

The South London Church Fund & Southwark Diocesan Board of Finance

Annual Report and Financial Statements
for the year ended 31 December 2017



*Walking with Jesus and getting
to know Jesus better as we journey on*

*Welcoming all, embracing our diversity and
seeking new ways of being church*

*Growing in numbers, generosity, faith and
discipleship as we grow God's Kingdom*

Hearts on Fire
with a Vision for growth



The Diocese of
Southwark

Company registration number 236594
Registered charity number 249678

Cover images, clockwise from top left: Ashes to Go in SE17; Jenny Morgan, the “Lollipop Deacon”; Messy Celebration; Bishop’s Certificate presentation

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Bishop Christopher

I want to thank our parishes for contributing so significantly to resourcing mission and ministry across the Diocese in this, the second year of the Parish Support Fund. I am also grateful to Gerald Allison and Carl Hughes, chair and vice-chair of the Diocesan Board of Finance during 2017, for their work with our Diocesan Secretary, Ruth Martin, and her team to ensure that our finances are on a firm footing for the years ahead. During 2017 we welcomed into the Diocese the new Bishop of Woolwich, Dr Karowei Dorgu, together with his wife, Dr Mosun Dorgu. There is much to celebrate in each and every community in our Diocese as we seek to serve the people of South London and East Surrey with gladness and joy. May God continue richly to bless you in our work together for the Gospel.

Christopher Southwark

The Diocesan Secretary, Ruth Martin

It is a pleasure to report that we are continuing to build our financial resilience while transforming our property portfolio. This means that we can provide even more accommodation for local mission and ministry, including some for chaplains and curates. More than 300 clergy were financially supported as they ministered to the people of South London and East Surrey. During 2017, the Diocesan Board of Finance also resourced a 250% increase in safeguarding training and contributed to the development of the Diocesan Multi Academy Trust through the Southwark Diocesan Board of Education. It is a privilege to serve our local communities in this way.



Ruth Martin



Adrian Greenwood, acting interim Chair

Over the past year I have continued to see the fruits of the changes we have implemented in governance and management, with sustainable finances and robust processes, and the confidence this brings to Diocesan Synod, deaneries and PCCs. I am particularly pleased that the Diocesan Board of Finance has invested (with funding assistance from the Archbishops Council Mission Fund) in the mission opportunities opened up by the major regeneration of Vauxhall, Nine Elms and Battersea and in developing Fresh Expressions of Church. We are committed to working closely with the national Church in programmes aimed at Renewal and Reform, including the implementation of *Setting God's People Free*, which aims to release lay people for fruitful discipleship and evangelism in every aspect of their lives. I am delighted to be signing the Annual Report and Financial Statements on behalf of all Trustees.

Adrian Greenwood



Clockwise from left: Barn Church, Kew; Diocesan Pentecost Service; Holy Trinity, Greenwich

A fruitful future

We share a vision for the future in which we will see:

- growing churches, new worshipping communities and new Christians
- deepening discipleship: engaged, prayerful and informed Christians
- growth in vocations to existing and new ministries
- generous giving and prayer supporting all we do
- justice and peace built up, and violence challenged, in our local and global community
- a shared commitment to the integrity of creation
- a church for all which reflects our diverse community in membership and leadership, including growth in black and minority ethnic (BAME) vocations and appointments.

Our Vision is founded on mutual commitment from all who make up the Diocesan family to walk together in the pilgrimage of faith, supporting, encouraging and resourcing each other in our common task.

The Trustees, who are also Directors for the purposes of company law, present their Annual Report, together with the audited financial statements, for the year ended 31 December 2017.

The Directors/Trustees are one and the same, and in signing as Trustees they are also signing the strategic report sections in their capacity as Directors.

This combined report satisfies the legal requirements for:

- a Directors' Report of a charitable company
- a Strategic Report under the Companies Act 2006 and
- a Trustees' Annual Report under the Charities Act 2011.

Legal objects

The objects are “for the public benefit to assist, promote and further the religious and other charitable work (including but not limited to the educational work) of the South London Church Fund & Southwark Diocesan Board of Finance within the Diocese”.

Its function is to serve as the financial governance body of the Church of England in the Diocese, to perform, work and transact business in connection with the Church and Diocese, and to act as the Parsonages Board for the Diocese within the meaning of the Repair and Benefices Buildings Measure 1972.

The Diocese of Southwark serves...



The Diocese of Southwark covers most of Greater London south of the River Thames and part of East Surrey. Within the Diocesan boundaries are the Royal Borough of Greenwich, the London Boroughs of Croydon, Lambeth, Lewisham, Merton, Southwark, Sutton and Wandsworth, plus part of the London Boroughs of Richmond upon Thames, Bromley and Bexley and the Royal Borough of Kingston Upon Thames. In Surrey, it also includes parts of the Borough of Reigate and Banstead, Tandridge District Council and Mole Valley District Council.



The principal objective of the South London Church Fund & Southwark Diocesan Board of Finance (SDBF) is to promote, aid and further the objects, work and purposes of the Church of England in the Diocese of Southwark (the Diocese).

The SDBF has the following statutory responsibilities:

- i. the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976
- ii. managing the repair of benefice houses on behalf of the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972
- iii. to act as custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils (PCCs) as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

It is empowered to act as a committee of the Diocesan Synod, responsible for the corporate governance of the Diocese and also for raising and disbursing money and employing staff. Members of the Board are both Directors and Trustees. Since November 2015 the standing committee of the Diocesan Synod has been the Diocesan Council of Trustees (DCT), of which the SDBF is part, with membership coterminous with the Bishop's Council, the Diocesan Mission and Pastoral Committee and the Diocesan Parsonages Board.

The strategic priorities of the Diocese are established by the Diocesan Synod, and its standing committee the DCT, in consultation with Deanery Synods, PCCs and the Bishop of Southwark (in respect of his responsibility for the provision of the cure of souls). The DCT, acting as Bishop's Council, the Diocesan Board of Finance (DBF), the Diocesan Mission and Pastoral Committee and the Diocesan Parsonages Board and DCT committees and advisory groups of the Diocese fulfil their objectives within this framework. To this end, significant time and effort is committed to communication between and with these bodies, as well as with the Church nationally; including consultation on specific matters relating to the priorities for the forthcoming year, taking into account the commitments arising from the Diocesan Budget.

Strategic report

The main role of the Board is to identify and manage the resources, particularly the financial aspects of the provision of ministry, within the Diocese so as to lead, enable and serve the deaneries, parishes, schools and communities of the Diocese in furthering mission and ministry and fulfilling the vision of the Diocese, while also ensuring full compliance with statutory responsibilities.

The overriding objectives of the Board are:

- to provide sufficient ministerial resources to ensure a Christian presence in every parish, including appropriate housing; also including support for communities across the Diocese through school, university, hospital and prison chaplaincies
- to provide resources for people of all ages and at all stages of their spiritual journey to grow in understanding of the Christian faith
- to support and enable the work of the Southwark Diocesan Board of Education (SDBE), establishing and maintaining contacts with universities, colleges and schools
- to engage actively in local debate and ensure that Christian voices are heard in all areas of public life, to support and strengthen the Church's work for the common good, including resources and support for God's bias for the poor, through care for creation and through interfaith dialogue. This includes direct financial support for Welcare, a charity aimed at families needing support, and Together Southwark, which is sponsored with and through the Church Urban Fund to alleviate poverty through developmental projects.



Interim chair of the DBF and Chair of the House of Laity, Adrian Greenwood (centre), at Diocesan Synod

Southwark Vision 2017-25

From the Archbishop of Canterbury's Charge given to Bishop Christopher in 2011, the Diocese of Southwark has been on a journey of discernment towards a shared vision, Southwark Vision, which has been brought together from the themes and agreed outcomes described in the *Strategy for Ministry* final report adopted by Synod in November 2015, and Hearts on Fire Vision for Mission, with its commitment to the Five Marks of Mission and the strategic goals, adopted by Synod in March 2016. These two documents together explain the detailed thinking behind the summary of our Diocesan Vision.

Hearts on Fire

Hearts on Fire restates our commitment to mission, grounded in prayer that the growth of the kingdom of God may be at the heart of all we do. In particular we will:

- serve our communities
- share our faith with great joy and gladness
- be the Church; a people with hearts on fire, loving God, walking with Jesus and led by the Spirit.

Strategy for Ministry

Strategy for Ministry sets out how we remain focused on that Vision and mission, through ongoing cultural change as a Diocese. We are committed to becoming a Diocese which is:

- adaptive – seeing a culture of risk-taking, permission giving and experimentation becoming embedded in the life of the Diocese
- diverse – with visibly increased diversity in every part of Diocesan life
- accountable – with communication demonstrated through an increased sense of engagement from parishes with Diocesan central structures
- devolved – especially in building up deaneries and encouraging them to become viable centres for mission and ministry, but also in encouraging collaboration, teamwork and leaders who can enable and form individuals and communities
- strategic – looking ahead, discerning new opportunities which align with our Vision and mission
- realistic – aligning resources to serve Vision and mission.

The activities of the SDBF come in the context of the Southwark Vision.

Diocesan structures and programmes seek to serve the whole people of God, in ways described in the following paragraphs:

Lead, enable, serve

Those who work across the Diocese as a whole are committed to working in accordance with the following aim: “To serve, support, lead, and enable the mission of God as it is worked out in the parishes, deaneries, schools and communities of the Diocese of Southwark.” This keeps the focus of Diocesan-wide bodies and officers clearly on the mission as it is worked out across the whole Diocese.



Director of Communications and Resources
Wendy Robins addresses Diocesan Synod

Mission Action Planning

The Mission Action Planning (MAP) process is a key means of ensuring that the Diocese as a whole is working towards our Vision and mission. Parishes and other communities which produce

Mission Action Plans are asked to do so in the light of this, and specifically to reference how their MAP will reflect all five Marks of Mission. MAPs, in turn, resource those working across the Diocese as a whole with a richer vision of the potential areas for support and outreach.

