let on the open market to achieve the best possible returns. At 31 December 2008, glebe was valued at £7 million.

Cathedrals and Churches Commission

This Commission is a committee of the Representative Body and exists to advise the Diocesan Chancellors on faculty matters particularly relating to cathedrals and churches of significant architectural interest. The Representative Body has reviewed the Commission's terms of reference and has reduced its membership albeit with the support of a number of advisors in specialist areas. During 2009, a Church Heritage Officer will be recruited (with part funding from Cadw and the Heritage Lottery Fund) to develop guidance and training for parish officers in heritage building matters.

Guidance

A number of guidance notes to assist parishes in areas related to property have been developed over the last few years by the Representative Body. These can be viewed on the Provincial website.

Administration and Other Services provided from the Provincial Office

During 2008 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 2008 was £31 million (note 24, page 48) and was invested in stock exchange securities via the Church in Wales Common Investment Funds.

The Representative Body also administers the clergy payroll, and note 20 (page 46) to the Accounts sets out the total cost of stipends and national insurance paid through the payroll in 2008.

Other services provided by the Representative Body during 2008 included the operation of the GWADD (Giving With A Direct Debit) system, the payment of Council Tax on parsonages and the collation and preparation of key statistics on various aspects of the life of the Church in Wales. Provincial staff have also been responsible for the dissemination of advice for parishes on compliance with secular legislation, such as child protection, disability discrimination, parochial trustees' liability and the process for registration of those parishes with an income in excess of £100,000 with the Charity Commission.



helping it happen

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



Green Issues

Caring for God's Creation

During 2008, the Church in Wales re-affirmed its commitment to environmental issues and changing patterns of behaviour to help ameliorate the effects of climate change. This was inspired by the Bench of Bishops' Statement of Principles on the conservation of the Earth and its resources as God's precious creation. The statement identified ten areas for action to help guide the approach of the Church.

Following this, a Parish Green Guide was developed to assist parishes to play a full part in this important area. The Guide is intended to be a simple way of moving forward in an area that can seem daunting. It includes a checklist for action as well as possible sources of help and ideas for prayers and worship.

The Representative Body developed and printed the guide together with CHASE (Church Action on Sustaining the Environment). During 2009, the Representative Body will be sponsoring two parishes to become Green Exemplar parishes to develop the ideas in the Parish Green Guide and enable other parishes to learn from their experience.

The photograph above shows solar panels at St Joseph's Church, Cwmaman.



Church Buildings

St Peter's Church Holywell

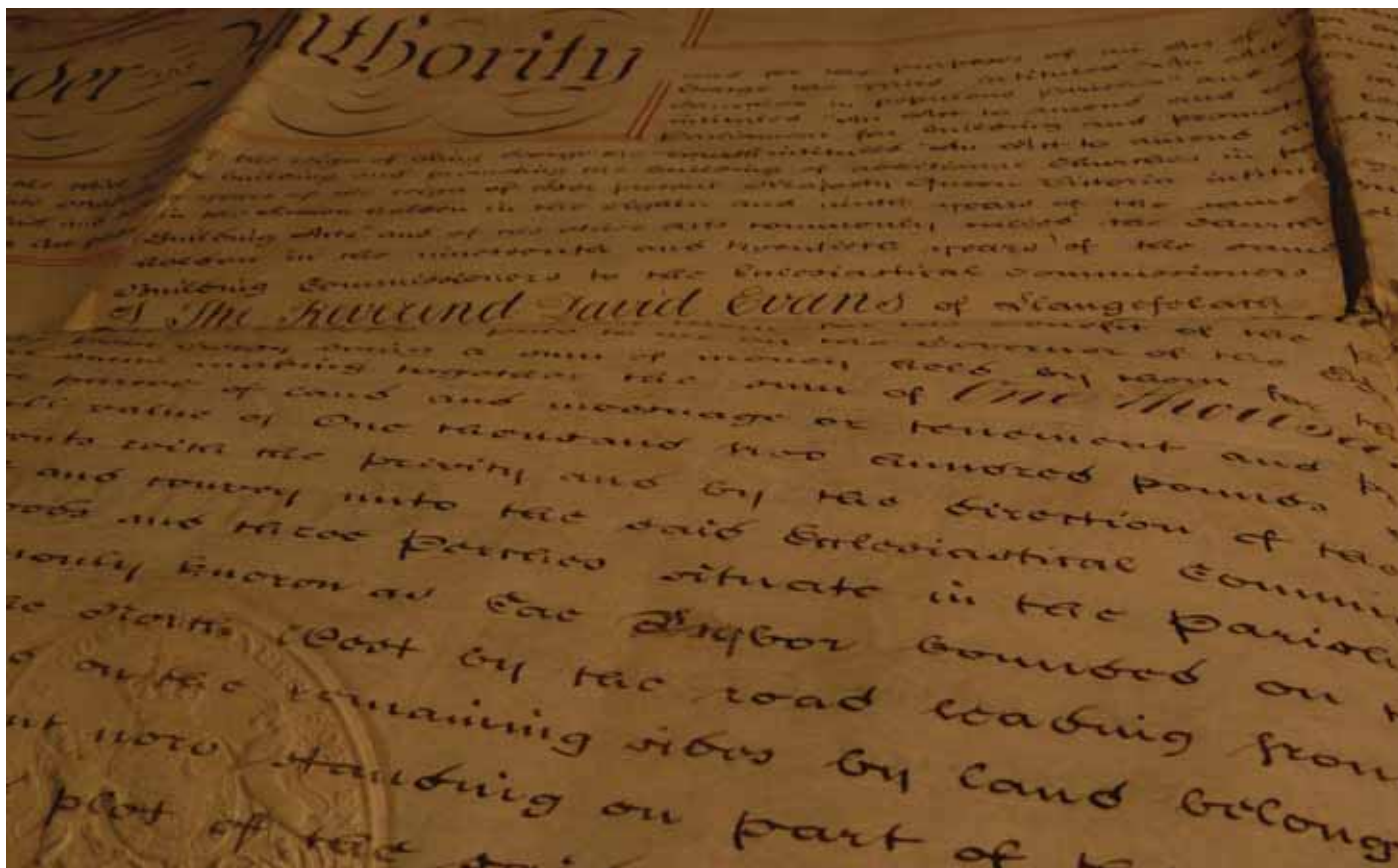
The town of Holywell sits on a steep hill overlooking the Dee Estuary. The church of St James is located half-way down the hill, and had no parking or meeting facilities. The congregation was increasingly finding that the building did not suit their needs and was in the wrong part of the town.

It was decided to build a new church and the ideal location was identified as the cemetery at the top of the hill. The new church was to be built on the site of a small church which had been demolished many years previously.

The new church opened in April 2008 and comprises a large hall which can be used both as the nave of the church and as a flexible meeting space; a permanent sanctuary space which can be screened from the main hall; a meeting room; a children's room, parish office;

kitchen and toilets. The project was funded by the sale of some parish assets, the Community Facilities and Activities Programme (WAG), Diocesan grants and generous support from several private trusts. The Representative Body was able to assist through its Church Grant Scheme and through technical assistance with the sale process.

The Representative Body was pleased to visit St Peter's Church for its meeting in November 2008.



