

Birmingham Diocesan Trust

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended

31 December 2016

Charity Registration No. 234216

Birmingham Diocesan Trust

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Birmingham Diocesan Trust

LEGAL AND ADMINISTRATIVE INFORMATION

NAME

The name of the charity is Birmingham Diocesan Trust.

The charity, in its day to day dealings, is also known as the Archdiocese of Birmingham.

The charity registration number is 234216.

PRINCIPAL OFFICE

Cathedral House
St Chad's Queensway
Birmingham
B4 6EX

Website: www.birminghamdiocese.org.uk

TRUSTEES

BIRMINGHAM ROMAN CATHOLIC DIOCESAN TRUSTEES REGISTERED

Comprising:

Most Rev. B Longley MA STL (Archbishop of Birmingham) *(1) (3)

Rt. Rev. W Kenney CP KCHS Fil k and STL PhD(hc) (Auxiliary Bishop) *(1) (3)

Rt. Rev. D McGough LSS STL (Auxiliary Bishop) *(1) (3)

Rt. Rev. R Byrne Cong Orat (Auxiliary Bishop) *(1) (3)

Rt. Rev. Mgr. T Menezes STB SLL *(1) (3)

Very Rev. Canon T Farrell MA (3) (resigned 8 July 2016)

Rev. J Veasey STL (3)

Sr. T Browne SP

Ms. H Bardy

Rev. Mr. D Palmer BA FCA CTA MCIPD *(1) (2)

Mr. M Weaver LLB

Mr. C Loughran *(2)

*(1) Member of Finance and Property Sub-Committee

*(2) Member of Investment Sub-Committee

*(3) Member of the Board of Trustees with a clerical Diocesan role (e.g. Priest, Bishop etc) receiving a stipend in connection with that role, and which is not connected to their voluntary work as a Trustee.

Birmingham Diocesan Trust

LEGAL AND ADMINISTRATIVE INFORMATION (continued)

PROFESSIONAL ADVISERS

AUDITOR

RSM UK Audit LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

BANKERS

National Westminster Bank plc
4th Floor, 2 St. Philips Place
Birmingham
B3 2RB

INSURANCE BROKERS

D E Ford (Insurance Brokers) Ltd
Poppleton Grange
Low Poppleton Lane
York
YO2 6AZ

INVESTMENT MANAGERS

Barclays Investment Management
Floor 6, One Snowhill
Snow Hill Queensway
Birmingham
B4 6GN (Until 31st December 2016)

Smith & Williamson Investment Management LLP
9 Colmore Row
Birmingham
B3 2BJ (From 1st January 2017)

PROPERTY CONSULTANTS

Reeves & Partners Limited
2 Euston Place
Leamington Spa
Warwickshire
CV32 4LE

SOLICITORS

Gateley Plc
One Eleven
Edmund Street
Birmingham
B3 2HJ

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham
B3 2ES

Farrer & Co
66 Lincoln's Inn Fields
London
WC2A 3LH

Birmingham Diocesan Trust

TRUSTEES' REPORT

For the year ended 31 December 2016

The trustees present their annual report and the audited financial statements for the year ended 31 December 2016. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Birmingham Diocesan Trust is a charitable Trust constituted by a Declaration of Trust dated 3 July 1931. By a certificate dated 20 October 1931, the trustees of Birmingham Diocesan Trust are registered as a body corporate known as Birmingham Roman Catholic Diocesan Trustees Registered. All property assets are vested in the name of the body corporate.

The Archdiocese of Birmingham, the name by which the trust is more commonly known, is made up of 217 registered parishes when measured in financial terms. This figure therefore excludes Mass centres and order parishes, the latter of which are also subject to the liturgical direction of the Archbishop but which report financially to other organisations including various religious orders etc. The Archdiocese geographically covers in the main the West Midlands, Staffordshire, Worcestershire, Warwickshire and Oxfordshire with supporting services for those parishes.

Certain trustees also serve as trustees to other registered charities with objectives congruent to those of the Archdiocese including:

Maryvale Institute	(Religious education)
Father Hudson's Society	(Social care)
St Mary's College, Oscott	(Seminary)
The Kenelm Youth Trust Ltd	(Youth services)
Barberi and Newman Academy Trust	(Education)

A uniting direction given by the Charity Commissioners is in force in respect of various small trust funds as set out in Note 17. These trust funds are represented by 2 separate registered charities, and 7 other separate funds, and have been donated to the Charity by the donor. The assets of the funds are represented by investment in the Diocesan Unit Scheme. The capital cannot be spent, and any income generated must be spent in line with the various donors' instructions. These funds have been classed as endowment funds.

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

TRUSTEES

The trustees who served during the year are listed on page 1.

The affairs of the charity are governed by the trustees, who are recruited from the senior clergy and suitably qualified and experienced lay faithful of the Archdiocese. New trustees are introduced to their role and responsibilities by the Diocesan Treasurer at which time relevant Charity Commission literature is issued together with copies of the trust deed and the latest financial information available. As and when required, trustees attend formal and informal training sessions.

The trustees hold meetings generally on at least a quarterly basis to conduct the operations of the charity and implement its investment and other policies together with other ad hoc meetings as required.

The **Finance and Property Sub-Committee** usually meets on a fortnightly basis to consider and take major decisions on property and financial issues.

The day to day legal and financial affairs of the charity are administered from the registered office, together with nearby premises in Birmingham City Centre (known collectively within the Archdiocese as the "**Curial Office**") by the Diocesan Treasurer, Rev. Mr. D Palmer (Trustee). He is assisted by a number of paid managers and staff. Within the Curial Office are the Diocesan Tribunal office which deals mainly with marriage annulment petitions, the office of the Chancellor who deals with other Canonical matters, the Diocesan Safeguarding office and the Historic Churches Committee office which is responsible for the supervision of works carried out to our buildings of historic importance. There is an **Investment Sub-Committee**, which includes a number of suitably qualified lay members as well as the Diocesan Treasurer, which liaises with and receives quarterly reports from the charity's investment managers on behalf of the Trustees.

The pastoral oversight of the charity is conducted by the Archbishop in regular consultation with the **Archbishop's Council**. This body assists the Archbishop in all decisions affecting the life of the Archdiocese. A majority of members of the Archbishop's Council are also Diocesan Trustees.

The **Vicar General's Office**, situated in the registered office, has a defined canonical role. The Vicar General Rt. Rev. Mgr. T Menezes (Trustee) is responsible for personnel issues relating to the clergy in the Archdiocese. Appointments to parishes and other diocesan offices are made by the Archbishop in consultation with the Vicar General and the Archbishop's Council.

There is also the **Council of Priests** which meets twice per year with the Archbishop to discuss and give advice on a wide range of issues. The Council is composed of approximately 35 priests of the Archdiocese, 1 representing each of 18 deaneries together with ex officio priests with diocesan responsibilities and the members of the Archbishop's Council.

At the re-establishment of historic forms of church government in 1850, each Diocesan Bishop was empowered to appoint a **Chapter of Canons** to take responsibility for the organisation and maintenance of his Cathedral. Within the Archdiocese of Birmingham, 16 senior priests constitute the Chapter of Canons and are consulted by the Archbishop on important Diocesan matters (Code of Canon Law 503ff). They have also been constituted as "The College of Consulters" to fulfil the legal requirements of Canon 495ff.

At parish level, the parish priest is responsible for all aspects of running his parish. Parish priests are not employees; in HM Revenue and Customs terms they are Holders of Religious Office and effectively act as agents for the Trustees in all but the purchase and disposal of property and investment assets. Each parish is required to have a finance committee which meets at least twice per annum to support and advise the priest particularly in the areas of finance and property. A comprehensive "Parish Financial and Administration Guidelines" manual is issued by the Archdiocese to parishes. The manual is updated regularly and is the basis for internal audit. An "ad clerum" is issued by the Archbishop regularly through

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

TRUSTEES (continued)

which policies are communicated to priests covering both liturgical/pastoral and, when required, financial and administrative matters. Further support is also available from Deans and the Archdiocese.

The **Diocesan Education Service** deals with all issues concerning Catholic primary and secondary schools within the Archdiocese. This includes administration of all school building projects, liaison with school governors, admittance appeals procedures, policies for teacher appointments and the establishment of a policy for conversion of schools to Academy status. It also works in conjunction with Ofsted to ensure consistency and equality of Catholic education. The office is situated in Coleshill and is under the leadership of Rev. J Veasey STL (Trustee).

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources for that period. In preparing financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and provisions of the Trust Deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

GOING CONCERN

The Trust's activities, together with the factors likely to affect its future development, principal risks and uncertainties facing the Trust and its availability of unencumbered cash reserves are set out within the Trustees' Report, on the following pages. Its financial position in terms of the year's results, its assets and liabilities and movement in cash is set out in the principal financial statements on pages 22 to 25. The Trust has considerable financial resources, mainly in the form of investments and property, and whilst it recognises that offertory income is following a downward trend, it has taken steps to mitigate this by employing additional personnel to evangelise, assist in strategic planning, and to investigate additional income streams, including external grant funding. The Trustees believe that in spite of these risks and

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

GOING CONCERN (continued)

uncertainties, including the current general economic outlook, there are no material uncertainties about the Trust's ability to continue as a going concern and that it is well placed to manage these risks.

The Trustees therefore have a reasonable expectation that the Trust has adequate resources to continue its operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees have a formal risk management process to assess risks and implement risk management strategies. This involves the identification of the types of risk faced by the charity, assessing the likelihood and potential impact of occurrence and identifying means of mitigation. Risks have been categorised under five broad headings: Governance, Operational, Financial, External and Compliance. These were then assessed as to the likelihood of their occurring and the severity of the effects of the risk leading to a potential overall impact calculation in order to give a scale of relative importance/urgency to each one. The current highest overall adverse impact risks identified are; to income through lapsation of the faithful and resultant reducing Mass attendances; an increasingly ageing and therefore reducing number of clergy who are expected to undertake ever more administrative responsibilities; adverse publicity in an increasingly secular society; and the continual drain on financial resources of maintaining functional properties many of which are listed to some degree. Additionally, there is uncertainty over costs which may arise from the Independent Enquiry into Child Sexual Abuse, as noted on page 20.

The Trust has taken steps to mitigate these risks, by recruiting priests from overseas, amalgamating small parishes where possible, and in encouraging collaboration where it is in the best interest of the community the parish serves. The Trust has robust and efficient complaints procedures, a whistleblowing policy and crisis management policy and procedures. It plans to upscale the scope of its internal audit procedures to further mitigate risks.

The trustees are responsible for providing reasonable assurance that:

- the charity is operating efficiently and effectively;
- its assets are safeguarded against unauthorised use or disposition;
- proper records are maintained and financial information used within the charity or for publication is reliable; and
- the charity complies with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- an annual budget covering the Diocesan Central Curial Offices' activities approved by the Finance and Property Sub-Committee of trustees;
- regular consideration by the Finance and Property Sub-Committee (together with the Investment Sub-Committee as appropriate) of the financial results, variances from budgets, investment performance, non-financial performance indicators and benchmarking reviews;
- delegation of authority, segregation of duties and formal supervision structures. The latter includes internal audit functions which cover both financial and administrative operations together with ecclesiastical activities; and
- identification and management of risks.

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TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

OBJECTIVES AND ACTIVITIES

Work is progressing on updating the Diocesan Trust Deed to reflect more fully the activities of the Church in the Modern World. It is expected that the updated Trust Deed will gain formal Charity Commission approval during 2017. The Declaration of Trust included in the Trust Deed dated 3 July 1931 specifies that the money and property received by the Trustees for the general purposes of the Trust shall be held to "apply both the capital and the income of the Trust Fund" to its objectives. 14 objects are listed in the Deed, by which the Trust furthers its charitable purposes for the public benefit, which can be summarised as:-

- The provision of religious services
- The provision, maintenance and upkeep of churches, presbyteries, schools and colleges
- The maintenance and support of priests and clerics both during their active service and in retirement and/or ill health according to individual need
- The provision of education and youth services for children attending Diocesan schools, and young members of the Church
- The provision of education and training for priests and those wishing to become priests
- Relief of poor and sick Catholics
- Generally for any such charitable purpose or purposes as in the opinion of the Archbishop may be conducive to the advancement or maintenance of the Roman Catholic Religion in the Archdiocese.

Works are also undertaken by the various sectors within the Archdiocese, which are inclusive of the public at large and the wider communities that are served geographically by the various parishes. These are more fully detailed within the heading "Achievements and Performance", but to summarise include:-

- Evangelisation and Catechesis
- Outreach work with disadvantaged and vulnerable members of society
- Provision of support to the elderly, particularly at parish level by providing essential community gathering places, organised activities, support and advice
- Assisting with mental and other health issues through our hospital and prison chaplains
- Working with those struggling financially to supply basic needs for their families such as clothing and food, by providing support through the activities of organisations such as the Society of St Vincent De Paul and food and clothing banks.
- Family and Marriage guidance, and family support.

These objectives are achieved primarily through the parishes and Catholic schools together with a considerable number of catholic societies and organisations also based within the Archdiocese. There are numerous other pastoral activities, the more significant of which are referred to under "Achievements and Performance" below.