Parish Support Fund

The Parish Support Fund (PSF) exemplifies our mutual support in the Diocese most obviously through the sharing across the Diocese of the financial responsibility for our life and mission. Through its principles of generosity and accountability it enables all members of the Diocese to have confidence that resources are being generously given and effectively used.

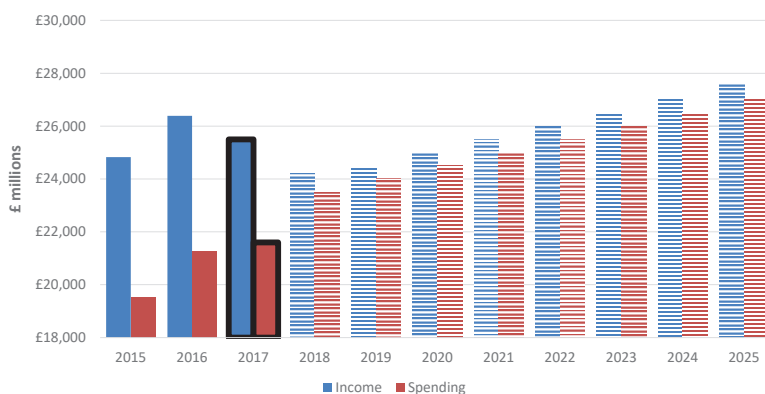


Specific strategic objectives linked to Southwark Vision 2017-2025

There are five strategic objectives:

- to grow our average weekly attendance by 5% by 2025, partly through having each church develop a high-quality MAP which includes a course for evangelism and discipleship
- by 2025, to increase the number of worshipping communities with a primary focus on areas of population growth, through investment in Fresh Expressions of Church (fxC) in the areas where the data suggests that existing congregations are increasingly unrepresentative of the resident community and therefore unlikely to be successful in reaching them without intentional intervention
- to grow a financial resource base that allows investment in growth for the future. Key measurable objectives include maintaining an annual financial surplus, building working financial reserves equivalent to six months' operating costs by 2020, and 1% of Diocesan turnover annually being dedicated to major Diocesan mission and ministry projects beginning in 2016, rising to 2% by 2020

Financial results 2015 to 2025



- to grow the number of ordained and lay vocations by 50% by 2020 by enabling and discerning ordained ministers; by expanding opportunities for licensed and commissioned lay leadership; by affirming and growing other forms of lay ministry (for example, worship leaders, families and youth leaders, and spiritual directors); to offer relevant, enriching training, and to create networks of support and celebration which reflect the diversity of the Diocese and our commitment to evangelism and discipleship; and to deliver fully integrated and pioneering church growth and fxCs
- by 2025, to grow leadership and representation that reflects the rich diversity of our Diocese, especially focusing where the data suggests that groups are currently under-represented through ethnicity, age (especially 18-40s), educational opportunities, material well-being and tradition.

Activities and achievements in the year

Progress made on 2017's Annual Objectives

Achieved a balanced budget by the end of December 2017.	Completed
Completed the necessary changes in the property department, its resourcing, systems, maintenance planning and priorities, ready to submit property strategy for approval by Synod, via the DCT.	Progress made, continues throughout 2018
Prepared for vocational expansion including lay ministry, learning resources, curates' housing and Wychcroft, and in numbers of BAME candidates.	Completed
Supported the establishment of the SDBE Multi-Academy Trust.	Completed
Undertook information technology audit, update and refurbishment.	Progress made, completion due 2018
Concluded the Communications review.	Postponed until 2018
Reviewed and developed investment strategy including property fund.	Progress made, completion due 2018
Launched the data integration and data-mapping projects and resources ready to use for parish-centred strategic planning tools for the Diocese by 2018.	Completed
Developed capacity for growth opportunities in development areas.	Progress made (in Nine Elms, Battersea), continues throughout 2018



Bishop Jonathan leads a confirmation service (left); Bishop Christopher licensing Readers (right)

***The Christian presence for the public benefit,
and other key achievements and activities***

- Raised £16.2m through voluntary contributions to the PSF to fund mission and ministry across the Diocese.
- Deployed Strategic Development Funding from the Archbishops' Council to develop the Christian presence in the Vauxhall, Nine Elms and Battersea Area where there was huge residential development.
- Some additional resourcing of posts came from specific funding by the Archbishops' Council for strategic projects. This included the appointment of the Dean of Fresh Expressions in 2017.
- Baptised 3,810 children and adults.
- Married 970 couples in churches.
- Supported 3,320 families through bereavement, including funeral or cremation services.
- The Diocese had more than 60 Fresh Expressions of Church with new ones being formed every year.
- Responded to the London Bridge atrocity.
- The activities of the Department of Justice, Peace and the Integrity of Creation included programmes on alleviating Holiday Hunger for children and young people; raising awareness of mental health issues, especially for young adults; developing a strategic approach to issues of social cohesion and social integration with a pan-London agency; expanding Diocesan-wide work on diversity and inclusion; and delivering an excellent Black History Month programme at the Cathedral.
- Southwark was one of the first dioceses to participate in the Clewer Initiative to raise awareness of modern-day slavery and human trafficking.
- Southwark responded cogently to the needs of refugees and asylum-seekers by supporting Syrian refugee social integration and housing a Syrian refugee family and asylum-seekers (eight adults and six children).
- The Diocesan Christian-Muslim twinning interfaith programme began to be rolled out at national level.
- Ordained 13 deacons to serve in parishes across the communities of the Diocese.



Bishop Karowei at his consecration (left); celebrating Black History Month at the Cathedral (right)

- Licensed six lay ministers to serve as Readers and seven Southwark Pastoral Auxiliaries, and established the Lay Leadership and Lay Ministry Advisory Group.
- Ongoing work to establish deaneries as centres for mission, with the work of the Deaneries Advisory Group developing web-based toolkits and guidance.
- Supported the development of the SDBE Multi-Academy Trust, 2017 being its first year of operation.
- Supported Thy Kingdom Come, a week of prayer with activities throughout the Diocese.
- Supported the mission and ministry of two parishes in very deprived communities by enabling subsidies for property exchange and completion of parish initiatives.

Safeguarding

- More than 3,100 individuals across the Diocese attended one of the 116 safeguarding courses delivered from September 2016 to December 2017, an increase of 250% on numbers attending in 2015-16. These courses were delivered in line with the national safeguarding learning and development framework.
- There was a 66% increase in new matters referred to the Diocesan Safeguarding Team during 2017 to 360, compared with a total of 216 in 2016. This work ranged from complex procedural enquiries to investigation of allegations relating to church officers.
- More than 2,100 online Disclosure and Barring Service (DBS) applications were submitted and all checks are now undertaken online with improved effectiveness and efficiency.
- The DBF (DCT) has:
 - ensured that there was adequate safeguarding resourcing in the Diocese in accordance with the instructions of Diocesan Synod



Diocesan Safeguarding Adviser Kate Singleton leads safeguarding training

- ensured that there were clear lines of accountability between the Diocesan Bishop and key Diocesan staff, including the Diocesan Safeguarding Adviser
- ensured safer recruitment and training of any church officers working with children, young people and/or vulnerable adults employed by the DBF
- undertaken a risk management oversight of safeguarding arrangements in the Diocese.

Other core activities during the year

- Paid the stipends of 314 (FTE) incumbents, curates and other clergy, based primarily in parishes.
- Provided an HR advisory service to parishes, taking at least 105 separate enquiries, ranging from the provision of templates and information to advice on more complex parish employment situations.
- Managed, maintained and improved approximately 395 residential properties, principally for clergy in parishes.
- Completed the building of two new parsonages.
- Completed the refurbishment of a parsonage into two units of accommodation as the first part of the strategy to offer subsidised housing to chaplains in areas of high market rent.
- Commenced major investment in databases through a property management system.
- Launched Southwark Vision with materials and events.
- Modernised the Articles of Association and created a Memorandum of Understanding between the SDBF and the DCT.
- During the year the Diocesan Advisory Council (DAC) considered 115 cases which went on to receive Faculty approval. These covered a wide range of proposals, from churchyard improvements for sheep grazing and solar panels to a new sculpture and new external noticeboards. Eighty-nine “List B” items were approved by Archdeacons after consultation with the DAC, items which can now be given approval without the need for a Faculty. This is a recent innovation introduced to speed up applications and reduce unnecessary administration.
- Completed the first full year of the Online Faculty System.
- Recruited a Historic Churches Support Officer, funded jointly by the Diocese and Historic England. There are 190 listed churches in the Diocese.



The Victorian apse at St Mary, Balham



Clockwise from top left: Springfield Job Club; the opening of Home Community Café at St Andrew, Earlsfield; digging the first turf at St Mary, Lewisham's therapeutic garden; Merton Street Pastors in Wimbledon

Volunteers

The Board is dependent on the huge number of people involved in church activities, both locally and at Diocesan level. We believe that the number of active volunteers (or volunteer hours) given to the mission and ministry of the Church is a key indicator of the health of a church. The Board has invested further in developing its web-based services for parishes and parish officers who are mostly volunteers, and is particularly grateful to more than 600 parish safeguarding officers who undertake mandatory training and are actively involved in critical preventative work. Within this context, the Board greatly values the considerable time given by all the committee members across the Diocese.

In addition, national surveys have indicated that some 70% of church members volunteer in their local communities including as school governors, street pastors, at winter night shelters and in foodbanks. The service provided to a community through church volunteering has a significant impact on people's relationships with the Church, particularly at times of crisis. Enabling the Church to flourish enables volunteering to flourish.

Future plans

In recent years much has been done and achieved in ensuring that the Diocese works as one body for the mission of the Church. Our future plans to 2025 centre on the Southwark Vision, set out above in the Strategic Report (see pages 9-11).