Land Registration

The Representative Body as owner of most of the property of the Church in Wales has been undertaking a major exercise to register all its property with the Land Registry.

With over 8,000 individual parcels of land across Wales this has been a significant challenge involving the submission of deeds and ownership evidence to the Land Registry office in Swansea. We have completed over 80% of this exercise.

Registration is worthwhile because it makes property transactions easier and provides a modern plan of the property to assist with boundary queries. Crucially, it offers additional protection against land being occupied and Church ownership being challenged.

The Land Registry has been very helpful in this process and the project should be completed during 2009.



Redundant Churches

From time to time, Parochial Church Councils (PCCs) conclude that they cannot continue to support a particular church building.

This can be because of the costs of maintenance or because the mission of the parish is best focused elsewhere. The PCC petitions the Bishop for the church to be declared redundant and after contents have been dealt with, the redundant church reverts to the care of the Representative Body.

In most cases, the Representative Body seeks to sell the property to a new owner for best value. This involves open marketing of the property for sale and careful consideration of offers received. Proceeds of sale are distributed in accordance with the Constitution of the Church in Wales with the vast majority available for works to churches that remain in the benefice of the redundant church. A small proportion of the proceeds of sale is retained by the Representative Body to help maintain the sites and buildings that cannot be sold for technical and legal reasons.

Through a system known as the Redundant Churches Mechanism, buildings of exceptional heritage importance can be transferred to the Friends of Friendless Churches (a mechanism funded by the Representative Body and the Welsh Assembly Government – Cadw). This organisation now holds 17 former Church in Wales buildings, including St Beuno's Church, Penmorfa as shown above.



Financial Review 2008

This year the Representative Body carried out a comprehensive review of its financial situation and commitments. The aim of the review was to consider the level of regular expenditure that might prudently be made, and the guarantees on funding that might be given to dioceses, in the light of the Representative Body's long-term commitments (in particular the Clergy Pension Scheme).

The review used as its basis the results of the actuarial valuation of the Clergy Pension Scheme of December 2007, and in particular the actuaries' long-term projections. These suggested that it would be possible for an additional £1 million to be added to annual expenditure without exposing the Representative Body to undue risk.

In view of concerns expressed at meetings with the dioceses that an increasing number of parishes were facing financial difficulties, it was agreed that an additional £500,000 per annum should be allocated to the total

Block Grant from 2009. It was agreed also that the level of the total block grant should be increased by 3% per annum from 2012 to 2014. Even before this decision, the Representative Body was funding over 30% of the total costs of the Church's work.

Additional funding was also agreed for a variety of new and existing projects, including: the provincial fund set up to finance emergency works to property (such as repairs to walls and churchyards); the joint funding of a Church Heritage Officer; new money for dioceses to use to fund parsonage repairs; and, additional funding to deal with redundant churches.

This additional funding has become even more important in view of the economic downturn, and its likely effect on parishes and members. Because of the rigorous process followed in making the decision on new expenditure, the Representative Body will be able to honour that commitment in full, despite the expected fall in income for the foreseeable future.

the *future*

The Representative Body is currently considering a number of long-term and short to medium term issues. The most significant relate to clergy pensions and church buildings.

Long Term Issues

Pensions

The Clergy Pension Scheme (final salary) funded by the Representative Body and the dioceses is a significant benefit for the Clergy. The pension provision forms part of the overall investments of the Representative Body and the long term challenge is to ensure pension liabilities are held at an acceptable percentage of total investments.

The 2007 actuarial valuation of the Clergy Pension Scheme confirmed that the Scheme was well-funded and continued to represent a prudent proportion of the Representative Body's total assets. However, the valuation also highlighted the likely growth of both the pensions liability and the cost of employer's contributions into the future, and the need to keep this matter under regular review.

Church Buildings

Church buildings are key to the mission of the Church. They are sacred and quiet places in a frenetic world. However, churches have the potential to be so much more and many projects throughout Wales are pointing the way.

Church buildings are increasingly the only 'public' building remaining in a community – the shop, post office and pub have long gone. The church stands as a clear and defining building within so many communities, and should be viewed as a place capable of offering many possibilities to the local population. What happens in each place is a product of the needs of the community and the ambition of its people but it is clear that the number of activities that cannot be permitted in a church is far less than the number that can. Art galleries, concerts, exhibitions, fitness classes, lectures, meetings, computer clubs – the list is endless.

To achieve these new uses requires imagination and drive and a commitment to changing old thinking and adapting to new priorities. None of this is necessarily easy but support, guidance and spreading of good practice will be fundamental.

Redundant Churches

Sadly, the closure of church buildings continues throughout Wales. This process reflects changing mission priorities and changing communities. Dealing with these buildings and ensuring new uses and protection of those that remain will be an increasing burden on the Representative Body going forward. Early intervention and consultation are key and a review of policies and procedures in this area by the Property Committee in 2009 will help progress in this area in the years ahead.

Green Issues

The challenge of climate change and environmental protection face the whole world. The Church will need to continue to evolve its approach to this issue and the Parish Green Guide is a useful first step. This is an important issue not only for the whole planet but also for the local congregation. Energy use is probably the third largest annual cost for a parish (after Parish Share and insurance) so anything that can alleviate this cost is worth pursuing. However, the right solution is often difficult to discern from the wide range of advice and information that is available. In the coming years, Green Exemplar parishes will be developed which should enable lessons to be learned and shared.

Property Procedures

The future for our buildings will inevitably involve more legislation and technical requirements. Consent procedures (including faculty) will need to be clearly understood and ways found to help people through the processes. For example, completing grant application forms can be a long and laborious process which can deter the most

competent. In the future we will need to find ways to help our volunteers in parishes cope with these demands and, where possible, encourage a streamlining of procedures.

Celebrating Success

Key to the future will be sharing experience. This will involve publicising interesting projects and developing networks for support and advice. It is hoped that in 2009 the first annual Places of Worship Conference will take place looking at a wide variety of issues around religious buildings. This will be open to all and will, it is hoped, lead to better understanding and sharing of knowledge between parishes and denominations.

Short to medium term issues

Charities Act 2006

As a result of the Charities Act 2006, the Representative Body will lose its exempt status and will be required to register with the Charity Commission in 2009. In addition, approximately 65 parishes whose income is in excess of £100,000 will lose their exempt status, and will also need to register formally. However, recent legislation has meant that 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 in 2012.

Throughout the development of the Charities Bill, the Representative Body has been in discussions with the Charity Commission to ensure that the requirements on parishes will be reasonable and workable. In addition a group consisting of members of the provincial staff, diocesan officers and experienced parish treasurers has been preparing advice and other practical measures so that parishes are given every possible assistance in the period of registration. Letters to all parishes regarding these changes have been sent out via the diocesan offices.

Current Economic Climate

The effects of the current economic downturn have been keenly felt throughout society, and the recession holds implications too for the Representative Body and the Church in Wales. The fall in the value of the Representative Body's assets has already been reported, and advisers' projections show that a significant fall in investment income will follow. 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 likely to be facing financial pressures of their own. In addition, there will be increased strain on those with responsibility for maintaining those church buildings and parsonages that are no longer needed, as it will be difficult to realise the value of these assets through the property market and release money for use elsewhere.