The church is very heavily reliant on the contribution of its many volunteers to help achieve its objectives and is fortunate in that they see their contribution as an integral part of their individual vocation. It is estimated that during the year, approximately 1.55 million hours were provided by some 11,700 volunteers. If this is valued at £11.00 per hour, the volunteer contribution amounts to some £17m, which is not included in the financial statements.

In all of the activities undertaken by the Archdiocese, the trustees continue to be very grateful for the help given by so many people, both paid staff and volunteer helpers. The trustees also take the opportunity to thank the members of the many Religious Orders who assist in numerous parishes and other parts of the Archdiocese. Without the help of so many people, the Archdiocese could not carry out all the important work that it currently does.

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

ACHIEVEMENTS AND PERFORMANCE REVIEW

Diocesan Curia

The Diocesan Curia continues to support the activities of the clergy in the parishes as well as providing financial support for various activities relating to pastoral care and help such as youth formation and activities, religious education, area catechists, marriage guidance and poor parishes. Financial support is also given to Catholic national organisations together with chaplaincies and commissions within the Archdiocese, e.g. prisons, hospitals, universities, ethnic and disabled groups, ecumenism, interfaith, justice and peace, and overseas development. The Archdiocese maintains the offices of the Vicar General (including Safeguarding), Matrimonial Tribunal and Treasury functions together with the Press Office, Diocesan Archives, Historic Churches Committee, and also supports the Bishops' houses together with the Liturgy Commission and the Art and Architecture Committee. "Catholic Today", an outsourced regular newspaper covering events and items of interest across the Archdiocese, is sold in parishes throughout the Archdiocese and continues to seek to expand its circulation into schools. The Archdiocese continues to work closely with and support its associated charities, Maryvale Institute, Father Hudson's Society, St Mary's College - Oscott, The Kenelm Youth Trust Ltd and Barberi Newman Academy Trust via the services of common trustees.

In order to further support the Parishes in their work, the Diocese is continuing to increase its Curial staff resources. This includes additional personnel in the Development Team to assist with the making of grant applications, a Head of Planning, a Diocesan Solicitor and additional staff in the Property Team to assist with the development of the property assets within the Archdiocese to serve both parishioners and the wider community. All of these appointments were made in 2016.

Recognising the trend in falling Mass attendance, the Archdiocese has invested heavily in evangelisation initiatives, one of which has been to recruit two Evangelisation Field Workers to work in the Archdiocese, with the brief of forming a strategy for building missionary parishes within all Deaneries. Their work has also been complemented by the addition of a Family Project Ministry Worker, recruited as part of the Archdiocese's response to the 2014 Synod on Marriage and Family Life, whose aim is to support Catholic families in their own individual vocations. Based at Maryvale, their work is already bearing much fruit.

Investment in the Development Manager has seen a significant number of successful grant applications for Diocesan Churches under the Listed Places of Worship Scheme, and various other forms of Government and non-Government funding, including "Awards for All" and other lottery grants together with grants from private philanthropic organisations. Work has also taken place to develop online giving which has benefitted a number of parishes. This work is set to continue, and expand with services being offered to assist schools in due course.

During the year the Archdiocese joined with most of the other English and Welsh Diocese in order to obtain very favourable rates for green energy in support of the objectives set out by Pope Francis in "Laudato Si", (the 2015 encyclical on care for creation that recognised a necessity to produce and use energy responsibly) in relation to electricity supplies in most of its parishes. A similar project has been set in place in relation to gas in the autumn of 2017.

The Jubilee Year of Mercy, dedicated by His Holiness, Pope Francis was a year of opportunity for any person seeking Our Lord to come forth and experience His love and mercy, and for the faithful it was an opportunity to draw in people in need of that love and mercy, and to reflect on how we may better radiate and reflect the tender love of God in our world. A Jubilee door of Mercy was consecrated in the Cathedral itself, and at various locations around the Archdiocese.

The Cathedral hosted what has become an annual 24 hours of prayer for Christian Unity, in January 2016, each hour being led by different groups including different churches, schools, church groups or

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

organisations, each reflecting something of their own tradition and style in their praise. This event was characterised by its sheer diversity in terms of traditions and style and reflected the beauty of a truly ecumenical community, with representatives across the various denominations of Christianity.

The Annual Diocesan Pilgrimage to the Shrine of Our Lady at Hednesford in July again attracted some 1,000 pilgrims who were led in prayer by the Archbishop, asking for the Intercession of Our Lady of Lourdes for all those living in the Archdiocese. Equally as spiritually uplifting was the annual pilgrimage to the Shrine of the English Martyrs at Harvington Hall, which was attended by a similar number of people, congregating together to celebrate the survival of the Catholic faith in the Midlands.

There were three ordinations to the priesthood in 2016 (2015: 0). Two permanent deacons (2015: 4) were ordained and one priest celebrated his Diamond Jubilee (60 years as a priest), five their Golden Jubilee (50 years) and seven their Silver Jubilees (25 years).

Good relations with other faith communities are fostered by the work of the Diocesan Ecumenical Commission and the Diocesan Commission for Inter-religious Dialogue. The Archbishop is a member of the Birmingham Faith Leaders Group (representing Christian, Jewish, Muslim, Hindu, Sikh and Buddhist leaders) which meets quarterly in support of good interfaith relations and as a contribution to community cohesion.

Work has been completed on the use of property to assist those in need, with a vacant presbytery being converted for use as a hostel for female refugees (Fatima House). It is intended that engagement with grant funders, local authorities and other bodies will be increased to enable the Archdiocese to continue to work collaboratively in serving the wider community. Fatima House's first residents moved in during July 2016.

Parish Accounting Services Limited, which was set up as a joint enterprise with the Archdiocese of Westminster to purchase and develop a bespoke accounting and Gift Aid software; OPAS (that was already being used by the majority of parishes within both Archdioceses) has seen an increase in its Revenue and has shown encouraging profitability. The purchase by the two Archdioceses of OPAS was undertaken to protect the future availability of this product. The software has also been licenced to various other Dioceses and Catholic organisations, and has been marketed with success to other Dioceses in 2016, and will continue to be offered to other Dioceses and Catholic organisations in future. It is intended that this will yield increasing income to the Trust to enable its loan to be repaid over time (see note 13).

Parishes

The parishes are the core of the Archdiocese. A major function of parishes is the celebration of the liturgy and the provision of spiritual and pastoral care; however, much other unseen and unheralded charitable work also goes on greatly enriching the local communities which they serve.

The number of Corpus Christi processions increases year on year and this public witness to the Catholic belief in the Real Presence is one way of helping others come closer to the love of Christ Jesus in the Blessed Sacrament. A National Eucharistic Congress is planned in Liverpool in 2018 and the Archdiocese will play a full part in this through the involvement of Bishop Robert Byrne as the National Co-ordinator.

Weekly average Mass attendance was approximately 58,700 (2015: 61,300), including both adults and children. During the year there were 5,486 baptisms and receptions (2015: 5,866), 821 marriages (2015: 882) and 3,451 funerals (2015: 3,562). Mass count fell by 4% (2% fall in 2015), parish offertories and other collections (excluding tax reclaims) decreased to £7.7m (2015: £7.8m). The average offertory giving amount per head (including children) increased by 7p to £2.33 per week (2015: £2.26). In addition, parishes raised and paid over more than £1.6m (2015: £1.6m) on behalf of other religious and other charitable organisations.

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

Significant parish projects during the year included major church, parish hall and presbytery renovations, improvements and building works etc. at St Chad's Cathedral, Birmingham; St Mary, Harborne; Birmingham, St Dunstan, King's Heath, Birmingham; St Thomas More, Sheldon; St John, Banbury; St Peter, Bromsgrove; Sacred Heart & St Teresa, Coleshill; SS Gregory & Augustine, Oxford; St Marie, Rugby; St Joseph, Burslem; Our Lady & All Saints, Stourbridge; St Anne, Streetly.

Various parishes have received grants from both private and public grant making bodies and the trustees would like to acknowledge their support and express their thanks. This has been achieved largely with assistance from the Fundraising Team.

Diocesan Education Service

The Diocesan Education Service (DES), based in Coleshill, represents the interests of the charity in relation to the 240 maintained Catholic schools within the Archdiocese. Of these, 237 schools (203 schools for children aged 4-11 and 34 schools for those aged 11-16/19) operate under the charity's trust deed and 3 operate under separate trust deeds of religious congregations. No capital expenditure is made by the charity in relation to the latter 3 schools; however, the Service does provide some advisory services to them. A further 8 Diocesan maintained schools converted to academy status during the year (2015: 28). There are now 88 Academy schools operating under 18 Multi Academy Trusts.

The Service's functions include: the obtaining of grant finance and management of building projects for diocesan schools; the administration of "School Building Fund" accounts for each school; the administration and appointment of foundation governors; the administration and appointment of Academy Foundation Directors and Foundation Academy Representatives ensuring sufficiency of places for Catholic children in liaison with the Department for Education (DfE) and the 13 Local Authorities within the Archdiocese. The Service also provides training and support to schools and governors with day to day operations including admissions and appeals, grievance and disciplinary procedures, home to school transport, safeguarding issues and securing high quality Catholic leadership within Archdiocesan schools. It represents the Archdiocese's interests in liaison with various educational and other related organisations including Ofsted, the DfE and the Education and Skills Funding Agency. In addition, the Service advises and supports schools on the provision they make for curriculum religious education and for the spiritual, moral, social, vocational and cultural development of all pupils within its schools. It quality assures this provision through a five year cycle of inspections in accordance with the Code of Canon Law of the Catholic Church and Section 48 of the Education (Schools) Act 2005. Schools which are judged to require improvement to be good will continue to be inspected after three years.

In 2016, 60 Diocesan schools were inspected. In the same year 239 schools participated in a service level agreement. This agreement has provided schools with individual advisory visits from department staff, RE subject leader meetings, in-service training days and a wide range of resources offering schools appropriate support and guidance.

The DES continually strives to provide the best possible assistance to Catholic schools in a changing climate of education in this country. To this end, the strategic work of the service expanded, including the formation of the "Diocesan Teaching School Alliance" which is made up of Catholic schools within the Archdiocese that have been designated with "Teaching School Status". The Alliance now helps the DES to broker additional support for schools within the Archdiocese when this is required. This work was further complemented by the creation of the "Diocesan Academies Group". Initially for Chairs of the Boards of Directors, the group has established a network of support for professional guidance and sharing of information.

Birmingham Diocesan Trust

TRUSTEES' REPORT

For the year ended 31 December 2016

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

The DES has continued to develop the work it undertakes in identifying and training future leaders in Catholic education. In 2016 training opportunities were offered by the DES alongside the provision made by Diocesan Teaching Schools. The induction course for newly appointed head teachers was also expanded to provide greater support to new head teachers.

Working with the DfE, local authorities and other national agencies, the Service makes valuable contributions to the on-going development of Catholic education in this country, offering guidance on the publication of new resources and contributing to advisory groups and national working bodies.

The Service administered a building programme of 85 different projects. Of these 17 were over £100,000 and 1 was in excess of £400,000. Increasingly the good performance of Catholic schools generally is attracting more children from outside the faith community and, whilst welcome, increases the need to expand the facilities to provide education at schools in the Archdiocese. The impact of planned housing growth on education needs is being closely monitored to ensure schools are better able to cope with any consequent increases in demand for places. The grant assisted capital programme for the year ended 31 March 2017 was £11.4 million.

The DES showed a surplus on unrestricted funds of £382,000 (2015: Deficit £28,000).

Youth activities

Following a significant restructuring of the management and organisation of Youth Services, all provision for young people was amalgamated under The Kenelm Youth Trust Limited (KYT) from 1st January 2016. This involved the transfer of assets and financial management to KYT from this date, whilst maintaining close connections with the Archdiocese. KYT receives a significant amount of funding to maintain provision of the Diocesan youth services. Two of the Trustees of the Archdiocese also served as Trustees of KYT in 2016, providing the strategic links with the Archdiocese. KYT provides a comprehensive and unified ministry for 11-25 year olds, and includes the residential retreat centre at Alton Castle in Staffordshire, The Soli Centre for Youth Ministry which is a residential centre for those aged 15-25 located next to Alton Castle, the Birmingham Catholic Youth Service (BCYS) which works within parishes, and The School Chaplaincy Project, working closely with the Diocesan Education Service in schools within the Archdiocese.

Soli Centre for Youth Ministry

The centre provides a chapel, contemporary retreat/conference facilities, and light and attractive en-suite sleeping accommodation for groups of 40 and above, meeting rooms and cosy group work spaces, together with a spacious dining room and modern kitchen facilities and equipment. The centre provides a place for young people aged 14-25 years to get away from the everyday pressures of home and school life where they can experience a sense of Christian community, and to hear, see and respond to the message of the gospel. An outreach programme enables many schools to provide mission days and reflection experiences in school, enriching the spiritual, moral and social development of these young people, including not only those of the Catholic faith but children of other faiths, or none, who attend our schools.