Specific plans for 2018, which include Annual Objectives still continuing from 2017

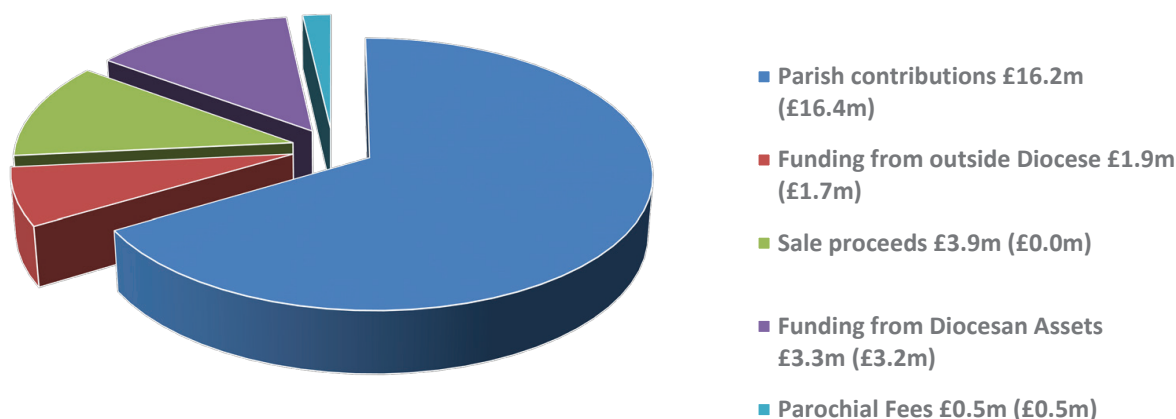
- Ongoing work on databases to secure resilience and accuracy, with additional resources.
- The continued development of web-based services to parishes.
- The completion of “house condition surveys” across the whole of the parsonage property portfolio, to assist with the move to planned maintenance.
- The building of a new parsonage at St Philip, Norbury, and the development of a former parsonage into four units, as part of the property strategy to provide deanery-based curates’ housing.
- Taking forward the Diocesan commitment to “pioneer ministry” in areas of need, with additional curacies.
- The implementation of initiatives in deaneries following the report of the Deaneries Advisory Group.
- Participation in *Setting God’s People Free*, a national initiative to support lay leadership, discipleship and learning communities.
- Consideration of further initiatives to develop lay leadership and ministry, especially in Monday-Saturday lives.
- Preparation, implementation and review of implementation of the General Data Protection Regulation (GDPR).
- The move of the Croydon Episcopal Area office owing to the redevelopment of central Croydon.
- Complete the necessary changes in the property department's resourcing, systems, maintenance planning and priorities ready to submit property strategy for approval by Synod, via the DCT.
- Undertake IT audit, IT update and refurbishment.
- Conclude the Communications review.
- Review and develop investment strategy including property fund.
- Develop capacity for growth opportunities in development areas.

Financial review

Financial performance

A net income of £5.42m (2016: £5.13m) on the Statement of Financial Accounts (SoFA), before gains on revaluation, was generated for the year.

2017 Income vs Budget

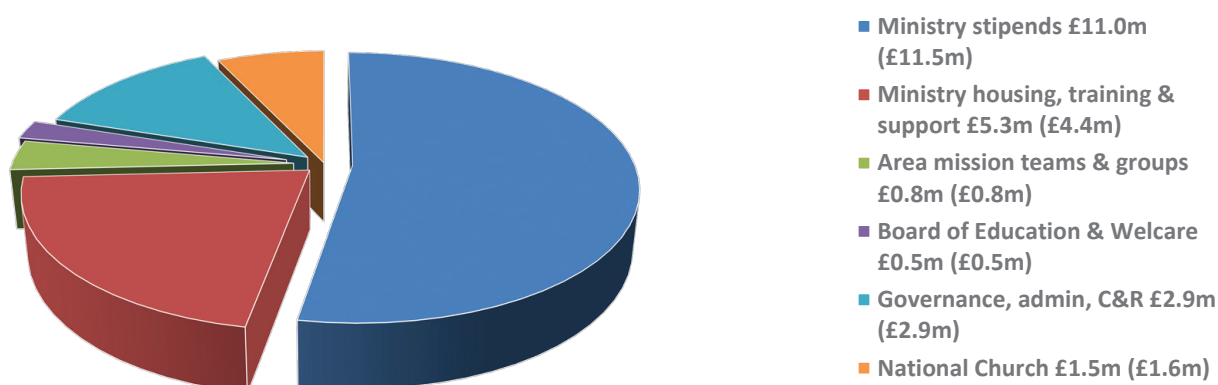


The bedrock of our income is parish share and the generosity of our parishes to the Parish Support Fund (PSF) continues, for which we give thanks. Income from PSF was £16.23m (2016: £16.17m). The collection rate on PSF was 99.3% (2016: 99.9%) of the budgeted amount, which is testament to the commitment of our parishes to the pledges made.

Changes in the way in which the Church Commissioners provide grants resulted in a fall in income from that source to £0.47m (2016: £0.59m). The increase in other donations to £1.38m (2016: £1.22m) is principally owing to an increase in the grant received from the Trust for London, for which we are most thankful. The fall in income from charitable activities to £1.21m (2016: £1.32m) was owing to a decline in parochial fees and a reduction in chaplaincy and other posts funded by third parties. Investment income fell to £2.35m (2016: £2.54m) owing to greater use of our rental housing stock for mission and ministry purposes.

The increase in costs is principally the result of budgeted increases in spending on vocations, training, mission and safeguarding. Administration costs were £1.90m (2016: £1.70m). The increase is owing to a number of one-off restructuring costs and Diocesan initiatives that take place when new mission and ministry funds are available. The amount spent on administration as a proportion of the total expenditure of the SDBF rose to 8.6% (2016: 8.0%). This is in line with other dioceses in particular, and of other charities in general, of a comparable size.

2017 Expenditure vs Budget



Significant progress was made on reviewing the property maintenance costs during the year, resulting in a move towards proactive rather than reactive maintenance. In the short term this has resulted in higher costs but will mean savings over the medium to long term as well as improving our clergy's quality of life.

The capital value of properties increased by £0.88m (2016: £6.96m), reflecting the weaker London property market and impairment reviews undertaken on capital projects completed during the year. Following the decision taken by the Trustees in 2016 whereby properties other than benefice houses will be valued on a five-yearly cycle, one fifth (20%) of the portfolio was revalued during the year by the SDBF's appointed firm of Chartered Surveyors and the average increase in the value of the properties revalued has been applied to the remainder of the portfolio, rather than all properties being revalued annually. The Capital Plan makes provision for projects of several years' duration. The surplus reflects the considerable movement each year in relation to housing, where we will not purchase or refurbish unless funds are available as often these straddle the year.

The value of investments rose by £1.96m (2016: £1.95m decrease) owing to the strong performance of the portfolio. Net sales of investments during the year of £0.20m (2016: £3.39m) were realised to fund the final tranche of £1m commitment approved by Diocesan Synod in 2016 for the Multi-Academy Trust discretionary fund. Further analysis of investments can be found in the investment policy section on page 22.

Overall, the increase in funds on the balance sheet was £6.2m (2016: £12.1m).

Significant property transactions

The following property transactions took place during the year:

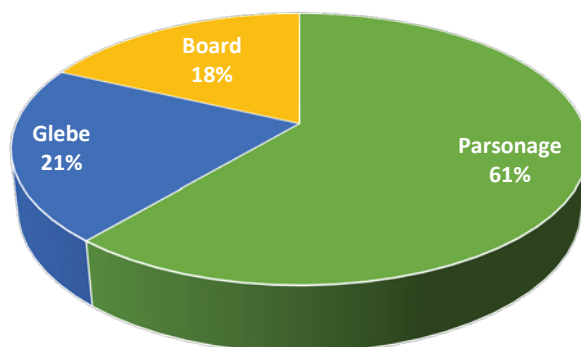
	2017 No	2017 £'000	2016 No	2016 £'000
Purchases				
Parsonage	-	-	2	1,541
Board	1	425	1	2,481
Total	1	425	3	4,022

Property development and improvement				
Expenditure during the year	16	1,292	14	2,512

Completed development projects				
Parsonage	3	2,081	-	-
Board	1	236	-	-
Total	4	2,317	-	-

Sales				
Parsonage	3	1,846	1	459
Board	2	2,531	-	-
Land sales	-	-	4	2,826
Total	5	4,377	5	3,285

Residential Properties by Diocesan land ownership - % split as at 31 December 2017



During the year, three significant and long-standing parsonage redevelopment projects were completed and work continued on two others of a similar nature. Although property sales were higher in the year than property purchases, the nature of property development in particular is long term and compensates for the excess of property capital spending over sales in 2016. Our policy is to move away from major redevelopment work to buying or extending existing properties so that they are fit for purpose.

Our policy continues to be:

- to accommodate the changing geographical deployment of clergy within the Diocese
- to realise the development/refurbishment potential in some properties to enable more effective use of funds for the ministry of the Church
- to replace unsuitable properties
- to grow provision for the planned increase in curates.

Under the Mission and Pastoral Measure 2011 the Diocesan Pastoral Account is available for the purchase and/or improvement of benefice houses. To the extent that any remaining funds are not required, or are not likely to be required, for these purposes then the Account may be applied to any general purpose of the SDBF. It is the agreed policy of the SDBF to use the Account for exceptional property costs incurred but not to use it for routine property maintenance.

Balance sheet position

The Trustees consider that the balance sheet, together with details in Note 21 (see page 62), show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. The net assets at the balance sheet date totalled £287.1m (2016: £280.9m). Included in this total are properties, mostly in use for ministry, whose value amounted to £266.4m (2016: £265.8m).

Reserves policy

Free reserves

Free reserves are the total of the unrestricted general fund. Having considered financial risk, liquidity requirement and the timing of cash flows throughout the year, the Trustees' policy is to gradually grow working financial reserves in the General Fund such that it is equivalent to six months' budgeted unrestricted expenditure by 2020. At 31 December 2017 the amount required under this policy totalled £11.2m (2016: £10.6m). Actual free reserves as at 31 December totalled £6.8m (2016: £6.6m). Further progress has been made during the year and the Trustees continue to work towards fully meeting the requirement by 2020.