The Representative Body is confident of its ability to ride the economic downturn, but will be vigilant in its efforts to identify and assist those parts of the Church facing particular difficulties during this time.

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. New membership arrangements and a new committee structure were introduced in 2006. 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. Opportunities to attend training for charity trustees will be provided for all members during 2009, with new members 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, which might (but need not necessarily) be 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 area of investments.

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.

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 cathedrals 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.

Human Resources Committee

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

Audit Committee

The Audit Committee works with the Representative Body's external auditors to ensure proper financial reporting practice and compliance with charity accounting requirements. It provides strategic advice on budgetary matters and considers long-term financial forecasts, and from 2007 has had an important role in monitoring the operation of the block grant funding arrangement between the Representative Body and dioceses.

Risk Management

The Representative Body has established an extensive risk register, split into two categories – ‘Trustee and Corporate Risks’ and ‘Departmental Risks’. The risk register identifies the major risks to which the organisation is exposed and 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

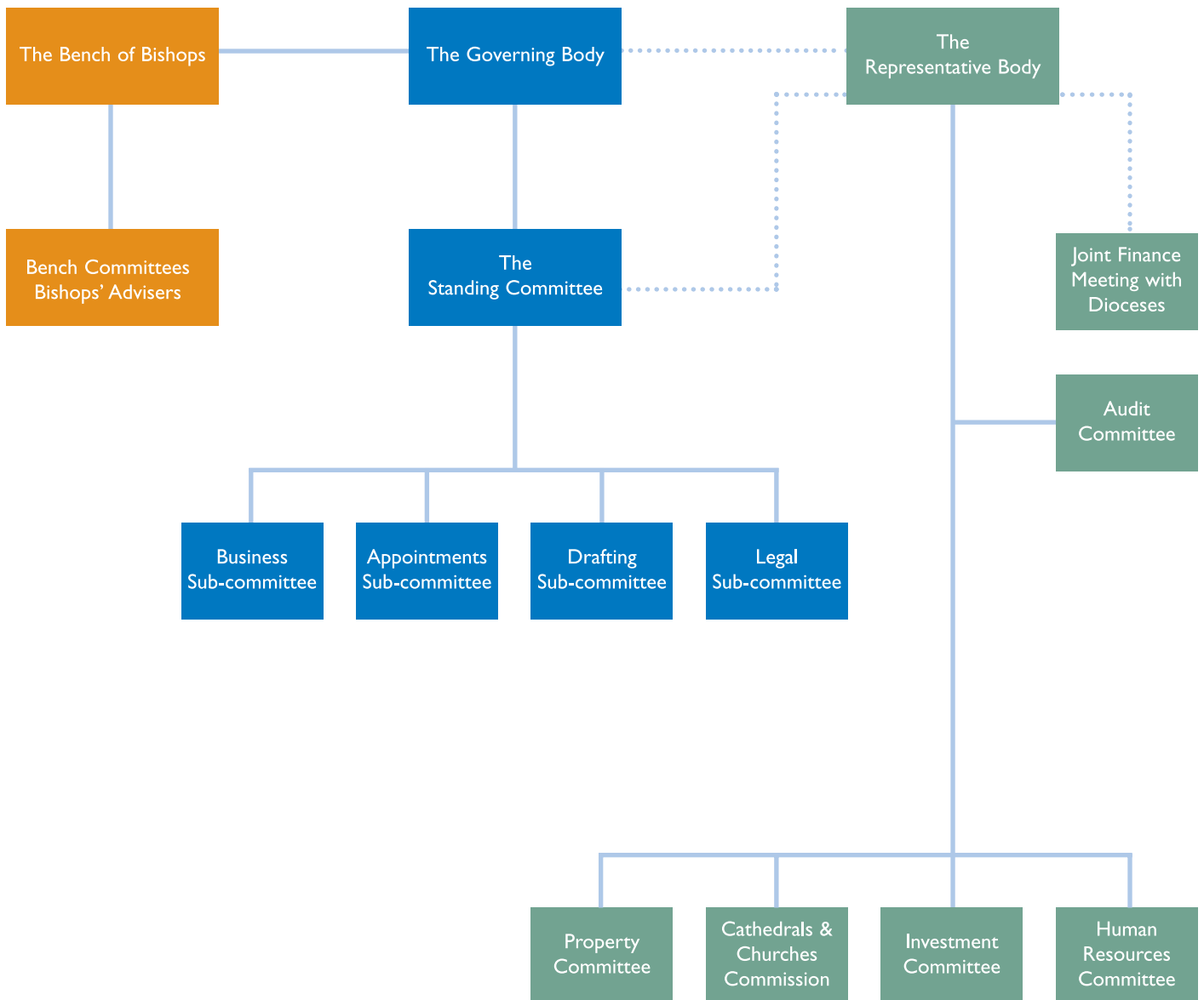
The number of posts of the Representative Body at 31 December 2008 (2007 in brackets) was as follows:

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

Increases in salary levels are linked to annual increases in clergy stipends, and so were increased from 1 January 2008 by 4.0%. The staffing position during 2008 was fairly stable with four posts becoming vacant during the year. All four posts were reviewed for necessity and were subsequently advertised and filled. The reduction in the number of part time Bishops' Secretaries followed from the decision not to replace the Provincial Assistant Bishop on his retirement.

Demands on the Provincial Office continue to grow particularly as a result of new legislative and other requirements such as the Immigration Regulations, the Pensions Act 2008 and the launch of the Independent Safeguarding Authority and its Vetting and Barring Scheme. However, it has been possible to accommodate these additional demands within the existing establishment not least because of the very wide range of skills and expertise brought to bear by the staff in managing the broad agenda handled by the Provincial Office.

the provincial structure



Statement of Members' Responsibilities

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

The members are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Representative Body and of the incoming resources and application of resources of the Representative Body for that period. In preparing these financial statements, the members are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Representative Body and enable them to ensure that the financial statements comply with the Constitution of the Church in Wales. They are also responsible for safeguarding the assets of the Representative Body and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Representative Body

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

5 June 2009

reference and administrative information

Ethical Investment Policy Statement

The following policy statement was adopted by the Governing Body of the Church in Wales in September 2002.

As a Christian Church, we believe it is God's will that our investment management process is implemented according to ethical criteria. In all our activity, we seek to further that active and just "holiness" which makes the love of God concrete and visible in the world.

The Church in Wales is committed to using investments as an ethical means of contributing to the cost of ministry and mission in Wales. Its responsibility in this regard has an ethical dimension in itself. Our aim is to invest directly in successful companies 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 of individuals and communities in which they operate.

The Church in Wales is determined to pursue an investment policy which is transparently ethical. To this end the Church in Wales subscribes to EIRIS, is represented on the Church Investors Group, and has its own Theology of Investment Group, all of which monitor policy in different ways and from different perspectives. Membership of the Church Investors Group is also a means of exercising responsible shareholder influence. The ultimate sanction for companies in clear breach of our ethical policy or those who do not respond positively to expressed concerns is dis-investment. In particular the Church in Wales is concerned about investment in gambling, alcoholic beverages, tobacco products, the proliferation of armaments and pornography. Recognising the moral complexity and ambiguity surrounding each of these areas, we commit ourselves to continuing review of these and other potential ethical concerns.