The centre has a dedicated youth ministry team offering dynamic, creative and prayerful retreat programmes and the trustees are grateful to all those who have financially supported this initiative and made this innovative development possible. Future plans are to install a biomass boiler, and improve access for disabled guests.

Birmingham Diocesan Trust

TRUSTEES' REPORT

For the year ended 31 December 2016

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

Alton Castle

The Castle welcomed over 6,000 children and young people from diverse backgrounds for residential and day retreats. Children experience prayerful reflection in a safe and enjoyable atmosphere whilst engaging in new and challenging outdoor educational activities such as team initiatives, mountain biking and treks through muddy woodland and night time adventures on trust walks.

It is supported by a strong fundraising strategy and generous donors to keep costs to families low, and to ensure that the service is fully inclusive, enabling access for those on low incomes.

The Castle has continued to embed its successes of 2015, to develop creative opportunities for learning outside the classroom. It holds The Council for Learning Outside the Classroom of the AHOEC Gold Standard Award Badge. In addition, the centre is also a Mountain Bike Leadership Approved Centre. The annual summer retreat programme was once again highly popular, as was the Christmas retreat. The Castle also offers occasional family retreats to support faith development within the context of the family, building on its success with its school retreat programmes. Alton Castle is in its 20th year, and further plans for refurbishment of the facilities, along with the development of the outdoor water based activities are planned, in order to further improve the experience of young people on retreat. A new biomass boiler was installed, to help provide cleaner green energy and a drying room built to dry outdoor clothing and kit.

Birmingham Catholic Youth Service (BCYS)

This is the parish based element of our youth ministry and is committed to providing support to Parishes working with and among young people aged 11-25. The development workers build relationships with priests, adult leaders and young people to enable regular and varied activity for young people to explore and deepen their faith. Training courses and sessions were run across the Archdiocese to recruit and support adult volunteers. BCYS staff also co-ordinate the leadership and administration of World Youth Day Pilgrimages (WYD) for 50-150 Pilgrims and more recently other pilgrimages and overseas mission for young adults. This small staff team and volunteers engage hundreds of leaders and young people in groups and clubs and co-ordinate Birmingham's involvement in National events such as, National Youth Sunday and CYMFed congresses including "Flame" at Wembley Arena.

The Pope John Paul II Award, enabling young people in the Archdiocese to take an active part in the life of their community and society is now ready to roll out across parishes, and it will work with young people over the age of 16 encouraging them to serve in various ways within their faith and parish communities, and reflect on the involvement of Christians in social action. This will link to our missions to Brazil and WYD missions among the poor; it is envisaged that they will take part in pilgrimages to Lourdes where they will support and help to care for elderly and sick pilgrims. In addition, they will serve in parish life by assisting those who are sick and elderly during Mass.

School Chaplaincy Project

This project aims to advocate for, support and train Lay Chaplains in Catholic Schools across the Archdiocese. This is achieved through training days, non-managerial supervision sessions three times a year, together with online support and resources. In addition, the project advises and supports senior leaders in schools with the appointment of, and vision for Lay Chaplains in their communities – see <http://www.kenelmchaplaincy.org> for further information.

The training and INSET days are also open to other youth staff and have been accessed by Lay Chaplains from other Dioceses.

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

Vocations

Clergy Training Fund (CTF)

The principal purpose of the fund is to finance the costs of recruitment and formation of students preparing for the priesthood and permanent diaconate in the Archdiocese. At the start of the academic year in September 2016, there were 7 students for the priesthood at St Mary's College, Oscott, Birmingham, 4 students at the Venerable English College, Rome, and 1 student at the Venerable English College in Valladolid, Spain. There were also 14 students undertaking the four-year permanent diaconate course at Oscott.

The CTF finances the work of promoting vocations to the priesthood throughout the Archdiocese. This is mainly achieved by organising vocations events in universities, schools and parishes, producing and distributing publicity materials and maintaining a vocations website. The CTF also supports the Diocesan Vocations Director, and employs a full-time Vocations Promotion Officer, a full time Education Fieldworker together with three part time administrative and secretarial staff – the "Vocations Office". The Fund's main sources of income are an annual second collection in parishes on Vocations Sunday and a regular giving scheme organised through CTF parish secretaries. Regular parish appeals are made throughout the year to increase income from this source, and donors are encouraged wherever appropriate to Gift Aid their contributions. Donors are also asked to consider including a bequest to the CTF in their wills.

Other activities

Retired and Sick Clergy

Aston Hall in Staffordshire is a residential home for retired and sick clergy. In 2016 there were 7 permanent residents (2015: 9); the hall also provides short breaks to a number of other clergy which by and large utilises the remaining capacity of the hall (12 rooms). The day to day running of the home is managed by a permanent deacon and his wife supported by a small number of staff. The home is supported by an annual grant from the Archdiocese with the remainder of its income generated from residents' fees and donations. The hall's total costs amounted to £370,000 (2015: £407,000), although this also included the costs of major refurbishment works to the internal accommodation (£163,000) (2015: £219,000), which was supported by grants from the Archdiocese. The Archdiocese centrally also supports a number of other retired priests accommodated in various locations according to their individual needs.

Harvington Hall

Harvington Hall, a historic, pre-reformation house associated with old Catholic families and some English Martyrs, is a listed building and place of pilgrimage. It is supported by the Archdiocese by means of a modest grant and through its own activities including admissions, a small souvenir-type shop and cafe. The hall also generates external grant finance to help with the costs of maintaining and improving the fabric of the building and its contents. These costs amounted to £130,000 (2015: £93,000) during the year. Some 90 volunteer staff support the day to day running of the hall.

Birmingham Diocesan Lourdes Pilgrimage

The Lourdes Committee organises an annual Diocesan Pilgrimage each year providing facilities to take sick, infirm and disabled pilgrims to Lourdes. The 2016 pilgrimage comprised 640 pilgrims together with 150 affiliated pilgrims – the latter make their own travel arrangements (2015: 635 pilgrims together with 205 affiliated pilgrims). Of these, 38 sick pilgrims were accommodated in the hospital and a further 120 sick pilgrims were accommodated in hotels.

Birmingham Diocesan Trust

TRUSTEES' REPORT

For the year ended 31 December 2016

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

INVESTMENTS

Investments held by the charity were acquired in accordance with the powers available to the trustees and are held under the nominee name of its Investment Managers, Barclays Investment Management. From 1st January 2017, following a review of brokerage services, the Trustees appointed Smith & Williamson Investment Management LLP as its new investment fund managers. The **Diocesan Investment Scheme** allows individual parishes to benefit from the opportunities available from investing in the UK stock market, this activity generates income for these parishes, which in turn aids their charitable work by providing additional resources for use in the parish and wider community. Administration of the scheme is undertaken by the Treasury Department located at Cathedral House. The charity's investment managers professionally manage the underlying investment portfolio, the performance of which is regularly reviewed by the Diocesan Investment Sub-Committee. The investment managers are also responsible for the safe custody of these assets.

Included in the value of investments is a significant unrealised surplus and this figure will vary year on year as property and stock market values fluctuate. In the past the trustees believed it inappropriate to consider that this unrealised surplus should be available for the ongoing work of the charity, however after detailed discussions with its investment advisers and in line with current views elsewhere in the sector, going forwards the trustees are adopting a "total return" approach to the charity's investments in order both to generate further funds for charitable activity and also to ensure the best possible overall return on its investments by allowing its brokers to take advantage of capital growth opportunities to a limited though greater extent than in the past.

Investment policy

The trustees intend that the real value of their assets be maintained and enhanced over the long term by investment in a portfolio comprising equities, fixed interest stocks and cash. The portfolio is managed on a discretionary basis. The trustees regularly review the investment policy together with the performance of the investment manager who reports on portfolio performance to the Investment Sub-Committee on a quarterly basis.

The current investment criterion is that a balance should be maintained between income and longer term capital appreciation within the framework of a low/medium attitude to risk.

The trustees consider the total return on investments of 12.8% during the year to be satisfactory when measured against the various published indices used to monitor performance and the prevailing favourable market conditions at the time, especially as income performance was 3.0%. The fair value of the Diocesan Investment Scheme at 31 December 2016 amounted to £40.64m (2015: £36.32m).

The trustees' **ethical policy** is that, "the charity seeks not to invest in equities directly or mainly involved in the manufacture and/or supply of goods and services which would not be in accordance with the teachings of the Gospel and the social teachings of the Roman Catholic Church. The charity's investments are reviewed regularly and advice sought from competent sources with regard to ethical concerns. In light of such advice, guidelines are given to the Charity's investment manager. Such guidelines are subject to review as situations change. The charity may continue to invest in companies involved in activities which may give rise to ethical concerns where these activities are considered minimal in relation to that company's overall business. Where appropriate, the charity will engage in dialogue and seek to make its views known to such companies in which it invests." It is generally accepted by the trustees that, in following its ethical policy, investment performance may be adversely affected.

Birmingham Diocesan Trust

TRUSTEES' REPORT

For the year ended 31 December 2016

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

External factors affecting performance

The charity forms part of the wider Catholic Church throughout the world and as such is answerable ultimately to the Pope and the Vatican. Therefore policies or situations and activities involving the wider church, which of course includes other Dioceses in the UK, will have an effect on the policies, strategies and performance of the charity. In managing its affairs, the charity must also be mindful of the requirements of Canon Law as promulgated by the church authorities.

The charity's spending on schools will also inevitably be influenced by Government policy.

Public benefit

Much consultation has been had between the Charity Commission and religious charities in relation to the question of public benefit. We are encouraged that the Commission acknowledges the intangible spiritual benefits that the charity works to provide. Jesus said "you shall love your neighbour as yourself". Our parishes and retreat centres etc. reach out beyond their own congregations locally, nationally and indeed internationally, via all sorts of initiatives from simple collections at the end of Mass, to more practical assistance such as assisting the disabled, bereavement counselling and visiting the sick at home and in hospital. Catholic schools are increasingly populated with non-Catholic children whose parents value not just their proven educational excellence, but also the moral codes and practices which support it. The young adults leaving our schools will go on to become valued members of society. Our churches etc. and the services of our clergy are open to all who wish to explore whether the Catholic Church can help them to enrich their spiritual lives. The trustees believe that they have complied with the duty in Section 17 of the 2011 Charities Act to give due regard to the various guidance notes published by the Commission.

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

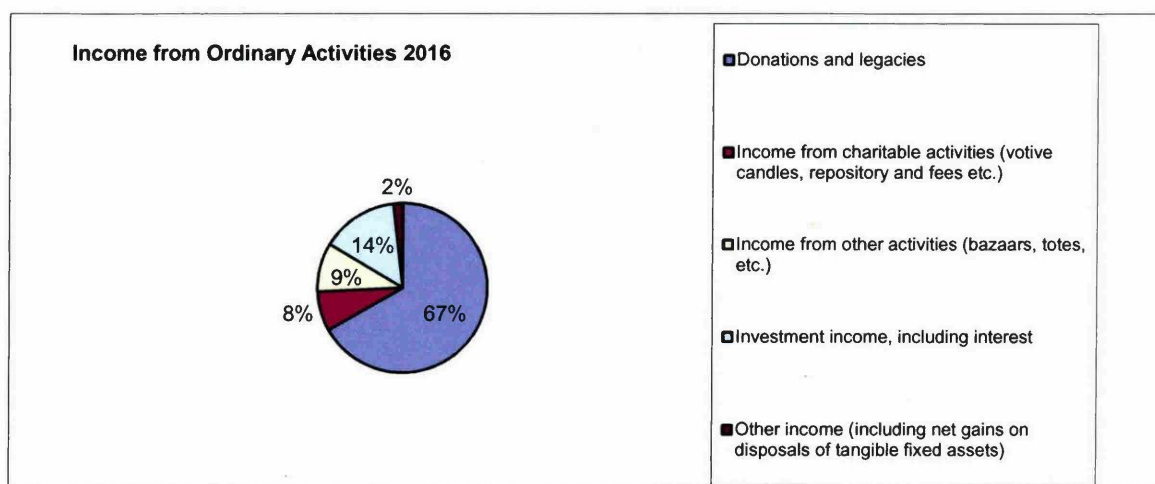
For the year ended 31 December 2016

FINANCIAL REVIEW

The financial statements reflect the activities of the parishes within the Archdiocese, the central support activities, the Diocesan Education Services, youth services and the operation of various centres of religious activities. The financial statements also include the transactions, assets and liabilities of those charities and trust funds detailed in Note 17 to the financial statements. The figures do not include the operation of parish clubs, nor do they include separately registered Roman Catholic charities within the Archdiocese, other than those listed in Notes 17 & 18 to the financial statements.