Reserves invested in fixed assets

The General Fund comprises net assets amounting to £6.8m (2016: £6.6m) of which £3.3m

(2016: £3.2m) is invested in tangible fixed assets, principally freehold and leasehold property, and a further £3.7m (2016: £4.7m) is held in pooled fund investments.

Designated funds

The Trustees may, with the approval of the SDBF, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve, together with the intended use of the reserve, is set out in Note 22 (see pages 63-65). At 31 December 2017, total designated reserves were £49.6m (2016: £47.3m). The policy of the Trustees is gradually to return as many of these funds as possible to the General Fund.

Restricted and endowment funds

As set out in Note 21 (see page 62), the SDBF holds and administers a number of restricted and endowment funds. As at 31 December 2017, restricted funds totalled £3.3m (2016: £3.1m) and endowment funds totalled £227.4m (2016: £223.9m). Neither are available for the general purposes of the SDBF.

Grant-making policy

The Articles of Association of the SDBF allow for the making of grants in pursuance of its objects. The grants made in the current and previous year are disclosed in Note 12 (see page 52). All grants are made from budgets set aside for specific purposes and are subject to authorisation policies and criteria.

Investment policy

The SDBF is permitted by its Articles of Association to make investments. The SDBF's policy is regularly to review the assets of each fund for which it is responsible in relation to the purposes of each fund, and to identify appropriate investment vehicles. Note 21 (see page 62) provides details of the assets of each fund, together with the related purposes. Note 16 (see page 58) summarises the movements in investments during the year.

The Trustees' investment policy is to hold investments in equity and property funds with a variety of managers. The objective for the Diocesan Stipendiary Fund is to maximise the inflation-adjusted growth of capital in the longer term. Board investments are held to maximise total return (capital and income) in the longer term. The objective for the Ministry Fund is to maintain the inflation-adjusted value of capital while maximising the growth of income in the longer term. The SDBF is committed to following the ethical and climate change investment guidelines laid down by the Ethical Advisory Group of the National Investing Bodies of the Church of England.

The investments held and their return during the year are set out in the following table:

	Funds at 31 December 2017 £'000	Proportion of portfolio	Income yield in year	Total return in year
Managed Funds				
M&G Equity Investment Fund for Charities	9,188	30.9%	4.7%	11.7%
Cazenove Equity Income Trust for Charities	7,180	24.2%	4.8%	10.2%
JO Hambro UK Income Equity Fund	7,859	26.5%	4.1%	17.0%
Other equity funds	119	0.4%	3.3%	14.0%
Savills Charities Property Fund	3,043	10.2%	4.5%	10.1%
Mayfair Capital PITCH Fund	2,308	7.8%	5.6%	11.0%
	29,697	100.0%		

The portfolio performed well during the year with both property and equity funds contributing equally to the portfolio total return increase of 12.5%, exceeding the portfolio benchmark FTSE ALL Share Total Return of 11.8%. The SDBF does not adopt a total return policy for its investments and looks to identify investment managers who can generate superior income with acceptable capital returns. Following the annual review meetings with investment managers the holdings in a number of funds were disposed of where managers did not meet this criterion.

Principal risks and uncertainties

The Senior Management Team considers, evaluates and records the major areas of risk to which the SDBF is exposed, assessing both the likelihood and impact of those risks crystallising, together with the measures in place to manage and mitigate such risks.

The process of identification and assessment of risk, the risks identified and the measures for mitigation are reviewed at least annually by the Audit & Governance Committee. Responsibility for delivery of the mitigation strategies identified by it is delegated to the Diocesan Secretary. The risk register is available for inspection by all Trustees.

The 2017 risk register identifies seven areas where the risk of either failure to act or the impact of the events is considered “high”. These areas and the associated mitigation strategies are:

1. Economic uncertainty

The uncertain economic outcomes from Brexit may lead to less giving from parishes; the Diocese continues to monitor any impact on parish giving and, through communication, careful cost control and the work of its high-level Investment Committee, seeks to mitigate this ongoing risk.

In addition, its reserves policy and property strategy help to underpin the resilience of the Diocese.

2. Parish Share

The risk is of the collection of Parish Share being considerably less than 100% and dependence on the generosity of more affluent parishes. Specific mitigants are:

- collection statistics are produced and circulated on a monthly basis to allow swift intervention where a parish is not meeting its pledged commitment
- the Diocese changed its funding to a pledge based system from 2016; research from other dioceses has shown that collection rates are comparably higher longer term
- major investment in Communication strategy, including a wide variety of meetings between Diocesan leadership, Archdeacons, Area Deans and Lay Chairs, Deanery Synods and parishes.

3. Pace of change

The risk is that the pace of change in the national Church and Diocese is too swift to enable detailed objectives to be met. Conscious culture change, staff and parish development, and senior clergy and lay management focused on strategic issues with annual objectives will mitigate this.

4. Senior management and key personnel

There is a risk of overstretch leading to impeded delivery of objectives and loss of key staff; there are a number of fairly new staff appointments and strong deputies to key departments in place; the Diocese overhauled its administrative and management structures to review the workings of its committees, and to ensure that senior professional staff are empowered with greater delegation, accompanied by strengthened paths of accountability. This is mitigated by implementation of changes in governance and administration accompanied by additional resourcing and recognition of a lengthy transition period.

5. Safeguarding

Where there might be one or more occurrences of abuse by someone working for or on behalf of the Church, with consequences for those affected and adverse media coverage, mitigants are:

- employment of two full-time and one part-time safeguarding advisers, supported by designated administrative staff and line managed by the Deputy Diocesan Secretary
- legal advice is sought where necessary, particularly with regard to information-sharing
- the Diocese progressed the implementation of a safeguarding action plan following a positive and successful independent audit in late 2016
- parishes are now using online arrangements for Disclosure and Barring Service checks as part of the safe recruitment of those who work with children, young people and adults who may be at risk of harm
- a comprehensive training programme developed and delivered by the safeguarding team to all relevant staff and volunteers with compulsory attendance for those in key roles
- formal reporting of safeguarding activity and key risks for annual scrutiny by the Diocesan

Audit and Governance Committee and the whole trustee body at the DCT

- safeguarding work is supported by a proactive and sensitive PR and media strategy.

6. Information technology

Where there is a risk of loss of access to electronic data including e-mail owing to equipment failure, virus or inability to access one of the buildings, mitigants are:

- investment in IT with an IT review
- upgrading hardware and consideration of cloud-based IT storage
- upgrading the hosting of the website.

7. Data

Collection, integrity and interpretation of data for finance and mission across the Diocese.

Mitigants are:

- additional resources to ensure compliance with the General Data Protection Regulation (GDPR).
- investment in updating all databases with a view to integration wherever possible.

Structure and governance

Summary information about the structure of the Church of England

The Church of England is the established Church and HM The Queen is the Supreme Governor. It is organised into two provinces (Canterbury and York) and 42 dioceses. Each diocese is a See under the care of a Bishop who is charged with the cure of souls of all the people within that geographical area. This charge is shared with priests within benefices and parishes which are sub-divisions of the diocese.

The national Church has a General Synod comprising ex-officio and elected representatives from each diocese, and it agrees and lays before Parliament Measures for the governance of the Church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a co-ordinating role for work authorised by the Synod; the Church Commissioners manage the historic assets of the Church of England; and the Church of England Pensions Board administers the pension schemes for clergy and lay workers.

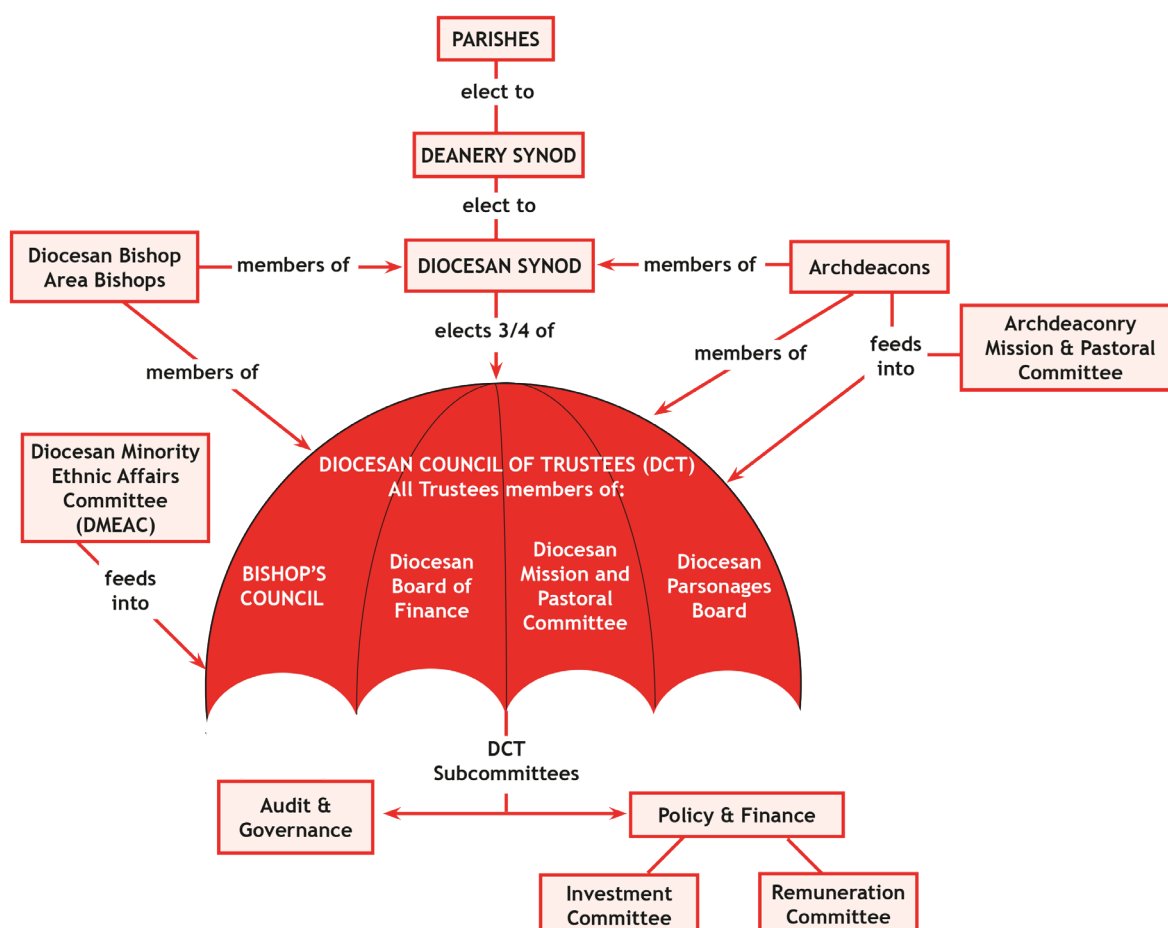
Within each diocese, overall leadership lies with the Diocesan Bishop. The Diocese of Southwark is itself divided into 25 deaneries, each with its own Synod, and within each parish there is a Parochial Church Council (PCC). The PCC shares responsibility with the parish priest for the mission of the Church in that place, in a similar way to that in which the Bishop shares responsibilities with the Diocesan Synod. While each diocese is a separate legal entity, with a clear responsibility for a specific geographical area, being part of the Church of England enables each diocese to seek support from and work in partnership with other dioceses.