It is the Church in Wales' policy that we do not normally invest in:

- Any company a significant* part of whose business activity depends upon profit from the production or promotion of gambling, alcoholic beverages or tobacco products;
- Any company whose business involves the proliferation of armaments beyond areas of legitimate defence and local and international peace keeping;
- Any company whose business involves pornography.

* "Significant" is interpreted at present in relation to the areas described as "around ten percent".

Representative Body Membership

Chairman and Deputy Chairman

The Lord Rowe-Beedoe DL
(Chairman)

Mr W N H Legge-Bourke (*Died 3 March 2009*)
(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
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 W N H Legge-Bourke (*Died 3 March 2009*)
Chairman, Swansea and Brecon Diocesan Board of Finance

Elected Membership

St Asaph

The Venerable M Squires, Archdeacon of Wrexham
(*To 31 December 2008*)

The Reverend Canon R H Griffiths
(*From 1 January 2009*)

Mr J C Myers

Bangor

The Venerable M L Williams, Archdeacon of Bangor
Mr B A Wynne

St Davids

The Venerable A W Evans, Archdeacon of Carmarthen
Mr B L V Richards (*Died 8 March 2008*)
Mrs A Lister (*From 1 May 2008*)

Llandaff

The Venerable W P Thomas, Archdeacon of Llandaff
(*Retired 31 December 2008*)
The Venerable C B W Smith, Archdeacon of Morgannwg
(*From 1 January 2009*)
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-Beedoe DL
Mr R D Chegwin
Mr J A Roberts
(One vacancy)

Co-opted Membership

Mr J D Hogg OBE
Mr R P V Rees OBE

Committee Membership

(* denotes non-RB member)

Cathedrals and Churches

Commission (To 31 December 2008)

Mr J D Hogg OBE (Chairman)

The Right Reverend A E Pierce *

(Retired 16 January 2008)

Bishop of Swansea and Brecon

The Right Reverend J W Evans *

The Very Reverend R D Fenwick *

The Venerable A W Evans

The Venerable R G Hackett

The Venerable A J R Thomas

The Venerable E B Thomas *

The Venerable W P Thomas

The Venerable M L Williams

The Reverend Canon J H Winston *

Mr A Adams *

Mr P G Birkhead *

Mr A Hallum *

Mr J Knight *

Mr T Lloyd *

Mr J Orbach *

Mr B L V Richards

(Died 8 March 2008)

Mr R J Silvester *

Ms C Turgoose *

Mr G Weaver *

Dr G L Worsley *

Cathedrals and Churches

Commission (From 1 January 2009)

Mr J D Hogg OBE (Chairman)

The Right Reverend J W Evans *

Bishop of St Davids

Mr P G Birkhead *

Mr J Orbach *

Mr R J Silvester *

Dr G L Worsley *

Investment Committee

Mr J A Roberts (Chairman)

Mr W N H Legge-Bourke

(Died 3 March 2009)

The Venerable A J R Thomas

Mr P B Kelly *

Mr D Myrddin-Evans *

(From 31 July 2008)

Mr N V S Paravicini *

Mr R P V Rees OBE

Mr R D Thomas *

The Lord Rowe-Beddoe DL

(*ex-officio*)

Property Committee

Mr R D Chegwin (Chairman)

The Right Reverend J D E Davies *

(To 16 March 2009)

Bishop of Swansea and Brecon

The Venerable A W Evans

The Venerable R G Hackett

The Venerable C B W Smith

(From 1 January 2009)

The Venerable A J R Thomas

The Venerable E B Thomas *

The Venerable W P Thomas

(Retired 31 December 2008)

The Venerable M L Williams

Mr J E George *

Mr P M Jones *

Mr R Davies *

Human Resources

Committee

Mr J C Myers (Chairman)

The Right Reverend A E Pierce *

(Retired 16 January 2008)

Bishop of Swansea and Brecon

The Right Reverend D Walker *

(From 13 March 2008)

Bishop of Monmouth

The Venerable M Squires *

The Reverend Canon R H Griffiths

(From 16 March 2009)

Mr T J P Davenport

Mrs V Hodges *

Miss J A Sollis

Mr B A Wynne

Audit Committee

Mr R P V Rees OBE (Chairman)

(To 16 March 2009)

Mr G I Moses (Chairman)

(Chairman from 16 March 2009)

Mr D W Jenkins *

Mrs A Lister (From 16 March 2009)

Advisers

Auditors:

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Bankers:

Lloyds TSB Bank Plc
1 Queen Street
Cardiff
CF10 2AF

Property Advisers:

Cluttons LLP
Portman House
2 Portman Street
London
W1H 6DU

Investment Advisers (UK Equities):

Credit Suisse Asset Management
One Cabot Square
London
E14 4QJ

Investment Advisers (Overseas Equities):

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

Actuaries:

Watson Wyatt Limited (*To 5 December 2008*)
Redcliff Quay
120 Redcliff Street
Bristol
BS1 6HU

Quantum Advisory (*From 5 December 2008*)

Quantum House
Pascal Close
St Mellons
Cardiff
CF3 0LW

Independent Auditors' Report to the Members 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 2008 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of members and auditors

The responsibilities of the trustees for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page 27.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, has been prepared for and only for the trustees as a body and for no other purpose. We do not, in giving this opinion, accept or assume any 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.

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the information given in pages 1 to 31 and page 50 is not consistent with the financial statements, if the Representative Body has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the information given in pages 1 to 31 and page 50 and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Representative Body's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Representative Body of the Church in Wales' affairs as at 31 December 2008 and of its incoming resources and application of resources, including its cash flows for the year then ended.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Cardiff, UK

10 June 2009

Statement of Financial Activities

For the Year Ended 31 December 2008

	Notes	General Funds 2008 £000	Designated Funds 2008 £000	Restricted Funds 2008 £000	Total Funds 2008 £000	Total Funds 2007 £000
Incoming Resources						
Incoming Resources from Generated Funds						
Voluntary Income		85	–	14	99	198
Investment Income	2	19,582	218	7	19,807	18,559
Incoming Resources from Charitable Activities						
Support for Ministry		–	3,983	–	3,983	3,347
Church Property		–	39	–	39	318
Other Incoming Resources		294	–	–	294	312
Total Incoming Resources		19,961	4,240	21	24,222	22,734
Resources Expended						
Costs of Generating Funds						
Investment Management Costs	3	948	–	–	948	935
Charitable Activities						
Support for Ministry	4	7,652	5,647	–	13,299	13,302
Support for Dioceses and Parishes	5	6,508	329	–	6,837	6,506
Other Church Property	6	229	297	–	526	624
Other Financial Support	7	602	56	16	674	410
Communication	8	223	–	–	223	205
Governance Costs	9	710	–	–	710	607
Total Resources Expended		16,872	6,329	16	23,217	22,589
Net incoming / (outgoing) resources before transfers		3,089	(2,089)	5	1,005	145
Gross Transfers Between Funds						
Grants		(1)	1	–	–	–
Redundant Churches Fund		(293)	293	–	–	–
Training of Ordinands		125	(125)	–	–	–
Clergy Retirement Housing Fund		(300)	300	–	–	–
Total Transfers		(469)	469	–	–	–
Net incoming / (outgoing) resources before Holding Gains and Losses		2,620	(1,620)	5	1,005	145
Holding Gains and Losses						
(Losses) / Gains on Investment Assets		(123,381)	(25,553)	(143)	(149,077)	21,781
Less: Allocation to Clergy Pension Provision	21	32,326	–	–	32,326	(3,496)
Add: Transfer from Pension Equalisation Fund	21	–	(15,781)	–	(15,781)	338
Actuarial Gain on Staff Pension Scheme	11	961	–	–	961	303
Net Movement in Funds		(87,474)	(42,954)	(138)	(130,566)	19,071
Reconciliation of Funds:						
Total Funds brought forward		323,838	269,496	499	593,833	574,762
Total Funds carried forward			236,364	226,542	361	463,267
593,833						