The Statement of Financial Activities of the Archdiocese for the year ended 31 December 2016 on pages 22 and 23 shows income of £22.01m (2015: £21.92m) analysed as follows:

	2016 £m	2015 £m
Donations and legacies (offertories, donations, legacies, Gift Aid, etc.)	14.68	13.30
Income from charitable activities (votive candles, repository and fees etc.)	1.68	3.12
Income from other activities (bazaars, totes, etc.)	2.05	2.14
Investment income, including interest	3.19	2.92
Other income (including net gains on disposals of tangible fixed assets)	0.41	0.44
	<hr/> 22.01 <hr/>	<hr/> 21.92 <hr/>



Birmingham Diocesan Trust

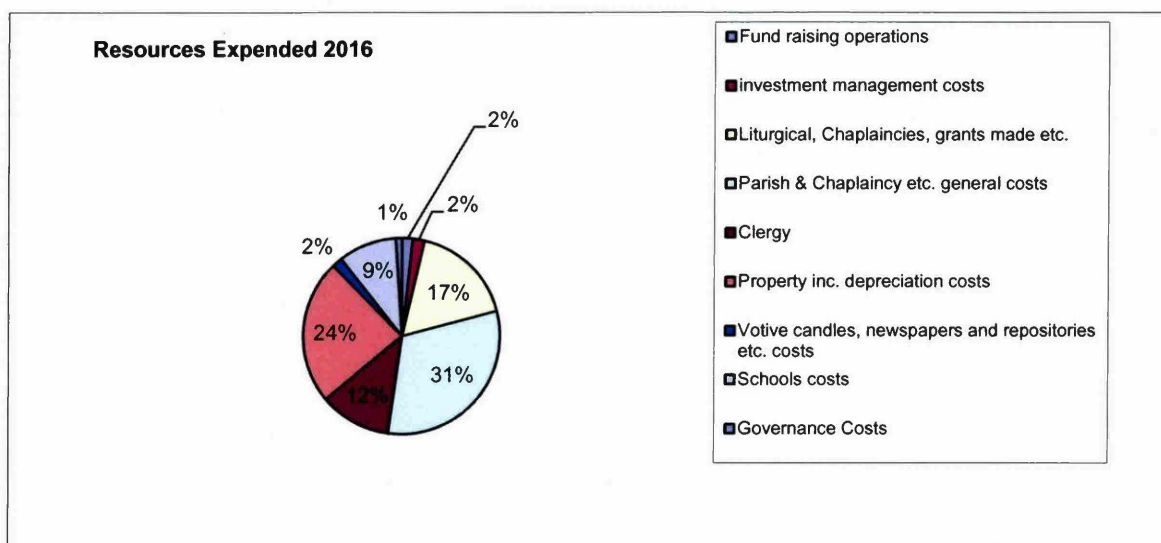
TRUSTEES' REPORT (continued)
for the year ended 31 December 2016

FINANCIAL REVIEW (continued)

Expenditure amounted to £25.19m (2015: £21.5m) analysed as follows:-

	2016 £m	2015 £m
Cost of raising funds		
Fundraising operations	0.44	0.45
Investment management costs	0.50	0.58
Charitable Activities:-		
Liturgical, Chaplaincies, grants made etc.	4.32	4.14
Curial, Parish and Chaplaincies* etc. general & support costs	7.88	7.29
Clergy costs	2.96	2.80
Property (including depreciation and impairment)	6.00	4.73
Votive candles, newspapers and repositories costs	0.42	0.47
Schools costs	2.41	0.81
Governance costs	0.26	0.23
	<hr/> 25.19	<hr/> 21.50

*Chaplaincy etc. general costs include Diocesan activities relating to youth services, university and other chaplaincies catering for specific communities and groups within the Archdiocese, also included in this line are bank charges of £0.06m (2015: £0.07m).



This resulted in an operating loss (i.e. before considering the impact of gains and losses on investments and other assets) of £3.2m {£2.1m loss on unrestricted funds, £1.1m loss on restricted funds and endowment funds } (2015 £0.4m surplus {£0.5m loss on unrestricted funds £0.9m surplus on restricted funds and endowment funds}), and an overall surplus for the year of £1.5m {£2.1m surplus on unrestricted funds, £0.6m loss on restricted funds and endowment funds, and before transfers} (2015: £0.6m surplus {£0.2m loss on unrestricted funds, £0.8m surplus on restricted funds and endowment funds, and before transfers}).

The investments held by the parishes and the Archdiocese (mainly quoted investments) again produced substantial income to defray running costs, and there were realised and unrealised gains amounting to £3.6m {£3.0m gain on unrestricted funds, £0.6m gain on restricted funds and endowments} (2015: £0.9m loss {£0.7m loss on unrestricted funds, £0.2m loss on restricted funds and endowments}) as a result of markedly improved market conditions in the year. Realised and unrealised gains on investment properties amounted to £1.1m (2015: £1.1m gain).

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

FINANCIAL REVIEW (continued)

The net effect of the above is that, over the year, the funds of the charity increased by £1.5m (2015: £0.7m increase) to £117.8m (2015: £116.3m).

Weekend Mass attendance figures reduced by 4% (2% in 2015). The current sustained unfavourable economic conditions including low interest rates and falling investment income returns continues to put pressure on income streams overall, and parish offertory income decreased by 1.3%. While overall income from offertory, legacies and donations increased by £1.38m, this movement is mainly as a result of the grants that have been secured for parishes by the Fundraising team. Grants increased in 2016 by £1.0m to £1.3m (£0.3m 2015), which mitigates the fall in legacies to £0.4m (£1.1m 2015).

Costs rose with the substantial expenditure on the maintenance of churches, presbyteries and parish halls (due partly to the increase in available resources from grant income), as well as the on-going substantial commitment to our schools' programme. Costs include those to train men for the priesthood, look after aged and sick priests, as well as the normal everyday costs of running parishes. Pressure on an increasingly ageing priest resource continues which has meant that further linking of parishes has been needed and will continue. Priests now need more and more to focus on their Eucharistic, Sacramental and Pastoral ministry, often being asked to take on dual or multiple roles. This has meant them having to delegate the historically administrative side of their roles to the laity, many of whom will prove a more expensive alternative. Central and administrative costs continue to feature with the ever increasing burden of statutory and regulatory controls imposed on the charity. Thus with falling parishioner and priest numbers, the trustees are mindful of the need for prudent financial resource management and also the need to continue to investigate increasing income streams going forwards.

Cash Reserves

The charity's total cash reserves decreased by £3.2m to £5.8m (2015: £0.7m decrease to £9.0m). Considerable cash was used for repairs, purchase and improvements to functional properties, several large grants were made to other charities in line with the Archdiocese's charitable objectives (see note 24, Related Parties Transactions p53) Unrestricted cash reserves in parishes increased by £1.5m to £9.2m (2015: £0.1m decrease to £7.7m) whilst Diocesan unrestricted cash reserves decreased by £2.3m to a deficit position of £9.8m (2015: £1.2 decrease to £7.5m deficit) being in the main a historic legacy of spending on schools and during 2016 also reflecting the timing of the receipt of various grants, together with increased central costs and grants paid to other charities as referred to above.

Reserves policy

Unencumbered reserves, for this purpose defined as unrestricted stock market investments and cash - £33.6m (2015: £30.2m), are approximately 162% of annual unrestricted expenditure (2015: 150%). The trustees would not normally wish to see unencumbered reserves of less than 100% of annual unrestricted expenditure but they recognise that this figure may be considerably exceeded because of the nature of the charity's activities and short to medium term spending exigencies that can arise from parish properties (the timing of which is often quite legitimately based on individual parish reserve levels rather than diocesan led policy) and schools that can vary considerably from year to year.

Fixed assets

In order to fulfil its charitable objectives, the Archdiocese needs a considerable number of properties. Any property which becomes surplus to requirements will be sold but the remainder, although unrestricted, cannot be realised without undermining the work of the Archdiocese.

The fixtures and fittings, and other contents of the properties and the motor vehicles are similarly all used in the work of the charity.

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

FINANCIAL REVIEW (continued)

A very small proportion of the fixed assets are already represented by Restricted Funds (Note 18). The trustees also consider it appropriate that the value of other functional buildings and the contents of fixed property assets should be held for charity use and as these assets are therefore unavailable for other uses, in 2006 the trustees created a designated fund representing the value of these assets (see Note 19).

KEY MANAGEMENT PERSONNEL AND REMUNERATION

The trustees consider the Board of Trustees, including the Auxiliary Bishops, the Vicar General and the Diocesan Treasurer are the key management personnel of the charity in charge of directing and controlling the charity and running and operating the charity on a day to day basis. All trustees give their time freely, and no trustee receives any remuneration in respect of the work undertaken in the role of trustee. There are members of the Board of Trustees who are also members of the senior clergy of the Archdiocese, and as with other members of the clergy receive a stipend for the work they undertake in their clerical role only. These trustees are identified in the list of trustees on page 1.

Details of trustee expenses and related party transactions are disclosed in notes 10 and 24 (respectively) to the accounts. Trustees are required to disclose all relevant interests and register them with the Diocesan Treasurer and in accordance with the Trust's policy withdraw from decisions where a conflict of interest arises.

PLANS FOR THE FUTURE

The intention for the future is to continue to meet the objectives of the charity as outlined on page 7. Additional resources are to be focussed on Evangelisation and engagement with local communities, with a particular focus the spiritual life of families and our young faithful – investment in our Evangelisation Field Workers, Family Project Ministry Worker and our various University Chaplaincies, along with the work done in our schools teaching about the love of Christ, and His ministry all help to facilitate this aim.

By means of further support and encouragement to both priests and the lay faithful alike, in 2013 the Archbishop, supported by the Bishops, instituted a third series of Parish Visitations to run from 2014 to 2020. These visitations will build on the findings of the first two series, which concluded, on the basis of an audit in each parish, with a series of overall objectives for the future. The visitations also provide the opportunity to reassess the arrangements between parishes so as to initiate necessary changes and prepare for further change in the future. The visitations include consultations with parishioners and systematic feedback in each deanery and their particular focus will be the local Church's social outreach activity and agencies.

As part of the strategy to increase funding streams for parishes for capital and charitable purposes, further work is planned to increase the use of online giving through internet use, and to continue to identify projects for grant funding.

The Youth Services are looking at the theme of discipleship and developing their programmes to draw young people closer to the life and mission of the Church, with a particular focus on inclusivity for those from disadvantaged backgrounds. To this end, additional financial support is to be sought from the hiring out of the facilities, and from development of the fundraising programme. Development of the activity

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2016

PLANS FOR THE FUTURE (continued)

programme to increase outdoor water activities is planned, in order to further enhance the opportunities for outdoor creative learning, and extend the summer programme to offer dynamic summer camps, all with the purpose of engagement of young people with the Mission of the Church in the World.

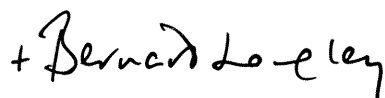
Independent inquiry into child sexual abuse

Safeguarding arrangements in respect of children and adults who may be at risk continue to be developed in line with the policies and procedures of the Catholic Church in England and Wales. On 27 May 2016 the Archdiocese was informed that it had been selected by the Independent Inquiry into Child Sexual Abuse to be one of two case studies as part of their investigation into the Catholic Church as one of several organisations being investigated. This notice was later confirmed by being published on the Inquiry's website later that day. At this stage it is too early to estimate the financial implications of the Inquiry, other than to note that considerable expenditure on legal costs to respond to its demands for information may be anticipated over the period of the Inquiry, which is likely to last several years, since its scope appears to cover the period since 1945. It is unfortunate that these costs are likely to have to be borne by the Trust as the Inquiry has made it quite clear that there will be no payments forthcoming from Government sources to meet these costs, nor as far as it is currently understood, are these costs recoverable from Insurers since they do not arise from any claim for wrongdoing. In view of the uncertainty regarding quantum it is intended that these costs will be reflected in the accounts of the year in which they are incurred. The costs to the Archdiocese incurred in 2016 are disclosed in note 7.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The trustees who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the trustees have confirmed that they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Approved at the trustees' meeting held on 22nd September 2017 and signed on behalf of the trustees.



Most Rev. B Longley, MA, STL
Archbishop of Birmingham

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF BIRMINGHAM DIOCESAN TRUST

Opinion on financial statements

We have audited the financial statements of Birmingham Diocesan Trust (the 'charity') for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2016 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Emphasis of matter – early adoption of the Charities SORP (FRS 102)

In forming our opinion, which is not modified, we have considered the disclosure on page 26 concerning the charity's early adoption of the Charities SORP (FRS 102) issued in July 2014, rather than applying the Charities 2005 SORP which has been withdrawn but is still referred to in the extant Charities (Accounts and Reports) Regulations 2008. This departure has been necessary for the financial statements to show a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice effective for accounting periods beginning on or after 1 January 2015.