Organisational structure

The South London Church Fund & Southwark Diocesan Board of Finance (SDBF) is a company limited by guarantee (No 236594) and a registered charity (No 249678) governed by its Articles of Association, and was incorporated in 1929. The Articles were updated and modernised during 2017. The Company Secretary is the Diocesan Secretary.

The governance and policy of the SDBF is the responsibility of the Trustees, who are also members of the company and Trustees for the purposes of Charity Law. Since November 2015 the Diocesan Council of Trustees (see diagram on page 27) became the standing committee of Diocesan Synod, and the Diocesan Board of Finance (DBF) joined with the Bishop's Council, Diocesan Mission and Pastoral Committee (DMPC) and Parsonages Board to become coterminous members and Trustees. Under the revised governance, the SDBF comprises the Diocesan Bishop (President of the Diocesan Synod), Chair and Vice Chair of the Board of Finance (both laity), Area Bishops, Archdeacons, Chair of the Houses of Clergy and Laity, six clergy (two from each area), 12 members of the laity elected by the House of Laity (including three from each Area) and up to six further lay members with up-to-date financial or other relevant expertise nominated by the Bishop and formally elected by the House of Laity.

The Diocesan Synod, the statutory governing body of the Diocese, is an elected body drawn from across the Diocese with responsibility for setting the vision and strategy of the Diocese. The Synod membership is elected every three years, the last elections having been in July 2015. The Synod elects from its members 12 of the lay Trustees of the SDBF and six of the clergy members. The SDBF is subject to the direction of the Synod in all its activities, unless such direction is not in accordance with the governing documents or statutory regulations. Since the DBF developed coterminous membership with the Bishop's Council, DMPC and Parsonages Board, membership, trusteeship and directorship of the SDBF also includes membership of those other bodies, all part of the DCT. The Diocesan Secretary is Secretary to each of these, except that the Deputy Diocesan Secretary is Secretary to the DMPC.



Decision-making structure

Corporate priorities and the overall financial strategy for the Diocese, in its primary object to promote, assist and advance the work of the Church of England within the Diocese of Southwark, are set by the Diocesan Synod and the Board. The responsibility for ensuring that these priorities and strategies are delivered is delegated to the Diocesan Secretary who reports to the Bishop of Southwark and also meets regularly with the Chair of Committees and of the SDBF. The company meets once a year in a General Meeting to receive and approve the Annual

Report and Financial Statements and to appoint the auditors and to elect the Chair and Vice Chair, nominated by the Bishop of Southwark.

Each year the Diocesan Synod receives and agrees the annual budget, prepared and approved by the Board. The Trustees hold five meetings each year, including one all-day meeting to consider the annual budget and objectives. Trustees formulate and coordinate policies on mission, ministry and finance by:

- initiating proposals for action by the Synod and advising it on matters of policy
- delegating, where appropriate, deliberation of policy and review of decisions to its Policy and Finance Committee, Audit and Governance Committee and its Investment Committee
- transacting the business of the Synod when it is not in session, subject to the directions of the Synod and in accordance with Synod Standing Orders
- acting as the Trustees of the Board
- establishing ad hoc review groups, their terms of reference and membership
- carrying out such other functions as the Synod delegates to it
- appointing members to Committees and representatives to external bodies, subject to the direction of the Synod.

The Trustees are assisted in their work by two committees:

The Policy and Finance Committee (PFC), which monitors management accounts and budget, the use of assets and investment policies and exercises the authority delegated to it by the Trustees in areas such as grants and loans. It also undertakes the Board's responsibilities under the Parsonages Measures 1938 and 1947; the Repair of Benefice Building Measure 1972; the Parochial Church Councils (Powers) Measure 1956, as amended, and the Incumbents and Churchwardens (Trusts) Measure 1964 (with respect to parochial property); the Endowment and Glebe Measure 1976 (with regard to property assets); and the Mission and Pastoral Measure 2011 (with regard to redundant churches). In addition, this Committee considers and initiates areas of strategic policy where proposals are at an early stage of development prior to submission to the Board. It meets five times a year including one all-day meeting.

The Audit and Governance Committee, which scrutinises performance, oversees issues of financial probity, reviews the work of external and internal audit, prepares the response to the external auditor's management letter, scrutinises the effectiveness of governance and reviews the risk register and major areas of risk. It meets four times a year.

In addition, the Board is advised by its Investment Sub-Committee, which provides advice to the PFC and to the Diocesan Secretary on the SDBF's investments and funds available for investment. This meets five times a year including two all-day meetings.

Trustee recruitment, selection and induction

Trustees (SDBF) are members of the Bishop's Council, DMPC and Diocesan Parsonages Board. Potential Trustees complete skills audits, there is a role description and Trustees are given induction at the outset of the triennium and at other times as appropriate, such as when Trustees are elected or appointed during the triennium. They are also informed of the role and function of the Committee before seeking membership. Some staff hold the title of "Director" but this relates to their function within the organisation and has no legal meaning within the terminology associated with the Companies Act. All Trustees are required to sign the Diocesan Declaration of Eligibility, Responsibility and Conflicts of Interest statement forms.

Remuneration of key management personnel

Remuneration of the Diocesan Secretary is determined annually by a Remuneration Committee, which also receives reports of the Diocesan Secretary's recommendations for members of the Senior Management Team. The Committee is a sub-committee of the PFC, formally reporting through to the Board. It is chaired by the Bishop of Southwark and includes the Chair and Vice-Chair of the SDBF and any external consultants as they determine.

Delegation of day-to-day delivery

The Trustees and the Committees which assist them in the fulfilment of their responsibilities delegate management to the Diocesan Secretary who, with her Senior Management Team, delivers the activities of the company in accordance with the policies of the Trustees. The Diocesan Secretary is given specific and general delegated authority to deliver the business of the Board.

Funds held as Diocesan Authority

The Board acts as Diocesan Authority or Custodian Trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956, as amended, and the Incumbents and Churchwardens (Trusts) Measure 1964 where the Managing Trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements as the SDBF does not control them, and they are segregated from the SDBF's own assets by means of a separate bank account, separately identified investment holdings and a separate accounting system. Further details of financial trust assets, whose market value amounted to £15.6m at 31 December 2017 (2016: £16.6m), are available from the SDBF on request, and are summarised in Note 29 (see page 73). Where properties are held as Diocesan Authority, the deeds are identified as such and held in safe custody by the SDBF's solicitor, Winckworth Sherwood LLP.

Related parties

These are:

- the Archbishops' Council, to which the SDBF pays a donation based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, as well as General Synod
- the Church Commissioners, from whom the SDBF receives grants and who act on behalf of clergy with HM Revenue and Customs. The Board pays for clergy stipends through the Church Commissioners
- the Church of England Pensions Board, to which the SDBF pays retirement benefit contributions for stipendiary clergy and employees. It also offers schemes to provide housing for clergy in retirement
- the Southwark Diocesan Board of Education (SDBE), which is a separate registered charity (No 313001) to which the SDBF makes grants. The SDBE supports 106 Church of England schools: 91 are primary schools and 15 are secondary schools, of which one is an all-through school and five are academies. The SDBE supports the provision, effectiveness and development of education in all Church of England schools within the Diocese. It specifically seeks to develop the Christian ethos and distinctiveness of church schools; to promote religious education and collective worship; and to advise School Governors and Trustees and support the maintenance and improvement of school buildings and facilities. The SDBF also supports the provision of chaplaincy in higher and further education institutions. The SDBF makes a grant to SDBE and has pump-primed specific initiatives. The Bishop of Southwark is President of the SDBE, the Bishop of Croydon and the Archdeacon of Lambeth are trustees
- SDBE Multi-Academy Trust (MAT), which is an exempt charitable company (No 10385920). The SDBF makes a specific grant through the SDBE to underpin the development of the MAT. The SDBF is a member of the MAT and is represented through the Diocesan Secretary. As a member the SDBF is entitled to nominate one-third of the directors of the MAT
- Southwark Diocesan Welcare (Welcare), a separate registered charity (No 1107859) to which the SDBF makes a grant. Welcare is a Christian charity working in South London and East Surrey with disadvantaged children and families, irrespective of faith, culture, abilities or life choices. By offering family support, mentoring services and group work with parents and children, Welcare empowers families to rebuild their lives and family ties, helping parents to give their children happier, more confident childhoods. The Archdeacon of Reigate and Ms Anne Coates are trustees
- Southwark Cathedral, a charity exempt from registration with the Charity Commission to which the SDBF makes a grant. It is the seat of the Bishop of Southwark, and services and special events are held at the Cathedral that are paid for by the SDBF
- the SDBF, which is a joint sponsor with the Church Urban Fund of Together Southwark.