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

Balance Sheet

As at 31 December 2008

	Notes	31 December 2008		31 December 2007	
		£000	£000	£000	£000
Fixed Assets					
Non-Investment Properties	12	220,502		245,113	
Other Tangible Assets	13	128		160	
			220,630		245,273
Investments					
Investment Properties	14	24,865		33,939	
Property Unit Trusts	15	19,527		23,265	
Stock Exchange Securities	16	299,960		393,802	
Money Market Deposits and Loans	17	13,102		29,081	
			357,454		480,087
Current Assets					
Debtors	18	3,252		4,920	
Cash at Bank and in Hand		105		221	
		3,357		5,141	
Current Liabilities					
Creditors due within one year	19	(3,152)		(6,120)	
Net Current Assets / (Liabilities)			205		(979)
Total Assets Less Current Liabilities					
					724,381
Long Term Liabilities					
Clergy Pension Provision	21		(112,390)		(126,860)
Net Assets before Staff Pension Liability			465,899		597,521
Defined Benefit Staff Pension Liability	11		(2,632)		(3,688)
Net Assets after Staff Pension Liability					463,267
					593,833
Capital and Reserves					
General Funds		238,996		327,526	
Pension Reserve		(2,632)		(3,688)	
			236,364		323,838
Designated Funds	22		226,542		269,496
Restricted Funds	23		361		499
Total Funds			463,267		593,833

The financial statements on pages 34 to 49 were approved by the Representative Body on 5 June 2009.

Lord Rowe-Beddoe, Chairman

Cash Flow Statement

For the Year Ended 31 December 2008

	31 December 2008		31 December 2007	
	£000	£000	£000	£000
Net cash flow from continuing operating activities				
Net movement in General Funds		(87,474)		11,496
Net investment (gains) / losses:				
Stock exchange securities		105,882		(16,584)
Investment properties		17,833		5,226
Freehold ground rents		(14)		(32)
Other tangible fixed assets		9		(8)
Non-investment properties		(329)		(1,178)
Staff Pension Scheme		(961)		(303)
Increase in Restricted Funds		5		19
Decrease in Designated Funds		(17,235)		(1,556)
(Decrease) / increase in Clergy Pension Provision		(14,470)		5,490
Depreciation		55		59
Staff Pension Scheme		(95)		(55)
Decrease / (increase) in debtors		1,668		(2,981)
(Decrease) / increase in creditors		(2,968)		2,978
Net cash inflow from operating activities		1,906		2,571
Cash Flow Statement				
Net cash flow from continuing operations		1,906		2,571
Capital expenditure and investments				
Purchase of non-investment properties		(54)		(339)
Sale of non-investment properties		143		393
Purchase of other tangible fixed assets		(65)		(93)
Sale of other tangible fixed assets		33		16
Purchase of property unit trusts		(5,021)		–
Sale of property unit trusts		–		1,532
Sale of investment properties		–		4,798
Purchase of stock exchange securities		(230,415)		(143,863)
Sale of stock exchange securities		216,936		143,213
Sale of glebe		428		169
Sale of freehold ground rents		14		32
Increase in loans to dioceses		(616)		(580)
Decrease in clergy car loans		10		31
		(18,607)		5,309
Management of liquid resources				
Decrease / (increase) in money market deposits		16,585		(8,217)
Decrease in cash		(116)		(337)
Analysis of cash				
Balance at 1 January 2008		221		558
Net cash outflow		(116)		(337)
Balance at 31 December 2008		105		221

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.

The Representative Body is currently an exempt charity under the Charities Act 1993. The financial statements are prepared in accordance with the Statement of Recommended Practice 2005 (SORP 2005), and applicable accounting standards in the United Kingdom.

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 2008.

Stock Exchange Securities

Stock exchange securities are stated at market values based on middle market prices at 31 December 2008. 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, 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 2008.

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 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 2008.

Administrative Offices

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

Unlisted Churches, Former Churches and Church Halls

Unlisted 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 are written off 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 it makes depreciation 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. However, SORP 2005 states that charities will not necessarily need to capitalise heritage assets which were acquired in past accounting periods and not capitalised, and which would be difficult and costly to attribute a cost or value to them.

The Representative Body considers that Cathedrals, listed 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, cannot be valued, and have therefore had no value placed upon them in the financial statements.

The Representative Body's Property Database confirms the following numbers of heritage assets were held at 31 December 2008:

Description of Property	Number
Cathedrals	6
Listed Churches	989
Churchyards	1,217

(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 Widows(ers)

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.

2 Investment Income

	General Funds 2008 £000	Designated Funds 2008 £000	Restricted Funds 2008 £000	Total Funds 2008 £000	Total Funds 2007 £000
Gross income from property	3,493	–	–	3,493	3,729
Income from stock exchange securities:					
UK – Listed	13,150	218	7	13,375	13,332
Overseas – Listed	2,282	–	–	2,282	647
Interest from money market deposits and loans	657	–	–	657	851
	19,582	218	7	19,807	18,559

3 Investment Management Costs

	General Funds 2008 £000	Designated Funds 2008 £000	Restricted Funds 2008 £000	Total Funds 2008 £000	Total Funds 2007 £000
Stock Exchange Advisers	638	–	–	638	577
Investment Property Advisers	113	–	–	113	155
Property Unit Trusts	25	–	–	25	26
Sundry Property	70	–	–	70	81
Support Costs	102	–	–	102	96
	948	–	–	948	935

4 Support for Ministry

	General Funds 2008 £000	Designated Funds 2008 £000	Restricted Funds 2008 £000	Total Funds 2008 £000	Total Funds 2007 £000
Bishops	864	–	–	864	770
Diocesan and Parochial Clergy					
Contribution to Diocesan Maintenance of Ministry (note 20)	654	–	–	654	1,288
Contribution to Clergy Council Tax	60	–	–	60	120
Sundry Clergy Benefits	2	–	–	2	2
Clergy Pensions					
Clergy Pension Provision – past service contributions (note 21)	4,986	–	–	4,986	4,957
Clergy Training					
Training of Ordinands	–	545	–	545	463
Post Ordination Training	–	–	–	–	18
Clergy Property					
Diocesan Inspectors' costs	351	–	–	351	318
Episcopal Residences	88	–	–	88	57
Diocesan Parsonage Improvements	–	5,102	–	5,102	4,736
Support Costs	647	–	–	647	573
	7,652	5,647	–	13,299	13,302