Scope of the audit of the financial statements

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

Matters on which we are required to report by exception

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

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

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 5, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report is made solely to the charity's trustees as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinion we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date: *22 September 2017*

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Birmingham Diocesan Trust
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 December 2016

	Note	PAROCHIAL			DIOCESAN		TOTAL			TOTAL	
		Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Restricted funds £000	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	2016 £000	2015 (Note 8) £000
INCOME AND ENDOWMENTS FROM:											
Donations, legacies and grants	1	11,138	1,868	-	418	1,262	11,556	3,130	-	14,686	13,304
Charitable activities	2	990	1	-	682	4	1,672	5	-	1,677	3,120
Other trading activities	3	1,905	87	-	53	-	1,958	87	-	2,045	2,142
Investment income	4	2,271	4	40	725	149	2,996	153	40	3,189	2,920
Other income											
Profit/(loss) on sale of Tangible Fixed Assets		375	-	-	-	-	375	-	-	375	392
Other income	5	38	-	-	(1)	-	37	-	-	37	43
Total		16,717	1,960	40	1,877	1,415	18,594	3,375	40	22,009	21,921
EXPENDITURE ON											
Raising funds											
Fund raising operations		330	15	-	74	17	404	32	-	436	450
Investment management costs	6	433	-	-	69	-	502	-	-	502	582
Charitable activities	7	13,796	1,430	40	6,028	2,955	19,824	4,385	40	24,249	20,470
Total		14,559	1,445	40	6,171	2,972	20,730	4,417	40	25,187	21,502
Net (expenditure)/income before other recognised gains and losses											
		2,158	515	-	(4,294)	(1,557)	(2,136)	(1,042)	-	(3,178)	419
Other recognised gains and losses											
Gains, losses and revaluations on investment properties		1,005	-	-	50	-	1,055	-	-	1,055	1,075
Gains, losses and revaluations on other investments		1,579	13	121	1,462	453	3,041	466	121	3,628	(851)
Total		2,584	13	121	1,512	453	4,096	466	121	4,683	224
Net income		4,742	528	121	(2,782)	(1,104)	1,960	(576)	121	1,505	643

Birmingham Diocesan Trust

STATEMENT OF FINANCIAL ACTIVITIES (continued)

for the year ended 31 December 2016

	Note	PAROCHIAL			DIOCESAN		TOTAL			TOTAL	
		Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Restricted funds £000	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	2016 £000	2015 (note 8) £000
Net income		4,742	528	121	(2,782)	(1,104)	1,960	(576)	121	1,505	643
Transfers between funds	18	(2,021)	26	-	2,205	(210)	184	(184)	-	-	-
Net movement in funds		2,721	554	121	(577)	(1,314)	2,144	(760)	121	1,505	643
Reconciliation of funds											
Total funds brought forward		80,764	2,087	1,231	21,156	11,045	101,920	13,132	1,231	116,283	115,640
Total funds carried forward		83,485	2,641	1,352	20,579	9,731	104,064	12,372	1,352	117,788	116,283

All of the charity's activities are continuing.

2015 comparatives for the above are given in Note 8.

Birmingham Diocesan Trust
STATEMENT OF FINANCIAL POSITION
At 31 December 2016

Charity Number 234216

	Note	2016 £000	2016 £000	2015 £000	2015 £000
FIXED ASSETS:					
Tangible assets	11		43,775		44,150
Investments	12		67,496		62,375
Total fixed assets			<u>111,271</u>		<u>106,525</u>
CURRENT ASSETS:					
Debtors due in under one year	13	2,119		2,658	
Debtors due in more than one year	13	203		282	
Total Debtors	13	<u>2,322</u>		<u>2,940</u>	
Cash at bank and in hand		5,769		9,006	
Total current assets		<u>8,091</u>		<u>11,946</u>	
CURRENT LIABILITIES:					
Creditors: Amounts falling due within one year	14	(1,425)		(1,310)	
NET CURRENT ASSETS			<u>6,666</u>		<u>10,636</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>117,937</u>		<u>117,161</u>
Creditors: Amounts falling due after more than one year	15		(149)		(878)
NET ASSETS	20		<u>117,788</u>		<u>116,283</u>
THE FUNDS OF THE CHARITY:					
Endowment funds	17		1,352		1,231
Restricted funds	18		12,372		13,132
Unrestricted funds:					
Designated income funds	19	43,496		43,868	
General income funds	19	60,568		58,052	
			<u>104,064</u>		<u>101,920</u>
			<u>117,788</u>		<u>116,283</u>

These financial statements were approved and authorised for issue at the trustees' meeting held on 22nd September 2017 and signed on behalf of the trustees by:

+ Bernard Longley

Most Rev. B Longley, MA, STL
Archbishop of Birmingham

Birmingham Diocesan Trust
STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Cash flows from operating activities:					
Net cash used in operating activities	22		(5,153)		(2,532)
Cashflows from investing activities					
Interest received		33		56	
Interest /dividends from investment in the stock market		1,218		1,110	
Movement in cash in investment portfolio		(1,817)		(478)	
Rental income from investment property		1,938		1,754	
Purchase of tangible fixed assets		(998)		(1,483)	
Proceeds of disposal of fixed assets		443		1,342	
Purchases of investments (excl. affiliated bodies)		(7,798)		(8,490)	
Proceeds of sale of investments (excl. affiliated bodies)		8,303		8,040	
Net movement attributable to endowment funds		121		(30)	
Purchase of investment properties		-		(53)	
Proceeds of sale of investment properties		594		77	
Net cash provided by investing activities			2,037		1,845
Cashflows from financing activities					
Net movement attributable to endowment funds		(121)		30	
Movement in loans		-		(37)	
Net cash used in financing activities			(121)		(7)
Net decrease in cash and cash equivalents			(3,237)		(694)
Cash and cash equivalents at the beginning of the year			9,006		9,700
Cash and cash equivalents at the end of the year			5,769		9,006

Birmingham Diocesan Trust

ACCOUNTING POLICIES

The Birmingham Diocesan Trust (“the Archdiocese”) is a charity registered with the Charity Commission of England and Wales, charity number 234216. The address of the Trust’s registered office and principal place of operations is Cathedral House, St Chad’s Queensway, Birmingham, B4 6EX

The Trust’s principal activity is to provide spiritual and pastoral guidance and care to Catholics and the wider community within the geographical area it covers in central England, in the main the West Midlands, Staffordshire, Worcestershire, Warwickshire and Oxfordshire. The Trust is a public benefit entity.

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

BASIS OF PREPARATION AND ASSESSMENT OF GOING CONCERN

a. Basis of accounting

The financial statements have been prepared in accordance with the accounting policies set out below and comply with the charity’s trust deed, the Charities Act 2011 and Accounting and Reporting Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014 (Charities SORP (FRS102)). The Trust constitutes a public benefit entity as defined by FRS102.

The financial statements have been drawn up under the historical cost convention as modified by the revaluation of investments and are presented in sterling, which is also the functional currency of the Trust.

The Trust considers that there are no material uncertainties about the Trust’s ability to continue as a going concern. There are no key assumptions or estimates that materially affect the items in the financial statements.

b. Early adoption of the Charities SORP (FRS102)

In preparing the financial statements, the Trust has adopted early the Charities SORP (FRS102) issued in July 2014, rather than applying the Charities SORP 2005 which has been withdrawn, but is still referred to in the extant Charities (Accounts and Reports) Regulations 2008. This departure has been necessary for the financial statements to show a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice effective for all accounting periods beginning on or after 1 January 2015.

The financial statements incorporate the activities of the parishes within the Archdiocese, the central support activities, the Diocesan Schools Commission, youth services and other centres of religious activities. The financial statements also include the transactions, assets and liabilities of those charities and other trust funds detailed in Note 17 to the financial statements. The figures do not include the operation of parish clubs nor do they include the activities of separately registered Roman Catholic charities within the Archdiocese other than those listed in Notes 17 and 18.

Special and other charitable collections on behalf of other charities have not been included in the Statement of Financial Activities as they are not regarded by the trustees as being funds of the Archdiocese. Where any balance has not been paid to the respective organisation concerned, it has been included in creditors.

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Trust's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The trustees do not consider that there are any estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

FUND ACCOUNTING

The charity maintains various types of funds as follows:

Restricted funds

These represent funds received which are allocated by the donor for specific purposes. They cannot be used for purposes other than those specified by the donor. The aim and use of the restricted funds is set out in the notes to the financial statements.

Endowment funds

These represent various small trust funds which have been donated to the charity. The capital cannot be spent, and any income generated must be spent in line with the donor's instructions.

Unrestricted General and Designated funds

These represent unrestricted income which is expendable at the discretion of the trustees in the furtherance of the objects of the charity. Such funds may be held in order to finance both working capital and capital investment. However, whilst these funds are unrestricted, they include amounts which have been invested in fixed assets and cannot therefore be realised without undermining the ongoing work of the charity. Such funds have been classified as designated funds by the trustees (see Note 19).

INCOME

All income is recognised in the Statement of Financial Activities when the conditions for receipt have been met and there is reasonable assurance of receipt and there being reasonable certainty as to amount. Where a claim for repayment of income tax has been or will be made, such income is grossed up for the tax recoverable. The following accounting policies are applied to income:

Donations, legacies and grants

Offertories and donations are included in income when receivable. Legacies are included in income upon the entitlement becoming legally enforceable and there being a reasonable degree of certainty as to quantifying the amount. Gifts in kind, if material, are included at an estimate of fair value. Included here also are grants receivable. Grants are recognised in the Statement of Financial Activities when the grant conditions have been complied with.

Charitable activities

Includes income from the sale of votive candles and newspapers etc., mainly in parishes, together with chaplaincy income, and whilst this is recognised on a cash received basis, this is not materially different from an accruals basis.

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

INCOME (continued)

Other trading activities

Includes income from activities such as parish fairs, bazaars and other events, which is described as social income and whilst this is recognised on a cash received basis, this is not materially different from an accruals basis.

Investment income

Income from investments is included on an accruals basis. Property rental income is recognised on a receivable basis.

Proceeds from the disposal of school properties

These proceeds are treated as restricted income as the charity is required to give an undertaking to make the disposal proceeds available for the provision of replacement schools elsewhere in accordance with Sch. 22 para. 3 of the Schools Standards and Framework Act 1998. Where such proceeds are material they are shown separately on the face of the Statement of Financial Activities.

INCOME FROM GOVERNMENT AND OTHER GRANTS

Income from Government and other grants, whether 'capital' or 'revenue' grants are credited to the Statement of Financial Activities when the Trust has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably. Income is deferred only if these criteria are not met or when the provider specifies that the grant must be used in future periods.

EXPENDITURE

Expenditure is included in the Statement of Financial Activities on an accruals basis, inclusive of any value added tax which cannot be recovered.

Certain expenditure is directly attributable to specific activities and has been included in those cost categories.

- Fundraising operations are those costs incurred in attracting voluntary income.
- Investment management costs, which includes the cost of managing the Trust's investments, including investment property costs.
- Charitable activities include expenditure associated with the mission of the church and include both the direct costs and support costs relating to these activities together with primary purpose trading activities that raise funds; and governance costs, which include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements. These costs include central functions and have been allocated on a basis consistent with the use of resources, which were in the main staff costs, by the time spent.

GRANTS PAYABLE

Grants payable are payments made to third parties in the furtherance of the charitable objectives of the Trust. Grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and any condition attaching to the grant is outside of the control of the Trust.

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

PENSION COSTS

The charity operates a defined contribution scheme for the benefit of its employees. The scheme is funded by contributions from the charity and its employees. The payments made by the charity are included in expenditure.

GAINS AND LOSSES ON INVESTMENTS

Realised and unrealised gains and losses on investments and investment properties are credited or charged to the Statement of Financial Activities. Unrealised gains and losses are calculated as the movement in fair value during the year. Realised gains and losses are calculated as the difference between disposal proceeds and fair value brought forward – fair value is considered by reference to bid value.

TANGIBLE FIXED ASSETS

Churches and other functional property

Prior to December 1996, capital expenditure on Churches and other functional property (i.e. buildings used for the primary purposes of the Archdiocese) and their contents were written off when incurred. The financial statements prepared for previous years, therefore, did not include amounts for these categories of fixed assets.

In December 1996, these assets were included in the financial statements at an estimate of their historic cost. This was derived by using the retail price index to index the present insurance value back to the date the building was constructed and applying rates of depreciation calculated to write off the estimated historic cost evenly over the whole of their useful life. Depreciation rates were calculated by using the age of the building and its expected useful life. A similar basis was used to estimate the contents of Churches and Presbyteries on the assumption that the contents of Churches and Presbyteries are renewed every 45 years.

The cost of new functional church property, improvements and contents is capitalised and is being depreciated over the expected useful lives at the following rates:

	% per annum	Years
Churches, Presbyteries, Halls and other functional property:		
- Land element	Nil	-
- Building element	1.0	100
Improvements to and contents of Churches and Presbyteries	2.2 - 6.6	15- 45

Individual items of less than £25,000 are not capitalised.

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist the recoverable amount of the asset is estimated. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairments are recognised in the Statement of Financial Activities.

The total insured value of the functional buildings and contents is £573 million. No value is attached to the land element. There is no intention to sell the land in the ordinary course of the charity's activities and no income is generated from the ownership of this land. The trustees therefore consider that the recoverable amount of these assets, as defined by Financial Reporting Standard 102 is £nil.