Transactions with related parties are identified in appropriate places throughout the financial statements. Where materiality of the transactions merits more detailed disclosure this is given in Note 27 to the financial statements (see page 71).

Trustees' responsibilities

The Trustees are responsible for preparing the Annual Report which incorporates the Strategic Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees (as Directors) to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and of the surplus or deficit of the charitable company for that period.

In preparing these financial statements the Trustees are required to:

- select suitable accounting policies and apply them consistently
- observe methods and principles in the Charities Statement of Recommended Practice (SORP)
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose, with reasonable accuracy, at any time the financial position of the charitable company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company 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 corporate and financial information included in the Diocesan website.

Statement of disclosure to the auditor

So far as the Trustees are aware:

- a) there is no relevant audit information of which the charitable company's auditor is unaware, and
- b) 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 the charitable company's auditor is aware of that information.

Appointment of the auditor

The re-appointment of haysmacintyre as auditor to the Board for 2018 will be proposed at the Annual General Meeting.

Administrative details

Trustees

No Trustee had any beneficial interest in the company during 2017. The following Trustees were in post during the period 1 January 2017 to the date these financial statements were approved:

President

The Bishop of Southwark

The Right Revd Christopher Chessun

Ex-officio

The Bishop of Croydon

The Right Revd Jonathan Clark

The Bishop of Kingston

The Right Revd Dr Richard Cheetham

The Bishop of Woolwich

The Right Revd Dr Karowei Dorgu (from 17 March 2017)

The Archdeacon of Croydon

The Venerable Christopher Skilton

The Archdeacon of Lambeth

The Venerable Simon Gates

The Archdeacon of Lewisham
and Greenwich

The Venerable Alastair Cutting

The Archdeacon of Reigate

The Venerable Moira Astin

The Archdeacon of Southwark

The Venerable Dr Jane Steen

The Archdeacon of Wandsworth

The Venerable John Kiddle

Chair of the House of Clergy
of Diocesan Synod

The Revd Canon Dr Rosemarie Mallett

Chair of the House of Laity
of Diocesan Synod

Mr Adrian Greenwood

Appointed by the Bishop of Southwark

Chairman of the Board of Finance

Mr Gerald Allison (to 8 March 2018)

Vice Chairman of the Board of Finance

Mr Carl Hughes (to 8 March 2018)

Elected by Synod (House of Clergy)

(maximum six)

The Revd Canon Dr Susan Clarke

The Revd Canon Kim Hitch

The Revd Canon Ailsa Newby (to 11 May 2017)

The Revd Jonathan Sedgwick

The Revd Alison Way

Vacancy

Elected by Synod (House of Laity)

(maximum 12)

Mr Bill Bishop

Dr Nicholas Burt

Ms Anne Coates

Mrs Jacqueline Dean

Mr Christopher Elliott
Mrs Lotwina Farodoye
Mr Michael Hartley
Mr Alex Helliwell
Dr David Keiller
Ms Elizabeth Simon
His Honour Stuart Sleeman
Mrs Sarah Swanson

Lay persons nominated and elected as specialists

(maximum six)

Mr Neil Harvey
Mr Andrew McMurtrie
Mr Paul Parkinson (from 11 March 2017)
Mr Philip Fletcher (from 10 March 2018)
Ms Joy Taylor
Mr Stephen Willmer
Vacancy

The Bishop of Southwark's Nominees

(maximum four)

Ms Anne Deering
The Revd Canon Roxanne Hunte

Senior staff

Diocesan Secretary
Deputy Diocesan Secretary
Director of Finance and
Financial Assets
Director of Human Resources
Director of Information Technology
Director of Communications
and Resources
Director of Strategic and
Operational Projects
Director of Property Management

Ms Ruth Martin (Lay Canon)
The Revd Canon Stephen Roberts

Mr Anthony Demby
Mr David Loft
Mr Mark Charlton

The Revd Canon Wendy Robins

Mrs Jacqueline Pontin
Ms Fiona Hallard (to November 2017)

Registered office and advisers

Registered Office

Trinity House, 4 Chapel Court,
Borough High Street, London, SE1 1HW

Advisers

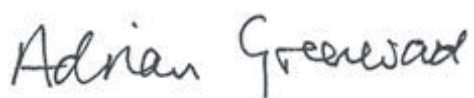
Bankers

National Westminster Bank plc
91 Westminster Bridge Road, London, SE1 7HW

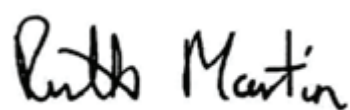
	Barclays Bank plc 1 Churchill Place, London, E14 5HP
Independent Auditor	haysmacintyre 10 Queen Street Place, London, EC4R 1AG
Solicitors	Winckworth Sherwood LLP Minerva House, 5 Montague Close, London, SE1 9BB
Investment Fund Managers	Cazenove Capital Management Ltd 12 Moorgate, London, EC2R 6DA CCLA Investment Management Ltd Senator House, 85 Queen Victoria Street, London, EC4V 4ET JO Hambro Capital Management Ltd Ryder Court, 14 Ryder Street, London SW1Y 6QB M&G Securities Ltd Laurence Pountney Hill, London, EC4R 0HH Mayfair Capital Investment Management Ltd 2 Cavendish Square, London, W1G 0PU Savills Investment Management (UK) Ltd 33 Margaret Street, London, W1G 0JD
Insurers	Ecclesiastical Insurance Office plc Beaufort House, Brunswick Road, Gloucester, GL1 1JZ

In approving this Trustees' Report, the Trustees are also approving the Strategic Report included on pages 9-25 in their capacity as Company Directors.

By order of the Trustees



Adrian Greenwood
Director
16 May 2018



Ruth Martin (Lay Canon)
Secretary
16 May 2018

Independent auditor's report to the members of the South London Church Fund & Southwark Diocesan Board of Finance

We have audited the financial statements of The South London Church Fund & Southwark Diocesan Board of Finance for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the 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, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2017, and of its incoming resources and application of resources, including its income and expenditure, 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 Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Responsibilities of Trustees for the financial statements

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and

fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears

to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report (which incorporates the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report (which incorporates the strategic report and the directors' report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Samantha Coutinho (Senior Statutory Auditor)
For and on behalf of haysmacintyre Statutory Auditor
16 May 2018

10 Queen Street Place
London
EC4R 1AG

Statement of financial activities for the year ended 31 December 2017

	Note	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000	Total funds 2016 £'000
Income and endowments from							
Donations	3						
Parish contributions		16,230	-	-	-	16,230	16,166
Archbishops' Council		266	-	205	-	471	591
Other donations		1,377	-	-	-	1,377	1,221
Charitable activities	4	1,214	-	-	-	1,214	1,316
Other activities	5	98	-	-	-	98	122
Investments	6	2,224	-	130	-	2,354	2,541
Other	7	44	3,917	28	134	4,123	2,992
		<u>21,453</u>	<u>3,917</u>	<u>363</u>	<u>134</u>	<u>25,867</u>	<u>24,949</u>
Expenditure on							
Raising funds	8	8	-	-	27	35	42
Charitable activities	9	21,992	153	223	-	22,368	21,218
		<u>22,000</u>	<u>153</u>	<u>223</u>	<u>27</u>	<u>22,403</u>	<u>21,260</u>
Net income/(expenditure) before investment gains		(547)	3,764	140	107	3,464	3,689
Net gains on investments	16	262	-	199	1,490	1,951	1,438
Net income		<u>(285)</u>	<u>3,764</u>	<u>339</u>	<u>1,597</u>	<u>5,415</u>	<u>5,127</u>
Transfers between funds	14	501	(1,575)	(123)	1,197	-	-
Other recognised gains							
Gains on revaluation of fixed assets	15	-	59	-	720	779	6,956
Net movement in funds		<u>216</u>	<u>2,248</u>	<u>216</u>	<u>3,514</u>	<u>6,194</u>	<u>12,083</u>
Total funds brought forward		<u>6,571</u>	<u>47,339</u>	<u>3,078</u>	<u>223,925</u>	<u>280,913</u>	<u>268,830</u>
Total funds carried forward	20	<u>6,787</u>	<u>49,587</u>	<u>3,294</u>	<u>227,439</u>	<u>287,107</u>	<u>280,913</u>

All activities derive from continuing activities. The notes on pages 42-73 form part of the financial statements. The full prior year comparatives are disclosed in Note 28 on page 72.