5 Support for Dioceses and Parishes

	General Funds 2008 £000	Designated Funds 2008 £000	Restricted Funds 2008 £000	Total Funds 2008 £000	Total Funds 2007 £000
Block Grants to Dioceses	5,870	–	–	5,870	5,699
Repairs and Extensions to Churches	–	149	–	149	145
Emergency Aid	–	180	–	180	46
Support Costs	638	–	–	638	616
	6,508	329	–	6,837	6,506

6 Other Church Property

	General Funds 2008 £000	Designated Funds 2008 £000	Restricted Funds 2008 £000	Total Funds 2008 £000	Total Funds 2007 £000
Redundant Churches	–	297	–	297	429
Sundry Property Insurance	14	–	–	14	14
Support Costs	215	–	–	215	181
	229	297	–	526	624

Notes to the Accounts

7 Other Financial Support

	General Funds 2008 £000	Designated Funds 2008 £000	Restricted Funds 2008 £000	Total Funds 2008 £000	Total Funds 2007 £000
Church in Wales Bodies:					
DACs and Cathedrals and Churches Commission	68	–	–	68	68
Disciplinary Tribunal Costs	9	–	–	9	14
Anglican and Ecumenical Bodies:					
CTBI and Cytun	44	–	–	44	44
Anglican Consultative Council	37	–	–	37	35
Commission of Covenanting Churches	14	–	–	14	13
Mission to Seafarers	31	–	–	31	27
World Council of Churches	4	–	–	4	5
Sundry Grants	53	56	16	125	101
Other support					
St Michael's College	159	–	–	159	–
Redundant Churches Mechanism	30	–	–	30	–
Lay Readers' Course	67	–	–	67	24
St Michael's College – pension contributions	33	–	–	33	30
Support Costs	53	–	–	53	49
	602	56	16	674	410

8 Communication

	General Funds 2008 £000	Designated Funds 2008 £000	Restricted Funds 2008 £000	Total Funds 2008 £000	Total Funds 2007 £000
Church in Wales Publications	63	–	–	63	70
Support Costs	160	–	–	160	135
	223	–	–	223	205

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 2008 £000	Total 2007 £000
Secretariat	–	16	19	8	27	9	250	329	298
Human Resources and Office Services	9	94	150	19	5	14	72	363	382
Finance	80	164	73	15	16	1	169	518	465
Property	–	67	99	123	–	–	35	324	270
Legal	6	58	84	34	1	–	63	246	209
Information Technology	7	96	112	16	4	12	47	294	293
Bishops' Advisers	–	152	101	–	–	124	74	451	340
	102	647	638	215	53	160	710	2,525	2,257

Governance costs includes audit fees of £41,000 (2007: £41,500) in respect of the audit of the Representative Body, and £5,000 (2007: £5,400) in respect of the Staff Retirement Benefit Scheme.

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

	2008 £000	2007 £000
Staff Costs		
Salaries	1,700	1,632
Social Security costs	136	120
Pension costs	287	272
	2,123	2,024

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

	2008 Number	2007 Number
£0 to £10,000	3 (*3)	4 (*4)
£10,001 to £20,000	21 (*6)	26 (*4)
£20,001 to £30,000	15	12
£30,001 to £40,000	15	15
£40,001 to £50,000	1	3
£50,001 to £60,000	4	3
£60,001 to £70,000	1	–
£70,001 to £80,000	–	1
£80,001 to £90,000	1	–
	61	64

* Denotes part-time staff

Six employees earning over £50,000 a year were members of the Staff Retirement Benefit Scheme.

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 total pension cost for the Representative Body for the Scheme in 2008 was £287,000 (2007: £272,000).

At the date of the last triennial valuation on 31 March 2006, the market value of the assets of the Scheme was £2.494 million. On the basis of the long term assumptions used by the actuary, the Scheme's funding level at 31 March 2006 was 35%, which is equivalent to a deficit of £4.643 million. The contribution rates of the Representative Body and employees during 2008 were 37.3% and 6% respectively.

The valuation used for FRS 17 has been based on the most recent actuarial valuation at 31 March 2006, and updated by Barnett Waddingham to assess the liabilities of the Scheme at 31 December 2008. 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:

	31/12/08	31/12/07
Rate of increase in salaries	4.25%	4.75%
Rate of increase in pension payment – pre 1998 joiners	5.00%	5.00%
Rate of increase in pension payment – post 1998 joiners	2.75%	3.25%
Discount Rate	6.50%	5.75%
Inflation assumption (RPI)	2.75%	3.25%

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.

	31/12/08 Basis	31/12/07 Basis
Life Expectancy from age 60		
Male currently aged 50	31.2 years	31.2 years
Male currently aged 60	29.5 years	29.5 years
Female currently aged 50	31.5 years	31.5 years
Female currently aged 60	30.9 years	30.9 years

	31/12/08 £000	31/12/07 £000
The assets in the scheme and the expected rate of return were:		
Value at 31 December	3,389	3,227
Long term rate of return expected at 31 December	6%	6.5%

The vast majority of the assets are invested in Ecclesiastical Life Limited's All Churches 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 2008 was a loss of £396,000.

	31/12/08 £000	31/12/07 £000
Amounts recognised in the Balance Sheet		
Assets	3,389	3,227
Liabilities	(6,021)	(6,915)
Deficit	(2,632)	(3,688)

Analysis of the amount charged to the Statement of Financial Activities

Current service cost	(277)	(261)
Past service cost	–	–
Interest cost	(416)	(352)
Expected return on assets	228	176
Total	(465)	(437)
Actuarial Gains	961	303

Reconciliation of assets and defined benefit obligations

Fair value of assets at 1 January	3,227	2,785
Expected return on assets	228	176
Employer contributions	560	492
Contributions by Plan participants	88	80
Transfers in less benefits paid	(90)	(277)
Actuarial loss on assets	(624)	(29)
Fair value of assets at 31 December	3,389	3,227

11 Staff Pensions continued

	31/12/08 £000	31/12/07 £000
Amounts recognised in the Balance Sheet		
Defined benefit obligation at 1 January	6,915	6,831
Current service cost	277	261
Contributions by Plan participants	88	80
Past service cost	–	–
Interest cost	416	352
Transfers in less benefits paid	(90)	(277)
Actuarial loss	(1,585)	(332)
Defined benefit obligation at 31 December	6,021	6,915

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
History of prior year amounts:					
Assets	3,389	3,227	2,785	2,294	2,811
Liabilities	(6,021)	(6,915)	(6,831)	(6,782)	(6,342)
Deficit	(2,632)	(3,688)	(4,046)	(4,488)	(3,531)
Actual less expected return on assets	(624)	(28)	96	(18)	(83)
	18% of the assets	1% of the assets	3% of the assets	1% of the assets	3% of the assets
Experience gains / (losses) on the liabilities:	(34)	(68)	(63)	(39)	–
	1% of the liabilities	1% of the liabilities	3% of the liabilities	1% of the liabilities	<1% of the liabilities

12 Non-Investment Properties

	2008 £000	2007 £000
At 1 January 2008	245,113	235,351
Additions	54	385
Disposals	(124)	(189)
Net (decrease) / increase on revaluation	(24,541)	9,566
At 31 December 2008	220,502	245,113
Comprising:		
Parsonages, bishops' houses and sundry provincial property	163,333	182,969
Administrative offices	1,965	2,200
Unlisted churches, former churches and church halls	48,180	54,468
Glebe	7,024	5,476
	220,502	245,113

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

The Representative Body considers that parsonages, unlisted churches, former churches and church halls constitute the working plant of the Church in Wales. Many of these properties are most unlikely to be sold, and if they were, the proceeds would not be available to the Representative Body for general purposes.