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

TANGIBLE FIXED ASSETS (continued)

School property

The Archdiocese has 240 voluntary aided schools and academies which are constituted as separate charities. The school properties (land and buildings) are vested in the name of the trustees. The trustees cannot take a unilateral decision to dispose of these properties. Disposal can only occur if the school governors and the Secretary of State for Education decide that all or part of a school site is no longer required for education. In most circumstances, where a disposal occurs, the trustees will be required under S22 of the School's Standards and Framework Act 1998 to pay to the Local Authority so much of the proceeds as may be determined by the Secretary of State. Although no rights of ownership vest in the school governing body, most other rights and obligations, such as for the maintenance and repair of the school and its facilities, are passed to the governors. The trustees therefore consider that, for the purposes of these financial statements, whilst being used as a school, the nature of their ownership is that of a custodianship and therefore these properties have not been capitalised.

At 31 December 2016 the building insurance valuation for the 240 voluntary aided schools and academies in the charity's ownership was £1,211 million (2015: £1,276m).

Fixed assets other than property

The cost of motor vehicles, Diocesan office equipment and fixtures and fittings is capitalised and depreciated over their expected useful lives, at the following rates:

	% per annum	Years
Motor vehicles	25	4
Office equipment, fixtures etc.	25	4

Individual items of less than £2,500 are not capitalised.

INVESTMENTS

Investment properties

Investment properties such as houses and non-functional properties have been included at the trustees' estimate of their fair value at 31 December 2016. All investment properties are professionally valued on a rolling 5 year programme. During 2016, approximately one-fifth in number of investment properties were professionally valued at open market value by Reeves and Partners Limited. In accordance with Financial Reporting Standard 102, no depreciation is provided.

Other investments

Other investments consist mainly of stocks and shares quoted on the London Stock Exchange. They have been included at fair value at the year end.

Investments – short term cash

These consist of cash balances held on short term deposit of less than 3 months and are included in the total for bank balances in the Statement of Financial Position.

FINANCIAL INSTRUMENTS

The Trust has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument, and are offset only when the Trust currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the Statement of Financial Activities for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Statement of Financial Activities.

Cash and cash equivalents

Cash and cash equivalents include cash and short term highly liquid assets with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar accounts held as part of the charity's treasury management activities. They exclude any such assets held as part of fixed asset and endowment asset investments, or cash held by the investment managers.

Concessionary loans (assets)

Loans which are made (or committed and not taken up at the year-end) to priests, employees and other beneficiaries of the Trust are considered concessionary loans. Unsecured loans are generally for a term of up to 5 years, no interest is payable, and do not normally exceed £5,000 (although these limits may be exceeded at the discretion of the Diocesan Treasurer). In addition, secured, concessionary, interest free loans are made usually for the purposes of purchasing property being secured on the property, the loan term usually being for a period of up to 10 years.

All concessionary loans are initially measured at their transaction value, and subsequently are recognised at their carrying value, less impairment. They are repayable within the agreed payment term, or the cessation of employment in the case of an employee or cessation of office in the case of a priest, whichever is the soonest. A provision for impairment is established when there is objective evidence that the amounts due will not be collected according to the original terms of the loan agreement. Impairment losses are recognised in the Statement of Financial Activities for the excess of the carrying value of the loan over the present value of the future cash flows. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Statement of Financial Activities.

Concessionary loans are aggregated within the financial statements as this does not obscure significant information. Where applicable, concessionary loans committed but not yet taken up at the year-end are included in the financial statements, but are not aggregated in the total.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Trust after deducting all of its liabilities. The Trust considers it has no equity instruments.

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Concessionary loans (liabilities)

Loans made (or committed and not taken up at the year-end) by parishioners to a parish of the Archdiocese are considered concessionary loans. These may be for a period of 1 year upwards, sometimes with no end date. No interest is payable. These are initially measured at their transaction value, and subsequently are recognised at their carrying value, less impairment. They are always unsecured.

Concessionary loans are aggregated within the financial statements as this does not obscure significant information. Where applicable, concessionary loans committed but not yet taken up at the year-end are included in the financial statements, but are not aggregated in the total.

De-recognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

RECOGNITION OF LIABILITIES

Liabilities are recognised when either a constructive or legal obligation exists.

JOINTLY CONTROLLED ENTITIES

Entities in which the charity has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities. Jointly controlled entities are accounted for using the cost model.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

1 DONATIONS, LEGACIES AND GRANTS - 2016							
	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Diocesan Restricted funds £000	Total 2016 £000	Total 2015 £000
Offertories, collections and donations	9,064	618	-	347	896	10,925	10,314
Donations of property	175	-	-	-	300	475	-
Tax reclaimed on offertories and donations	1,455	3	-	70	12	1,540	1,555
Legacies	379	22	-	1	24	426	1,121
Grants receivable*	65	1,225	-	-	30	1,320	314
	11,138	1,868	-	418	1,262	14,686	13,304

* Included in grants receivable were Government grants, amounting to £765k (2015: £114k). Donations of property included assets transferred from a Religious Order to the Diocese.

DONATIONS, LEGACIES AND GRANTS – 2015 COMPARATIVES

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Diocesan Restricted funds £000	Total 2015 £000
Offertories, collections and donations	9,168	516	-	389	241	10,314
Donations of property	-	-	-	-	-	-
Tax reclaimed on offertories and donations	1,453	14	-	77	11	1,555
Legacies	803	12	-	19	287	1,121
Grants receivable*	74	165	-	28	47	314
	11,498	707	-	513	586	13,304

Birmingham Diocesan Trust
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

2 CHARITABLE ACTIVITIES

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Diocesan Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
Votive candles, newspapers and repositories	821	-	-	1	-	822	828
Chaplaincy income	95	-	-	-	-	95	90
Fees and other charges	-	-	-	534	4	538	1,000
Other income*	74	1	-	147	-	222	1,202
	<u>990</u>	<u>1</u>	<u>-</u>	<u>682</u>	<u>4</u>	<u>1,677</u>	<u>3,120</u>

*There was no amount for 2016 included in other income (2015: £650k) unspent by the DES representing grant funding from the Department for Education as at the year end, in 2016 there was an excess of expenditure on grant funding (Note 7).

CHARITABLE ACTIVITIES – 2015 COMPARATIVES

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Diocesan Unrestricted funds £000	Restricted funds £000	Total 2015 £000
<i>Votive Candles, newspapers and repositories</i>	827	-	-	1	-	828
<i>Chaplaincy Income</i>	90	-	-	-	-	90
<i>Fees and other charges</i>	-	-	-	997	3	1,000
<i>Other income*</i>	58	1	-	493	650	1,202
	<u>975</u>	<u>1</u>	<u>-</u>	<u>1,491</u>	<u>653</u>	<u>3,120</u>

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

3 OTHER TRADING ACTIVITIES

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Diocesan Unrestricted funds £000	Diocesan Restricted funds £000	Total 2016 £000	Total 2015 £000
Social income	1,905	87	-	53	-	2,045	2,142

Social income includes parish tote/200 etc. clubs, income from parish social events, parish occasional fundraising such as bazaars, fetes and bingo and occasional fundraising by youth centres and chaplaincies.

OTHER TRADING ACTIVITIES – 2015 COMPARATIVES

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Diocesan Unrestricted funds £000	Diocesan Restricted funds £000	Total 2015 £000
Social income	1,902	78	-	162	-	2,142

4 INVESTMENT INCOME

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Diocesan Unrestricted funds £000	Diocesan Restricted funds £000	Total 2016 £000	Total 2015 £000
Income from UK investments	522	4	40	510	142	1,218	1,110
Rental income	1,725	-	-	211	2	1,938	1,754
Interest receivable	24	-	-	4	5	33	56
	2,271	4	40	725	149	3,189	2,920

INVESTMENT INCOME – 2015 COMPARATIVES

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Diocesan Unrestricted funds £000	Diocesan Restricted funds £000	Total 2015 £000
Income from UK investments	462	1	39	474	134	1,110
Rental income	1,563	-	-	190	1	1,754
Interest receivable	43	-	-	7	6	56
	2,068	1	39	671	141	2,920

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

5 OTHER INCOME

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Diocesan Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
Insurance claims	38	-	-	(1)	-	37	43

OTHER INCOME – 2015 COMPARATIVES

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Diocesan Unrestricted funds £000	Restricted funds £000	Total 2015 £000
Insurance claims	32	-	-	11	-	43

6 INVESTMENT MANAGEMENT COSTS

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Diocesan Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
Investment property costs	433	-	-	69	-	502	582

The charity has a formal agreement with its brokers (Barclays Investment Management) in relation to investment management costs part of which are included within the pricing of individual stock market transactions. Fees are taken from capital and were targeted to equate to 0.15% of the year end value of the share portfolio in 2008 and rise to 0.2% from 2009 onwards. In 2016 total fees, including transaction costs and some nominal additional charges relating to additional Barclays Investment Management managed investments, amounted to £73,800 (2015: £73,100) which equates to 0.2% (2015: 0.21%) of the managed portfolio including cash held by the brokers.

INVESTMENT MANAGEMENT COSTS – 2015 COMPARATIVES

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Diocesan Unrestricted funds £000	Restricted funds £000	Total 2015 £000
Investment property costs	549	-	-	33	-	582

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2016

7 CHARITABLE ACTIVITIES							
	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Diocesan Restricted funds £000	Total 2016 £000	Total 2015 £000
Liturgical and pastoral costs	1,730	99	10	382	8	2,229	2,095
Curial, Parish and Chaplaincy etc. general support costs *	6,200	52	-	1,498	70	7,820	7,376
Clergy costs	1,287	-	-	912	762	2,961	2,798
Property refurbishment, maintenance and major repairs	2,984	1,245	30	591	14	4,864	3,394
Depreciation	958	-	-	176	1	1,135	1,149
Freehold land impairments	-	-	-	-	-	-	181
Bank charges	48	-	-	12	1	61	70
Votive candles, newspapers and repositories etc. costs	416	-	-	-	-	416	472
Chaplaincy expenditure	-	-	-	482	123	605	1,584
Schools costs (including impairment losses)**	10	3	-	834	1,562	2,409	811
Grant Funding	148	31	-	897	414	1,490	460
External audit fees	-	-	-	57	-	57	57
Other professional fees ***	15	-	-	187	-	202	23
Total Charitable Activities	13,796	1,430	40	6,028	2,955	24,249	20,470

*General costs include buildings utilities and upkeep costs, housekeeping costs, parish and chaplaincy wages and office expenses.

** Included in Schools costs is £1,262k relating to an excess of spending on grant income. In 2015, there was £650k of grant income unspent (note 2). The costs above relate directly to the activity concerned and no form of estimation or apportionment has therefore been necessary. School Governors are responsible for the building, improvement and repair costs of school premises and account for any grants received from the Dept. for Education in respect of these costs. Consequently, these grants are not reflected in the financial statements of the charity. The amount dealt with on behalf of School Governors in the year was £13.6m (2015: £10.6m).

*** Included in Other Professional fees is £140k (2015 :£nil) in respect of the Independent inquiry into historic child sexual abuse (IICSA).

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

CHARITABLE ACTIVITIES – 2015 COMPARATIVES

	<i>Unrestricted funds £000</i>	<i>Parochial Restricted funds £000</i>	<i>Endowment funds £000</i>	<i>Diocesan Unrestricted funds £000</i>	<i>Restricted funds £000</i>	<i>Total 2015 £000</i>
<i>Liturgical and pastoral costs</i>	1,666	31	11	368	19	2,095
<i>Parish and Chaplaincy etc. general costs *</i>	6,184	7	-	1,163	22	7,376
<i>Clergy costs</i>	1,308	-	-	855	635	2,798
<i>Property refurbishment, maintenance and major repairs</i>	2,390	228	28	704	44	3,394
<i>Depreciation</i>	951	-	-	197	1	1,149
<i>Freehold land impairments</i>	13	-	-	168	-	181
<i>Bank charges</i>	54	-	-	15	1	70
<i>Votive candles, newspapers and repositories etc. costs</i>	472	-	-	-	-	472
<i>Chaplaincy expenditure</i>	-	-	-	1,479	105	1,584
<i>Schools costs (including impairment losses)</i>	80	88	-	643	-	811
<i>Grant Funding</i>	148	2	-	310	-	460
<i>External audit fees</i>	-	-	-	57	-	57
<i>Other professional fees</i>	-	-	-	23	-	23
Total Charitable Activities	13,266	356	39	5,982	827	20,470

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

8 COMPARATIVES (BY FUND) FOR 2015 STATEMENT OF FINANCIAL ACTIVITIES

	Note	PAROCHIAL			DIOCESAN		TOTAL			TOTAL
		Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Restricted funds £000	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	2015 £000
INCOME AND ENDOWMENTS FROM:										
Donations and legacies	1	11,498	707	-	513	586	12,011	1,293	-	13,304
Charitable activities	2	975	1	-	1,491	653	2,466	654	-	3,120
Other trading activities	3	1,902	78	-	162	-	2,064	78	-	2,142
Investment income	4	2,068	1	39	671	141	2,739	142	39	2,920
Other income										
Profit/(loss) on sale of Tangible Fixed Assets		545	-	-	(153)	-	392	-	-	392
Other income	5	32	-	-	11	-	43	-	-	43
Total		17,020	787	39	2,695	1,380	19,715	2,167	39	21,921
EXPENDITURE ON:										
Raising funds										
Fund raising operations		338	13	-	83	16	421	29	-	450
Investment management costs	6	549	-	-	33	-	582	-	-	582
Charitable activities	7	13,266	356	39	5,982	827	19,248	1,183	39	20,470
Total		14,153	369	39	6,098	843	20,251	1,212	39	21,502
Net income before other recognised gains and losses		2,867	418	-	(3,403)	537	(536)	955	-	419
Other recognised gains and losses										
Gains, losses and revaluations on investment properties		1,083	-	-	(8)	-	1,075	-	-	1,075
Gains, losses and revaluations on other investments		(366)	-	(30)	(350)	(105)	(716)	(105)	(30)	(851)
Total		717	-	(30)	(358)	(105)	359	(105)	(30)	224
Net income		3,584	418	(30)	(3,761)	432	(177)	850	(30)	643