Income and expenditure account for the year ended 31 December 2017

	2017 £'000	2016 £'000
Total Income	25,733	24,949
Total Expenditure	(22,376)	(21,260)
Operating surplus for the year	3,357	3,689
Net gains on investments	461	432
Net income for the year	3,818	4,121
Other comprehensive income:		
Revaluation of fixed assets	59	2,740
Net assets transferred to endowments	(1,197)	(835)
Total comprehensive income	2,680	6,026

The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

Balance sheet as at 31 December 2017

Company Number 236594	Note	£'000	2017 £'000	2016 £'000	£'000
FIXED ASSETS					
Tangible assets	15		266,396		265,768
Investments	16		29,697		27,735
			<u>296,093</u>		<u>293,503</u>
CURRENT ASSETS					
Debtors	17	929		1,719	
Cash on deposit		1,826		1,148	
Cash at bank and in hand		3,508		602	
		<u>6,263</u>		<u>3,469</u>	
CREDITORS: amounts falling due within one year	18	(4,479)		(2,214)	
NET CURRENT ASSETS			<u>1,784</u>		<u>1,255</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>297,877</u>		<u>294,758</u>
CREDITORS: amounts falling due after more than one year					
Pension scheme liabilities	19		(6,140)		(7,315)
Other creditors	19		(4,630)		(6,530)
NET ASSETS			<u>287,107</u>		<u>280,913</u>
FUNDS					
Endowment funds			227,439		223,925
Restricted income funds			3,294		3,078
Unrestricted income funds:					
General fund			6,787		6,571
Designated funds			49,587		47,339
TOTAL FUNDS	21		<u>287,107</u>		<u>280,913</u>

The Statement of Financial Activities, Income and Expenditure Account, Statement of Cash Flows and the Notes form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on **16 May 2018** and signed on behalf of the Board by:

Adrian Greenwood

Adrian Greenwood
Director
16 May 2018

Statement of cash flows for the year ended 31 December 2017

	2017	2016
£'000	£'000	£'000
Net cash outflow from operating activities	(2,456)	(4,821)
Cash flows from investing activities		
Dividends, interest and rent from investments	2,352	2,540
Proceeds from the sale of:		
Tangible fixed assets	8,262	3,503
Investments	4,959	5,380
Purchase of:		
Tangible fixed assets	(4,163)	(6,599)
Fixed asset investments	(4,970)	(1,989)
Net cash provided by investing activities	6,440	2,835
Cash flows from financing activities		
Loans (repaid)/received	(400)	1,020
Net cash (used in)/provided by financing activities	(400)	1,020
Change in cash and cash equivalents in the reporting period	3,584	(966)
Cash and cash equivalents at 1 January	1,750	2,716
Cash and cash equivalents at 31 December	5,334	1,750
Reconciliation of net movements in funds to net cash flow from operating activities		
Net movement in funds for the year ended 31 December	3,464	3,689
Adjustments for:		
Depreciation charges	37	37
Dividends, interest and rent from investments	(2,353)	(2,540)
Movement in pension deficit recovery creditor less contributions paid	(1,175)	(1,345)
Increase in value of Value Linked Loans	(100)	-
Other transitional non-cash movements	-	(25)
Profit on sale of fixed assets	(3,884)	(2,992)
Decrease/(Increase) in debtors	790	(319)
Increase/(Decrease) in creditors	765	(1,326)
Net cash used in operating activities	(2,456)	(4,821)
Analysis of cash and cash equivalents		
Cash in hand	3,508	602
Notice deposits (less than 3 months)	1,826	1,148
	5,334	1,750

1. Accounting policies

a) *General information*

The South London Church Fund & Southwark Diocesan Board of Finance (SDBF) is a charitable company limited by guarantee incorporated in England and Wales and registered with the Charity Commission. In the event of the charitable company being wound up the liability in respect of the guarantee is limited to £1.

The SDBF meets the definition of a public benefit entity under FRS 102.

b) *Accounting convention and basis of preparation*

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom (FRS 102), the Statement of Recommended Practice for Charities (SORP 2015) and with regard to the Diocesan Annual Report and Financial Statements Guide (5th edition, 2015).

The financial statements have been prepared on the historical cost basis with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in 1.f, and fixed asset investments, which are included at their fair value at the balance sheet date.

c) *Going concern*

The Directors/Trustees consider that there are no material uncertainties regarding the SDBF's ability to continue as a going concern.

d) *Income*

All income is included in the Statement of Financial Activities (SoFA) when the SDBF is legally entitled to it as income or capital respectively, ultimate receipt is probable and the amount to be recognised can be quantified with reasonable accuracy.

- i) **Parish Share** is recognised as income of the year to which pledges have been made. Amounts not received are not recognised as debtors as parish share pledges represent a commitment that is not legally enforceable.
- ii) **Rent receivable** is recognised as income in the period to which it relates.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants received** that are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are not recognised in the SoFA and are included in creditors.

1. Accounting policies (continued)

d) *Income (continued)*

- v) **Parochial fees** are recognised as income when receivable.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets** are included within other income. Losses on disposal are included within other expenditure.
- viii) **Diocesan Stipendiary Fund income** is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and is restricted to the payment of clergy stipends. The income is fully expended within the year of receipt. The income and the related stipend expenditure are both included in the unrestricted column of the SoFA.

e) *Expenditure*

Expenditure is recognised on the accruals basis and is classified in the SoFA under headings that aggregate related costs.

- i) **Costs of raising funds** are costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** comprises expenditure on contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the Diocese and expenditure relating to the running of the Diocesan Retreat House.
- iii) **Grants payable** are charged in the year in which the grant is awarded. Where the grant is conditional on the recipient meeting performance or other discretionary requirements to the satisfaction of the SDBF it is recognised as expenditure when these have been met. Grants made subject to such conditions that have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- iv) **Support costs** comprise central management, administration and governance costs. The amount spent on raising funds and other activities is considered by the Trustees to be immaterial and all support costs are included within charitable activities. Costs are charged directly to the activity to which they relate, but where this is not possible they are apportioned on the basis of staff time cost.

1. Accounting policies (continued)

e) *Expenditure (continued)*

- v) **Pension contributions.** The SDBF participates in two defined benefit pension schemes (see Note 26): the Church of England Funded Pensions Scheme for clergy and the Church Workers Pension Fund (CWPF) for SDBF lay staff. The SDBF closed the Defined Benefit Scheme section of the CWPF to new members in July 2013.

Deficit funding for the pension schemes in which the SDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

The pension costs charged for the defined benefit schemes as resources expended represent the SDBF's contributions payable in respect of the accounting period, in accordance with FRS 102.

SDBF staff joining after July 2013 are members of the Pension Builder section of the CWPF. Contributions to this Scheme paid by the SDBF are charged to the SoFA as resources expended on the accruals basis.

f) *Tangible fixed assets and depreciation*

Freehold properties

Freehold properties are initially recognised at cost and subsequently measured at fair value at each reporting date. The SDBF has appointed a firm of chartered surveyors to undertake a full valuation of its freehold properties on a rolling basis over a five-year period. The results of these valuations are extrapolated across the remaining population to ensure that the carrying value of freehold properties approximate fair value. The revaluation gains or losses are reported within other recognised gains and losses in the SoFA.

Depreciation is not charged on buildings as the Trustees consider that any provision (annual or cumulative) would not be material owing to the very long expected remaining useful economic life in each case, and that their expected residual value is not materially less than their carrying value. The SDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value.

1. Accounting policies (continued)

f) *Tangible fixed assets and depreciation (continued)*

Properties subject to value-linked loans

Properties that have been bought with the assistance of value-linked loans from the Church Commissioners are included in the financial statements as fixed assets and loan creditors. The properties are stated at fair value and are revalued at each reporting date. On disposal, the agreed share of the net sale proceeds will be remitted to the Church Commissioners and the related loan liability extinguished.

Investment properties

Diocesan Stipendiary Fund and General Fund properties held for investment purposes are included at their fair value. Any gains and losses arising at each year-end are recognised in the SoFA.

Benefice houses

The SDBF has followed the requirements of FRS 102 in its accounting treatment of benefice houses (parsonages). FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The SDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees consider that the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to carry them at cost. For benefice houses owned at 1 January 2015 the SDBF has adopted the estimated Reinstatement Cost as at 1 January 2014 as deemed cost. Benefice houses purchased or built after 1 January 2015 are included at purchase or build cost. Benefice houses are subject to annual impairment reviews and are not subject to depreciation on the grounds that the costs of repair and maintenance are greater than the annual depreciation charge.

Leasehold improvements

Improvements made to leasehold properties are amortised in the SoFA over the shorter of the remaining life of the lease or the first break period contained in the lease.

g) *Other tangible fixed assets*

Depreciation is charged to the SoFA over the expected useful economic life of the asset at the following rates:

Furniture and equipment	10-25% per annum	straight line basis
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1. Accounting policies (continued)

h) Other accounting policies

- i) **Fixed asset investments** are included in the balance sheet at market value and the gain or loss taken to the SoFA.
- ii) **Leases:** The SDBF has entered into operating lease arrangements for the use of certain property assets, the rental for which is charged in full as expenditure in the year to which it relates. Rent-free periods given as part of an operating lease are amortised in the SoFA over the shorter of the term of the lease or first break period contained in the lease.

i) Financial instruments – assets and liabilities

Debtors

Debtors are recognised at the settlement amount due.

Cash and cash equivalents

Cash at bank and cash in hand includes cash held in short-term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the SDBF has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Value-linked loans

The SDBF value-linked loans for which the settlement proceeds are based on the value of the related properties. As this constitutes a non-basic financial instrument under FRS 102 these loans are recognised at fair value and are revalued at each reporting date to match the value of the related property.

j) Funds

Balances are split between unrestricted (general and designated), restricted and endowment funds.

- **Unrestricted funds** are the SDBF's corporate funds and are freely available for any purpose within the SDBF's charitable objects at the discretion of the Trustees.

1. Accounting policies (continued)

j) Funds (continued)

- There are two types of unrestricted funds:
 - **general funds** which the SDBF intends to use for the general purposes of the SDBF
 - **designated funds** set aside out of unrestricted funds by the SDBF for a purpose specified by the Trustees.
- **Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- **Endowment funds** are those held on trust and administered by the SDBF to be retained for the benefit of the charitable company as a capital fund. In the case of the Parsonage Capital Fund, there are discretionary powers to convert capital into income and this fund is classified as expendable endowment. The Ministry Fund and the Diocesan Stipendiary Fund are endowment funds where there is no provision for expenditure of capital and these are classified as permanent endowments.

2. Critical accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the SDBF's accounting policies and the reported assets, liabilities, income and expenditure and the disclosures made in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key area of estimation is the measurement of the SDBF's property assets at fair value. The Charity SORP requires entities who have adopted a policy of revaluation to undertake valuations on a regular basis to ensure that the carrying amount of the revalued assets does not differ materially from fair value at the end of the reporting period. The SDBF engages a firm of chartered surveyors for the valuation of its freehold properties, excluding benefice houses, on a rolling basis over a five-year period. In order to ensure that the carrying value of the freehold properties excluding benefice houses approximates to fair value, the results of the proportion of the properties valued in the year are extrapolated across the remainder of the property portfolio excluding benefice houses to arrive at year-end fair value.