Notes to the Accounts

13 Other Tangible Assets

	Office Equipment £000	Motor Vehicles £000	Total £000
Cost			
At 1 January 2008	293	201	494
Additions	11	54	65
Disposals	(12)	(69)	(81)
At 31 December 2008	<u>292</u>	<u>186</u>	<u>478</u>
Depreciation			
At 1 January 2008	267	67	334
Charge for the year	18	37	55
Disposals	(12)	(27)	(39)
At 31 December 2008	<u>273</u>	<u>77</u>	<u>350</u>
Net Book Value			
31 December 2008	<u>19</u>	<u>109</u>	<u>128</u>
31 December 2007	<u>26</u>	<u>134</u>	<u>160</u>

14 Investment Properties

	2008 £000	2007 £000
At 1 January 2008	<u>33,939</u>	41,150
Disposals	–	(1,256)
Net decrease on revaluation	<u>(9,074)</u>	(5,955)
At 31 December 2008	<u>24,865</u>	<u>33,939</u>

Investment properties were valued by DTZ Debenham Tie Leung at 31 December 2008 at £24,865,000 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

	2008 £000	2007 £000
At 1 January 2008	<u>23,265</u>	27,611
Additions	5,021	–
Disposals	–	(580)
Net decrease on revaluation	<u>(8,759)</u>	(3,766)
At 31 December 2008	<u>19,527</u>	<u>23,265</u>

16 Stock Exchange Securities

	2008 £000	2007 £000
Market value at 1 January 2008	393,802	376,262
Additions	230,415	143,863
Disposals	(224,918)	(111,678)
Net decrease on revaluation	(99,339)	(14,645)
Market value at 31 December 2008 (note 26)	<u>299,960</u>	<u>393,802</u>
Historical cost at 31 December 2008	<u>324,561</u>	<u>319,064</u>
Unrealised investment (losses) / gains at 31 December 2008	<u>(24,601)</u>	<u>74,738</u>
Investment (losses) / gains calculated on historic basis	<u>(7,982)</u>	<u>31,535</u>
Listed in UK	220,980	341,612
Listed overseas	<u>78,980</u>	<u>52,190</u>
	<u>299,960</u>	<u>393,802</u>

17 Money Market Deposits and Loans

	2008 £000	2007 £000
At 1 January 2008	29,081	20,315
Advances	48,120	71,174
Repayments	(64,099)	(62,408)
At 31 December 2008	<u>13,102</u>	<u>29,081</u>
Comprising:		
Money Market Deposits	6,174	22,759
Diocesan Loans	6,664	6,048
Clergy Car Loan Scheme	264	274
	<u>13,102</u>	<u>29,081</u>

18 Debtors

	2008 £000	2007 £000
Prepayments	668	624
Other debtors	1,205	751
Accrued income	509	587
Amounts due from stockbrokers	870	2,958
	<u>3,252</u>	<u>4,920</u>

19 Creditors due within one year

	2008 £000	2007 £000
Other taxation and social security	411	414
Rents received in advance	342	191
Amounts owed to special trusts	1,292	1,246
Other creditors	271	401
Accruals	799	419
Amounts due to stockbrokers	37	3,449
	<u>3,152</u>	<u>6,120</u>

Notes to the Accounts

20 Diocesan Maintenance of Ministry Fund

	31 December 2008		31 December 2007	
	£000	£000	£000	£000
At 1 January 2008		–		(2)
Allocations:				
Representative Body (note 4)	654		1,288	
Diocesan Boards of Finance	10,927		10,062	
Other Income	5		8	
		<u>11,586</u>		<u>11,358</u>
Less: Payments				
Clergy Stipends	9,506		9,261	
Curates Stipends	914		957	
National Insurance Contributions	987		964	
Services in vacant incumbencies	104		94	
Sundry expenses and other payments	52		56	
Payments to diocesan officers	23		24	
		<u>(11,586)</u>		<u>(11,356)</u>
At 31 December 2008		<u>–</u>		<u>–</u>

21 Clergy Pension Provision

	31 December 2008		31 December 2007	
	£000	£000	£000	£000
At 1 January 2008		126,860		121,370
Current year contributions	3,040		2,762	
Transfer from General Funds:				
Allocation from income (note 4)	4,986		4,957	
Allocation of net investment (losses) / gains	(32,326)		3,496	
		<u>(24,300)</u>		<u>11,215</u>
Less:				
Pension payments to retired clergy	3,499		3,319	
Pension payments to clergy widows / widowers	1,554		1,499	
Gratuity payments to retired clergy	781		362	
Transfer payments	89		177	
Administrative expenses	28		30	
		<u>(5,951)</u>		<u>(5,387)</u>
Transfer from / (to) Pension Equalisation Fund		<u>15,781</u>		<u>(338)</u>
At 31 December 2008		<u>112,390</u>		<u>126,860</u>

The Clergy Pension Provision has been established in accordance with the advice of our former actuaries, Watson Wyatt, to meet liabilities for clergy and clergy widows' pensions and gratuities. The actuarial valuation and basis of annual provision is reviewed every three years.

The actuarial valuation at 31 December 2007 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 comprises 26.2% of total income (reflecting income on the liability for past service) and 26.2% of the net investment gains and losses. The contribution for continuing service has increased from 24.3% to 26.3% of total stipends, and is met by the dioceses.

21 Clergy Pension Provision continued

The key financial assumptions used for the full actuarial valuation at 31 December 2007 and the interim valuation at 31 December 2008 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 2008	31 December 2007
Financial assumptions (nominal % pa)		
Discount rate	6.4%	5.8%
Rate of price inflation (RPI)	2.8%	3.3%
Rate of increase of stipends for clergy in service *	3.8%	4.3%
Rate of increase of pensions in payment (stipend linked)	3.3%	3.8%
Rate of increase of pensions in payment (LPI 5%)	2.8%	3.3%
Deferred pensions increase rate	2.8%	3.3%
Post retirement mortality (life expectancy, in years):		
Current pensioners age 65 – males	22.0	21.9
Current pensioners age 65 – females	24.9	24.8
Future pensioners age 65 (currently age 45) – males	23.1	23.0
Future pensioners age 65 (currently age 45) – females	25.9	25.8

* including a 0.5% pa allowance for promotional increase.

On 5 December 2008, Watson Wyatt Partners resigned as actuaries to the Fund and were replaced by Quantum Advisory.

Quantum Advisory have reassessed the pension liability as at 31 December 2008 at £112.39 million. The provision has been adjusted to the liabilities and the balance transferred to the Pensions Equalisation Fund (note 22).