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

8 COMPARATIVES (BY FUND) FOR 2015 STATEMENT OF FINANCIAL ACTIVITIES (continued)

Note	PAROCHIAL			DIOCESAN		TOTAL			TOTAL
	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Restricted funds £000	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	2015 £000
<i>Net income</i>	3,584	418	(30)	(3,761)	432	(177)	850	(30)	643
<i>Transfers between funds</i>	(1,915)	(119)	-	2,132	(98)	217	(217)	-	-
<i>Net movement in funds for the year</i>	1,669	299	(30)	(1,629)	334	40	633	(30)	643
<i>Reconciliation of funds</i>									
<i>Total funds brought forward</i>	79,095	1,788	1,261	22,785	10,711	101,880	12,499	1,261	115,640
<i>Total funds carried forward</i>	80,764	2,087	1,231	21,156	11,045	101,920	13,132	1,231	116,283

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2016

9	NET INCOME	2016	2015
		£000	£000
	Net income for the year is stated after charging:		
	Depreciation of tangible fixed assets	1,135	1,149
	Impairment of tangible fixed assets	300	181
	Auditor's remuneration		
	- for audit services	57	57
	- for non-audit services	4	24
		=====	=====

10	INFORMATION REGARDING EMPLOYEES, TRUSTEES AND VOLUNTEERS	2016	2015
		£000	£000
	Staff costs comprise the following:		
	Salaries and wages	3,186	3,317
	Social security costs	218	174
	Pension costs	143	98
	Death in service premium	7	14
		-----	-----
		3,554	3,603
		=====	=====

Staff costs relate to curial staff, staff at parishes and staff employed in Diocesan related activities.

The number of employees whose emoluments (excluding employer's pension contributions) amounted to over £60,000 in the year was as follows:

	2016	2015
	Number	Number
£80,001 - £90,000	1	Nil

The charity contributed £6,448 (2015 : £nil) in pension contributions in respect of this employee.

The number of employees and full-time equivalent employees, analysed by function, during the year was as follows:

	Full Time		Part Time		Full Time Equivalent	
	2016	2015	2016	2015	2016	2015
Parishes	5	13	234	221	77	77
Other Diocesan services	18	33	24	47	29	58
Central/Curial Services	19	16	27	21	28	22
	42	62	285	289	134	157

Staff numbers have decreased from the previous year due to the transfer of youth services and associated staffing to The Kenelm Youth Trust Limited on 1st January 2016.

It should be noted that (as in previous years) just over 200 diocesan priests actively working within the charity are self-employed office holders and not employees of the charity.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2016

10 INFORMATION REGARDING EMPLOYEES, TRUSTEES AND VOLUNTEERS (continued)

Eight of the twelve trustees listed on page 1 also serve as clergy of the charity, and in addition to their responsibilities as trustees are actively involved in carrying out the objects of the charity. Seven of those trustees benefited from accommodation costs and other associated expenditure included within charitable activities (see note 7). These trustees received in total £52,900 (2015: £49,800) of allowances as serving clergy but not in their office as trustee. The remaining trustees do not derive any income from the charity. Similarly, no trustee is paid expenses in relation to their activities as a Trustee, only in their canonical roles as serving clergy. Non-clerical trustees are not paid expenses.

The Trust considers its key management personnel comprise the Diocesan Treasurer, Vicar General and Auxiliary Bishops. None of these individuals are employees, they are office holders of the Trust.

During the year charity funds were used to pay a premium of £2,204 (2015: £2,400) in respect of Trustees' Indemnity Insurance. This insurance protects the charity from loss arising from the neglect or defaults of its trustees, employees or agents or to indemnify the trustees or other officers against the consequences of any neglect or default on their part.

It is estimated that during the year, approximately 1.55 million hours (2015: 1.1 million) were provided by some 11,700 (2015: 12,500) volunteers. If this is valued at £11.00 per hour, the volunteer contribution amounts to some £17.1m (2015: £12.1m). Volunteer roles fulfil liturgical, pastoral and administrative activities of the charity.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

11 TANGIBLE FIXED ASSETS FOR USE BY THE CHARITY

Functional property

	Church / presbytery £000	Improve- ments and contents £000	Freehold land £000	Other £000	Total £000
Cost					
At 1 January 2016	36,956	31,561	2,226	1,050	71,793
Additions	935	408	-	130	1,473
Transfers to Investment Properties (Note 12)	(438)	(103)	-	-	(541)
Disposals	(23)	(119)	-	(152)	(294)
At 31 December 2016	37,430	31,747	2,226	1,028	72,431
Depreciation & impairment					
At 1 January 2016	10,204	14,338	2,226	875	27,643
Charge for the year	369	667	-	99	1,135
Impairment	300	-	-	-	300
Eliminated on transfer to Investment Properties (note 12)	(95)	(101)	-	-	(196)
Eliminated on disposals	(20)	(85)	-	(121)	(226)
At 31 December 2016	10,758	14,819	2,226	853	28,656
Net book value					
At 31 December 2016	26,672	16,928	-	175	43,775
At 31 December 2015	26,752	17,223	-	175	44,150

The net book value of functional property includes £420,000 long leasehold properties (2015: £426,000).

The freehold land has been treated as being impaired in accordance with the accounting policy on page 29. The trustees do not consider it to be practicable to quantify the difference between the carrying value and fair value of the interest in land and buildings not held as investments.

School properties are not included above as they are treated as not capitalised in accordance with the accounting policy on page 30.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2016

12 INVESTMENTS HELD AS FIXED ASSETS	2016 £000	2015 £000
Investments comprise the following:		
Investment properties	26,861	26,055
Other investments	40,635	36,320
	<hr/>	<hr/>
	67,496	62,375
	<hr/>	<hr/>

	2016 £000	2015 £000
Investment properties at valuation		
Fair value at 1 January 2016	26,055	25,224
Additions at cost	-	53
Transfers from functional property (Note 11)	345	-
Transfers to functional property (Note 11)	-	(220)
Disposals	(594)	(77)
Gains and losses on revaluations and disposals	1,055	1,075
	<hr/>	<hr/>
Fair value at 31 December 2016	26,861	26,055
	<hr/>	<hr/>

The investment properties are included based on a 5 year rolling programme of professional revaluations by Reeves & Partners (the Diocesan Property Consultants) and internal valuations completed by professionally qualified (MRICS) staff – see page 30.

	2016 £000	2015 £000
Other investments comprise the following:		
Equities	30,248	28,283
Fixed interest securities	5,902	5,369
	<hr/>	<hr/>
Investments listed on a stock exchange	36,150	33,652
Uninvested cash	4,485	2,668
	<hr/>	<hr/>
	40,635	36,320
	<hr/>	<hr/>

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

12 INVESTMENTS HELD AS FIXED ASSETS (continued)

Stock exchange investments at fair value

	Diocesan £000	Parishes £000	Sub- total £000	Affiliated bodies £000	2016 Total £000	2015 Total £000
Fair value at						
1 January 2016	17,450	15,513	32,963	689	33,652	34,078
Additions	4,112	3,686	7,798	13	7,811	8,669
Disposal proceeds	(4,400)	(3,903)	(8,303)	(644)	(8,947)	(8,218)
Realised and unrealised investment gains/(losses)	1,915	1,713	3,628	6	3,634	(877)
Fair value at 31 December 2016	19,077	17,009	36,086	64	36,150	33,652

The historic cost of investments held at 31 December 2016 was £28.4m (2015: £27.2m)

The income, gains and losses on investments made on behalf of affiliated bodies are not included in the Statement of Financial Activities. The value of investments held on behalf of affiliated bodies is shown within creditors (Note 15).

There were no investment holdings which represented more than 5% by value of the portfolio excluding cash.

Stock exchange investments by location

	Fair value	Cost	Fair value	Cost
	2016 £m	2016 £m	2015 £m	2015 £m
UK listed investments	24.8	18.7	21.9	16.4
Overseas listed investments	11.4	9.7	11.8	10.8
	36.2	28.4	33.7	27.2

Jointly controlled entity

The charity owns 50% of the £2 ordinary share capital of Parish Accounting Services Limited, a company which was formed during 2015 in order to purchase the intellectual property rights, and ownership of computer software known as OPAS. This is a bespoke accounting and gift aid system used widely within the Archdiocese, and was purchased in order to ensure its continued availability for the Trust. The remaining 50% is owned by the Archdiocese of Westminster and is jointly managed by the two Trusts, with two directors serving from each Archdiocese.

The company operated at a small operating loss in 2016 due to amortisation of fixed assets. The company was financed by two loans each of £71,999 one from each Diocese, and is considered an unsecured concessionary loan (see note 13). The loans carry no interest and no fixed repayment term. It is intended that the loans will be repaid over time from income generated by the company from sales to other Catholic organisations. £10,000 was repaid on the total loan (£5,000 per Diocese) in 2016.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2016

13	DEBTORS	2016 £000	2015 £000
	Debtors amounts due in under one year		
	Amounts due in respect of school building projects	190	672
	Accrued investment income	91	99
	Accrued Gift Aid Tax reclaimable	1,587	1,359
	Other debtors including trade debtors, major bequests and property sales	143	487
	Unsecured concessionary loans to priests etc.	25	24
	Unsecured concessionary loan to Jointly Controlled Entity	67	-
	Secured concessionary loan to priests etc.	16	17
	Total	2,119	2,658
	Debtors amounts due in more than one year		
	Unsecured concessionary loans to priests etc.	74	71
	Unsecured concessionary loan to Jointly Controlled Entity	-	72
	Secured concessionary loan to priests etc.	129	139
	Total	203	282
	TOTAL DEBTORS	2,322	2,940
14	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2016 £000	2015 £000
	Amounts due in respect of school building projects	321	323
	Due to other religious charities	471	458
	Other creditors	354	302
	Accruals	279	227
		1,425	1,310
	Included within "Other creditors" above is the sum of £nil (2015: £7,989) in respect of staff pension contributions. The pension liabilities are now paid within the month in which they are incurred due to a change of pension provider.		
15	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2016 £000	2015 £000
	Concessionary loans	78	135
	Due to affiliated bodies	71	743
		149	878

The amount due to affiliated bodies represents the fair value of investments and uninvested cash held on their behalf by the charity as at 31 December 2016 (Note 12).

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

16 FINANCIAL ASSETS AND LIABILITIES

All financial assets and liabilities are held at cost less impairment, with the exception of investments held as fixed assets (Note 12), which are held at fair value.

17 ENDOWMENT FUNDS

	Balance at 1 January 2016 £000	Income £000	Expenditure £000	Transfers £000	Gains on investments £000	Balance at 31 December 2016 £000
Various small trust funds						
- registered charities	167	5	(5)	-	16	183
- other	1,064	35	(35)	-	105	1,169
	1,231	40	(40)	-	121	1,352

These funds are linked to specific parishes and are endowment in nature, i.e. the capital donated cannot be spent and any income generated must be spent in line with the donor's instructions. In the main the purposes of these funds are to relieve poverty, support priests and to provide for church repairs within the parishes concerned. The assets of all the funds listed are represented by investment in the Diocesan Investment Scheme (see page 14). There are two separate registered charities (Leamington Trust, registered charity no. 248948; and Birmingham Roman Catholic Diocesan Educational Trust no. 528881) and seven other separate funds. A uniting direction given by the Charity Commissioners is in force in respect of these funds.

The 2015 analysis of endowment funds follows:

ENDOWMENT FUNDS – 2015 COMPARATIVES

	Balance at 1 January 2015 £000	Income £000	Expenditure £000	Transfers £000	Losses on investments £000	Balance at 31 December 2015 £000
Various small trust funds						
- registered charities	171	-	5	(5)	(4)	167
- other	1,090	-	34	(34)	(26)	1,064
	1,261	-	39	(39)	(30)	1,231

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

18 RESTRICTED FUNDS

Restricted funds comprise the following unexpended balances of donations etc. given for specific purposes:

	Balance at 1 January 2016	Income	Expenditure	Transfers	Gains on investments (stock market and property)	Balance at 31 December 2016
	£000	£000	£000	£000	£000	£000
Restricted funds						
Poor Mission Fund	817	72	-	(130)	66	825
Memorial Mass Scheme	368	11	(4)	-	23	398
Perpetuity Mass Fund	812	16	(331)	-	49	546
Evangelisation Field Worker Fund	18	30	(48)	-	-	-
Religious Workers Accommodation Fund	-	441	(285)	-	-	156
Specific bequests						
- Mary Tault legacy	202	-	(129)	(73)	-	-
- Masses	37	1	(1)	-	4	41
- University Chaplaincy	696	23	(16)	(7)	69	765
- Aston Hall	235	7	(7)	-	21	256
Other funds	837	27	(23)	-	77	918
Alton Castle	41	-	-	-	-	41
Canons Chapter Fund	-	251	-	-	24	275
Clergy Training Fund	686	232	(566)	-	120	472
Diocesan Education Service – schools projects	6,289	305	(1,563)	-	-	5,031
Other Chaplaincies	7	-	-	-	-	7
Parish building and other projects	2,087	1,959	(1,444)	26	13	2,641
	<u>13,132</u>	<u>3,375</u>	<u>(4,417)</u>	<u>(184)</u>	<u>466</u>	<u>12,372</u>

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2016

18 RESTRICTED FUNDS (continued)

The Poor Mission Fund exists to support parishes which struggle to meet their financial obligations. The Memorial and Perpetuity Mass Funds provide for people's desire for annual Masses to be said for their intentions. By agreement with the Charity Commission, monies from the Perpetuity Mass Fund are also used to provide payments for Retired Priests. The Evangelisation Field Worker Fund is specifically to support the work of the Evangelisation Field Workers, and is partially funded with a grant from Porticus. This fund has been fully utilised during the year. The Religious Workers Accommodation Fund has been created during the year and after some specific grants to assist the work of agencies caring for the homeless and for disadvantaged youth, the balance is to be used for the provision of accommodation for religious workers in the Diocese. The chaplaincy related funds including Aston Hall and Alton Castle are specifically for the benefit of those chaplaincies, usually related to spiritual/pastoral development and/or buildings maintenance and development. The Mary Tault legacy fund is intended for the benefit of those in need; the poor generally and poor children, and other causes supported by the parish which she attended. These include causes outside the UK. These funds have been fully distributed during 2016.

The Canons Chapter Fund represents sums which were previously recognised as part of the affiliated bodies, and were therefore not in the past included within the funds of the Archdiocese. The Trustees now deem it more appropriate that these funds are included within the Archdiocese accounts as its aim is specifically to support repairs and maintenance of the Cathedral. The Clergy Training Fund's primary purpose is to support students in training and formation for the priesthood and permanent diaconate as well as ordained priests and deacons undertaking further studies. The "Diocesan Education Service – schools projects" fund relates to historic schools sales proceeds which can only be used to finance the building of new schools, and includes grant funds received but not yet expended.

The transfers shown above represent amounts paid, in accordance with the terms of the restriction, to certain parishes and other entities within the Archdiocese. In the case of "Parish building and other projects" the amount transferred relates to capitalised spending completed in accordance with the terms of the restriction. These parish assets are included within the unrestricted property assets of the charity, the associated restricted funding being regarded as having been effectively discharged.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

The 2015 analysis of restricted funds follows:

RESTRICTED FUNDS – 2015 COMPARATIVES

Restricted funds comprised the following unexpended balances of donations etc. given for specific purposes:

	<i>Balance at 1 January 2015</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers</i>	<i>Losses on investments (stock market and property)</i>	<i>Balance at 31 December 2015</i>
	£000	£000	£000	£000	£000	£000
Restricted funds						
<i>Poor Mission Fund</i>	856	70		(93)	(16)	817
<i>Memorial Mass Scheme</i>	369	10	(5)	-	(6)	368
<i>Perpetuity Mass Fund</i>	1,096	15	(287)	-	(12)	812
<i>Specific bequests</i>						
- <i>Mary Tault legacy</i>	-	202	-	-	-	202
- <i>Masses</i>	38	1	(1)	-	(1)	37
- <i>University Chaplaincy</i>	713	21	(16)	(5)	(17)	696
- <i>Aston Hall</i>	215	31	(7)	-	(4)	235
<i>Other funds</i>	843	68	(37)	-	(19)	855
<i>Alton Castle</i>	6	36	(1)	-	-	41
<i>Clergy Training Fund</i>	935	270	(489)	-	(30)	686
<i>Diocesan Education Service – schools projects</i>	5,633	656	-	-	-	6,289
<i>Other Chaplaincies</i>	7	-	-	-	-	7
<i>Parish building and other projects</i>	1,788	787	(369)	(119)	-	2,087
	<u>12,499</u>	<u>2,167</u>	<u>(1,212)</u>	<u>(217)</u>	<u>(105)</u>	<u>13,132</u>

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2016

19	UNRESTRICTED FUNDS	General £000	Designated £000	Total £000
	At 1 January 2016	58,052	43,868	101,920
	Net movement in funds (excluding transfers)	1,960	-	1,960
	Transfers from restricted funds (note 18)	184	-	184
	Transfer from designated funds	372	(372)	-
		<hr/>	<hr/>	<hr/>
	At 31 December 2016	60,568	43,496	104,064
		<hr/>	<hr/>	<hr/>

The trustees have created a designated fund to the value of the unrestricted net book value of functional property assets and contents. The trustees are of the opinion that these assets cannot be readily realised without undermining the ongoing work of the charity. Transfers from designated funds relate to depreciation.

The 2015 analysis of unrestricted funds follows:

<i>UNRESTRICTED FUNDS – 2015 COMPARATIVES</i>	<i>General £000</i>	<i>Designated £000</i>	<i>Total £000</i>
<i>At 1 January 2015</i>	<i>57,467</i>	<i>44,413</i>	<i>101,880</i>
<i>Net movement in funds (excluding transfers)</i>	<i>(177)</i>	<i>-</i>	<i>(177)</i>
<i>Transfer from restricted funds (note 18)</i>	<i>217</i>	<i>-</i>	<i>217</i>
<i>Transfer from designated funds</i>	<i>545</i>	<i>(545)</i>	<i>-</i>
	<hr/>	<hr/>	<hr/>
<i>At 31 December 2015</i>	<i>58,052</i>	<i>43,868</i>	<i>101,920</i>
	<hr/>	<hr/>	<hr/>

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2016

20 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted (general) £000	Unrestricted (designated) £000	Restricted £000	Endowment £000	2016 Total £000
Tangible fixed assets	174	43,496	105	-	43,775
Investments	60,664	-	5,480	1,352	67,496
Other net assets/ liabilities	(270)	-	6,787	-	6,517
At 31 December 2016	60,568	43,496	12,372	1,352	117,788

“Tangible fixed assets” represents the book value of the charity’s tangible fixed assets, principally land and buildings, currently held for charity use and the funds are therefore unavailable for other uses.

Included in the investments figure is a significant unrealised surplus and this figure will vary year on year as property and stock market values fluctuate.

ANALYSIS OF NET ASSETS BETWEEN FUNDS – 2015 COMPARATIVES

	Unrestricted (general) £000	Unrestricted (designated) £000	Restricted £000	Endowment £000	2015 Total £000
Tangible fixed assets	175	43,868	107	-	44,150
Investments	55,907	-	5,237	1,231	62,375
Other net assets	1,970	-	7,788	-	9,758
At 31 December 2015	58,052	43,868	13,132	1,231	116,283

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

22 RECONCILIATION OF NET INCOME TO NET CASH FLOW USED IN OPERATING ACTIVITIES

	2016 £000	2015 £000
Net income for the reporting period	1,505	643
Adjustments for:		
Donation of property	(475)	-
Depreciation of tangible fixed assets	1,135	1,149
Impairment losses on tangible fixed assets	300	181
Fair value gains on investment properties	(1,055)	(1,075)
Fair value (gains)/losses on investments on the stock exchange	(3,628)	851
Gain on disposal of tangible assets	(375)	(392)
Dividends, interest and rents from investments	(3,189)	(2,920)
	(5,782)	(1,563)
Movements in working capital:		
Decrease/(increase) in debtors	561	(510)
Increase/(decrease) in creditors	68	(459)
	(5,153)	(2,532)

23 CAPITAL COMMITMENTS

At 31 December 2016, the charity was committed to future capital expenditure of approximately £0.5m (2015: £0.3m). This relates mainly to spending on schools.

24 RELATED PARTY TRANSACTIONS

The charities mentioned below were served by one or more common trustees during the year:

St Mary's College, Oscott – Registered Charity 1172979

During the year £31,000 (2015: £24,000) of rent and other costs and £182,000 (2015: £209,000) of students' fees was paid to St Mary's College, Oscott. There was no balance (2015: £2,403) owing to St Mary's College, Oscott at the year end in respect of miscellaneous costs. Most Rev. B Longley, Right Rev. D McGough, and Rev. Mr. D Palmer are all Trustees in common.

Father Hudson's Society - Registered Charity 512992

During the year, £66,500 (2015: £48,200) was collected on behalf of and paid over to Father Hudson's in the main via a retiring collection following Masses said in parishes in September 2016. In addition, £25,800 was paid to Father Hudson's by the Diocesan Education Service (DES) in respect of rent and utility bills (2015: £35,500). The Diocese also paid for residential care for sick and retired priests in Father Hudson's Residential Care Home, amounting to £254,800 (2015: £156,000). In addition to these, grants were also made to Father Hudson's totalling £107,000 (2015: £nil) for them to administer on behalf of the Archdiocese to aid social outreach work through other Catholic agencies, and also with a special focus on Fatima House, a women's shelter for refugees.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2016

24 RELATED PARTY TRANSACTIONS (continued)

There was a balance as at the year end in respect of collections not paid over to Father Hudson's amounting to £643 (2015: £643), and a balance in respect of accommodation costs for sick priests was outstanding at the year-end amounting to £3,600. Whilst not a Trustee of Father Hudson's, Most Rev. B Longley is President of the charity.

Maryvale Institute - Registered Charity 1068634

Grants totalling £167,400 (2015: £165,000) were made to Maryvale Institute during 2016. These funds were used in supporting the provision of catechetical work for the parishes and schools of the Archdiocese and for the fostering and nurturing of marriage and family life through Maryvale's courses and departmental work. Additionally, miscellaneous costs of £2,375 (2015: £nil) and £37,600 (2015: £nil) were paid in respect of contributions to office and salary costs of the Evangelisation Field Workers based at Maryvale. No balances were outstanding at the year end. The Most Rev. B Longley, Rev. Mgr. T Menezes and Rev. Mr. D Palmer are trustees in common.

The Kenelm Youth Trust Ltd- Charitable company registration number 1144209

A grant amounting to £666,158, representing grant payments and transfer of net assets of £7,708 (2015: £80,000) was made to The Kenelm Youth Trust Ltd (KYT) during the year, by way of a one off injection of £361,450 to aid investment in the organisation's charitable objectives and a monthly regular grant totalling £297,000 to fund running costs and refurbishment costs. KYT is a separate charity that was set up to provide all of the Trust's youth services from 1 January 2016. No balances were outstanding at the year end.

Right Rev. W Kenney and Ms H Bardy are trustees in common; Ms H Weaver wife of Mr M Weaver (Trustee of the Archdiocese) is a Trustee of KYT.

Alive Publishing Ltd – Charitable company registration number 298807

Alive Publishing Limited is a Catholic Christian publishing house located in the Diocese. The Archdiocese paid the company £119,200 for publishing services relating to the publishing of the diocesan website, Catholic Today, the diocesan newspaper and Walk with Me, a seasonal journey of prayer (Advent and Lent). There were no balances outstanding at the year end. Fr Jonathan Veasey is a Trustee in common.

Parish Accounting Services Limited – Company registration number 09503675

During the year, in addition to the loan disclosed in notes 12 and 13, £46,450 was paid to Parish Accounting Services Limited, (2015: £27,720) in respect of software licencing fees of parish accounting software. There were no balances outstanding at the year end. Rev. Mr. D Palmer, a trustee of the charity, is a director of Parish Accounting Services Limited.

The Andrew Robinson Young People's Trust – Registered charity 1094029

A grant was made to this charity of £10,000 in 2016 (£nil 2015). There were no balances outstanding at the year end. Rev. J Veasey is a trustee in common.

Cornerstone Regeneration – Registered charity 1143282

Rent was received from Cornerstone by one of the parishes of the Archdiocese in respect of property, of £18,934 (£nil 2015). There were no balances outstanding at the year end. Rev. Mr. D Palmer is a trustee in common.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2016

24 RELATED PARTY TRANSACTIONS (continued)

Birmingham Churches Together – Registered charity 243931

A grant was made to the charity in 2016 of £19,770 (2015: £19,770). There were no balances outstanding at the year end. The Most Rev. B Longley is a trustee.

The Congregation of the Passion of Jesus Christ – Registered charity 234436

During 2016, properties totalling £475,000 were transferred to the Diocese, which included a church and its buildings, and a house on the school site. These were transferred for nil consideration, therefore the assets are recognised as functional assets, with their values being recognised on the balance sheet and corresponding donation in the Statement of Financial Activity. While there are no trustees in common, Right Rev. W Kenney is a member of the Order. There were no balances outstanding at the year end.

None of the trustees noted above received any remuneration from the related parties named.