22 Designated Funds

	At 1 January 2008 £000	Movement in Resources Incoming £000	Outgoing £000	At 31 December 2008 £000
Grants for Curates Houses (Funds available to provide grants to parishes to assist in the acquisition of Curates Houses)	73	11	–	84
Repairs and Extensions to Churches (Funds available to parishes)	597	185	149	633
Emergency Aid (Funds available for costs arising due to emergencies)	505	19	180	344
Overseas Aid (Funds available at the discretion of the Bishops to assist in overseas aid)	36	14	17	33
Training of Ordinands (Funds available for training of ordinands)	305	365	670	–
Publications (Funds for publications)	155	–	20	135
Decade of Evangelism	3	–	–	3
Other Purposes (Funds for specific non-recurring purposes)	166	1	15	152
Clergy Retirement Housing Reserve (Capital fund for Clergy Housing Loans)	4,685	337	4	5,018
Church Repairs Capital Reserve (Capital fund for Church Repairs)	5,205	428	1,296	4,337
Provincial Houses for Curates Reserve (Capital fund for Provincial Curates Houses)	1,598	148	–	1,746
Redundant Churches (Funds available to contribute to costs arising in the maintenance and safety of redundant churches)	275	321	297	299

Notes to the Accounts

22 Designated Funds continued

	At 1 January 2008 £000	Movement in Resources	At 31 December 2008 £000
		Incoming £000 Outgoing £000	
Diocesan Parsonage Improvements (Funds available for capital improvements to parsonages and acquisitions of new parsonages)	3,038	3,618 5,102	1,554
Pension Equalisation Fund (Funds available for Pension Liabilities)	23,285	– 15,781	7,504
Revaluation Reserve (Unrealised gains on parsonages, unlisted churches, church halls and sundry property)	229,570	– 24,870	204,700
	269,496	5,447 48,401	226,542

23 Restricted Funds

	At 1 January 2008 £000	Movement in Resources	At 31 December 2008 £000
		Incoming £000 Outgoing £000	
Parsonage Houses (Funds available from the sale of parsonage houses to be used for acquisitions of new parsonages in the same parish)	483	7 143	347
Jubilee Fund (Funds available for Gaza Dental Project)	16	14 16	14
	499	21 159	361

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' (Expendable Capital) and (Non-Expendable Capital) Common Investment Funds.

The unit holders in these common investment funds are individual funds held on trust 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 2008 was £31,218,000 (2007: £38,197,000) and was invested in stock exchange securities and Church in Wales Common Investment Funds.

The income on these funds was £1,710,000 (2007: £1,579,000) and was wholly distributed to beneficiaries.

Custodian Trustee

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

- a number of parsonages under trusts established prior to the Welsh Church Acts 1914 to 1945.
- 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 Bishops 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 in page 10 of this report.
- The six Diocesan Boards of Finance receive a Block Grant totalling £5,870,000, an allocation to the Diocesan Maintenance of Ministry Funds of £654,000 and have outstanding loans totalling £4,294,000 which have been advanced under the Clergy Retirement Housing Loan Scheme.

26 Stock Exchange Securities

	31 December 2008	
	Market Value £000	Market Value %
UK Securities		
Fixed Interest		
British Government	10,004	3.4
Corporation & Public Boards	1,585	0.5
Preference	2,763	0.9
Bonds	30,757	10.3
Total Fixed Interest	45,109	15.1
Equities		
Banks	17,808	5.9
Electrical	3,938	1.3
Engineering	5,149	1.7
Food Producers	3,678	1.2
General Retailers	15,723	5.2
Insurance	11,003	3.7
Leisure, Entertainment & Hotels	1,308	0.4
Media	1,876	0.6
Miscellaneous Manufacturing	1,540	0.5
Mining, Oil & Gas	45,323	15.1
Office & Commercial Services	5,980	2.0
Pharmaceuticals	14,631	4.9
Property	484	0.2
Technology & Telecommunications	16,068	5.4
Transport	3,624	1.2
Trusts & Finance	15,875	5.3
Utilities	11,863	4.0
Total Equities	175,871	58.6
TOTAL UK	220,980	73.7
Foreign Securities		
United States, Canada & Latin America	36,176	12.0
Asia	16,571	5.5
Europe	24,220	8.1
Australasia	2,013	0.7
TOTAL FOREIGN	78,980	26.3
GRAND TOTAL	299,960	100.0

Top Twenty Holdings as at 31 December 2008

	£000		£000
BP Plc	14,465	Tesco Plc	4,167
Vodafone Group Plc	13,205	Anglo American Plc	3,976
Royal Dutch Shell Plc	11,838	Prudential Plc	3,749
Glaxosmithkline Plc	10,554	UK Treasury	3,640
BG Group Plc	10,527	Balfour Beatty Plc	3,293
HSBC Holdings Plc	9,081	UK Treasury	3,101
Reckitt Benckiser Group Plc	5,929	Astrazeneca Plc	3,088
Centrica Plc	5,211	UK Treasury	3,086
Credit Suisse Smaller C O Class R-Inc	4,752	Morrison (WM) Supermarkets	3,003
Standard Chartered Plc	4,654	National Grid Plc	2,932

Ten Year Review – General Funds

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000	2001 £000	2000 £000	1999 £000
Income										
Stock Exchange Investments	14,794	13,201	12,526	11,626	10,875	11,255	11,156	11,824	11,288	12,043
Property Income	3,285	3,467	3,147	2,736	3,018	2,966	3,256	3,081	2,861	2,473
Other income	951	1,163	914	918	663	679	749	1,180	1,364	1,630
Total Net Income	19,030	17,831	16,587	15,280	14,556	14,900	15,161	16,085	15,513	16,146
Expenditure										
Clergy Emoluments	1,580	2,198	3,735	4,377	4,765	5,113	5,388	5,762	6,159	6,473
Clergy and Clergy Widows(ers) Pensions	4,986	4,957	7,381	7,002	6,311	6,238	6,298	5,973	5,771	5,927
Clergy Houses	453	389	1,368	1,309	1,275	1,171	1,150	1,071	1,063	1,064
Block Grant to Dioceses	5,870	5,699*	–	–	–	–	–	–	–	–
	12,889	13,243	12,484	12,688	12,351	12,522	12,836	12,806	12,993	13,464
Provincial Services	2,074	1,917	1,911	1,821	1,774	1,734	1,743	1,583	1,555	1,406
Sundry Grants	843	315	840	791	598	1,059	812	1,056	1,100	1,077
Bishops' Advisers/CMM/ Board of Mission Publications	451	340	373	517	532	501	530	540	521	415
	63	70	112	90	91	78	71	104	117	45
Total Expenditure	16,320	15,885	15,720	15,907	15,346	15,894	15,992	16,089	16,286	16,407
Surplus / (Deficit)	2,710	1,946	867	(627)	(790)	(994)	(831)	(4)	(773)	(261)
Reconciliation to the Statement of Financial Activities:										
Net incoming resources before transfers	3,089	2,124	1,233							
Clergy Training	–	–	(330)							
Grants	(1)	(11)	(11)							
Redundant Churches	(293)	–	–							
Capital Gifts and Legacies	(85)	(167)	(25)							
Surplus as shown above	2,710	1,946	867							

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