2. Critical accounting estimates and judgements (continued)

Those properties selected for valuation are taken across the SDBF's diverse property portfolio and the trustees consider this to be a reasonable basis for estimating the fair value of the SDBF's freehold properties at the balance sheet date. Any variances from actual fair value and the estimated fair value of the portfolio will affect the value of tangible fixed assets reported on the balance sheet, and other gains and losses reported in the SoFA. Income and expenditure is not impacted except in respect of profit or loss arising on the sale of a freehold property held at estimated fair value.

3. Donations

Parish contributions

The majority of donations are collected from the parishes of the Diocese through the parish share system.

	2017 £'000	2016 £'000
Unrestricted general fund		
Current year receipts from Parishes	16,146	16,044
Previous year receipts from Parishes	84	122
Total Income	<u>16,230</u>	<u>16,166</u>

Church Commissioners and Archbishops' Council

	Unrestricted funds		Restricted funds	Total funds 2017	Total funds 2016
	General £'000	Designated £'000	funds £'000	2017 £'000	2016 £'000
Parish Mission grant	-	-	-	-	298
Strategic Development grant	-	-	116	116	26
Ordinand training grant	-	-	89	89	-
Area Bishops grant	266	-	-	266	246
Xtend grant	-	-	-	-	21
	<u>266</u>	<u>-</u>	<u>205</u>	<u>471</u>	<u>591</u>

The Church Commissioners' Area Bishops grant is used to support the administrative costs of the Area Bishops.

Two restricted grants were received: from the Church Commissioners a strategic development grant towards the cost of resourcing mission in the Vauxhall, Nine Elms and Battersea area and through Fresh Expressions across the Diocese; and from the Archbishops' Council a block grant for Ordinand training.

3. Donations (continued)

Other donations

	2017 £'000	2016 £'000
Unrestricted General fund		
All Churches Trust grant	258	258
Trust for London grant	1,025	878
Other grants and donations	94	85
	<u>1,377</u>	<u>1,221</u>

4. Charitable activities

	2017 £'000	2016 £'000
Unrestricted General fund		
Statutory fees	456	520
Reimbursement of stipends	507	550
Other income	119	105
Diocesan Retreat House	132	141
	<u>1,214</u>	<u>1,316</u>

5. Other trading activities

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Room hire and recharges	<u>98</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98</u>	<u>122</u>

6. Investment income

	Unrestricted funds		Restricted Funds	Endowment Funds	Total funds 2017	Total funds 2016
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Dividends receivable	1,176	-	130	-	1,306	1,313
Interest receivable	20	-	-	-	20	38
Rents receivable	1,028	-	-	-	1,028	1,190
	<u>2,224</u>	<u>-</u>	<u>130</u>	<u>-</u>	<u>2,354</u>	<u>2,541</u>

7. Other income

	Unrestricted funds		Restricted Funds	Endowment Funds	Total funds 2017	Total funds 2016
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Gain on disposal of investments	44	-	28	134	206	-
Gain on disposal of properties	-	-	-	-	-	2,046
Gain on disposal of benefice houses	-	3,917	-	-	3,917	946
	<u>44</u>	<u>3,917</u>	<u>28</u>	<u>134</u>	<u>4,123</u>	<u>2,992</u>

8. Fundraising costs

	Unrestricted funds		Restricted Funds	Endowment Funds	Total funds 2017	Total funds 2016
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Property rental costs	<u>8</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>35</u>	<u>42</u>

9. Charitable activities

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000	Total funds 2016 £'000
Contributions to Archbishops' Council						
Training for Ministry	691	-	-	-	691	744
National Church Responsibilities	615	-	-	-	615	596
Retired clergy housing costs	227	-	-	-	227	214
	<u>1,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,533</u>	<u>1,554</u>
Resourcing Ministry and Mission						
Parish Ministry						
Stipends and national insurance	9,217	-	28	-	9,245	9,545
Pension contributions	2,994	-	9	-	3,003	2,495
Defined benefit pension scheme movement	(1,175)	-	-	-	(1,175)	(1,345)
Housing costs	3,707	3	-	-	3,710	3,870
Removal and resettlement grants	749	-	-	-	749	518
Other expenses	245	-	-	-	245	1
	<u>15,737</u>	<u>3</u>	<u>37</u>	<u>-</u>	<u>15,777</u>	<u>15,084</u>
Support for parish ministry	4,489	150	186	-	4,825	4,411
Diocesan Retreat House	233	-	-	-	233	169
	<u>20,459</u>	<u>153</u>	<u>223</u>	<u>-</u>	<u>20,835</u>	<u>19,664</u>
	<u>21,992</u>	<u>153</u>	<u>223</u>	<u>-</u>	<u>22,368</u>	<u>21,218</u>

10. Analysis of expenditure including allocation of support costs

	Activities undertaken directly £'000	Grant funding of activities £'000	Support costs £'000	Total costs 2017 £'000	Total costs 2016 £'000
Charitable activities:					
Contributions to Archbishops' Council	-	1,533	-	1,533	1,554
Resourcing parish ministry	16,825	1,387	1,903	20,115	18,943
Education and Social Responsibility	-	487	-	487	552
Diocesan Retreat House	233	-	-	233	169
	<u>17,058</u>	<u>3,407</u>	<u>1,903</u>	<u>22,368</u>	<u>21,218</u>

11. Analysis of support costs

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2017 £'000	Total funds 2016 £'000
Central administration	1,812	-	-	-	1,812	1,628
Governance:						
External audit	35	-	-	-	35	33
Registrar and Chancellor	43	-	-	-	43	26
Synodical costs	13	-	-	-	13	17
	<u>1,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,903</u>	<u>1,704</u>

12. Analysis of grants made

	No.	Individuals £'000	Institutions £'000	2017 Total £'000	2016 Total £'000
From unrestricted funds for national Church responsibilities:					
Contributions to Archbishops' Council	1	-	1,533	1,533	1,554
From unrestricted funds:					
Southwark Diocesan Board of Education	2	-	440	440	356
Southwark Diocesan Welcare	1	-	198	198	196
Southwark Cathedral	1	-	26	26	29
Bishop of Southwark's Fund	1	-	25	25	44
Parishes for mission	82	-	431	431	-
Other institutions for mission	29	-	73	73	-
Individuals for mission	8	4	-	4	-
Parishes for fabric repairs	1	-	3	3	136
Parishes for incumbent status housing	5	-	16	16	-
Clergy for settling in/first appointment	55	201	-	201	121
Clergy for study/sabbatical	23	23	-	23	5
Ordinands in training	40	418	-	418	271
	<u>248</u>	<u>646</u>	<u>1,212</u>	<u>1,858</u>	<u>1,158</u>
From restricted funds for various purposes within resourcing parish ministry:					
Education and development of women clergy (Gilmore Fund)	28	16	-	16	12
Total	<u>28</u>	<u>16</u>	<u>-</u>	<u>16</u>	<u>12</u>
Total	<u>277</u>	<u>662</u>	<u>2,745</u>	<u>3,407</u>	<u>2,724</u>

13. Staff costs

	2017 £'000	2016 £'000
Employee costs during the year were as follows:		
Wages and salaries	2,027	1,902
National insurance contributions	222	165
Pension costs	398	231
Termination payments	-	67
	<u>2,647</u>	<u>2,365</u>

The average number of persons employed during the year:

	2017 Number	2016 Number
Administration and financial management	19	19
Property	12	8
Vocations, ministry, safeguarding & Diocesan Retreat House	27	15
Mission & public policy	21	28
	<u>79</u>	<u>70</u>

The average number of persons employed during the year
based on full-time equivalents:

	2017 Number	2016 Number
Administration and financial management	15.7	18.7
Property	8.6	8.2
Vocations, ministry, safeguarding & Diocesan Retreat House	13.2	11.2
Mission & public policy	15.9	22.1
	<u>53.4</u>	<u>60.2</u>

The numbers of staff whose emoluments (including benefits in kind but excluding pension contributions) amounted to more than £60,000 were as follows:

	2017 Number	2016 Number
£60,001 - £70,000	2	2
£80,001 - £90,000	1	-
£90,001 - £100,000	-	1
	<u></u>	<u></u>

Pension payments of £23,000 (2016: £22,000) were made for these employees.

13. Staff costs (continued)

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the Trustees, for planning, directing and controlling the activities of the Diocese. During 2017 they were:

Diocesan Secretary and Company Secretary	Ms Ruth Martin (Lay Canon)
Deputy Diocesan Secretary	The Revd Canon Stephen Roberts
Director of Finance and Financial Assets	Mr Anthony Demby
Director of Property Management	Ms Fiona Hallard (until October 2017)
Director of Human Resources	Mr David Loft
Director of Information Technology	Mr Mark Charlton
Director of Communications and Resources	The Revd Canon Wendy Robins
Director of Strategic and Operational Projects	Mrs Jacqueline Pontin (from November 2017)

Remuneration, employers' National Insurance and pensions for these eight employees (2016: eight) was £651,000 (2016: £598,000).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out-of-pocket expenses totalling £13,000 (2016: £17,000) in respect of General and Diocesan Synod duties and other duties as Trustees.

The following table gives details of the Trustees who were in receipt of a stipend and/or housing provided by the SDBF during the year:

	Stipend	Housing
The Right Revd Christopher Chessun	No	No
The Right Revd Dr Richard Cheetham	No	Yes
The Right Revd Jonathan Clarke	No	Yes
The Right Revd Dr Karowei Dorgu	No	Yes
The Venerable Moira Astin	Yes	Yes
The Venerable Alistair Cutting	Yes	Yes
The Venerable Simon Gates	Yes	Yes
The Venerable John Kiddle	Yes	Yes
The Venerable Christopher Skilton	Yes	Yes
The Venerable Dr Jane Steen	Yes	Yes

13. Staff costs (continued)

Trustees' emoluments (continued)

	Stipend	Housing
The Revd Canon Kim Hitch	Yes	Yes
The Revd Canon Roxanne Hunte	Yes	Yes
The Revd Canon Dr Rosemarie Mallett	Yes	Yes
The Revd Jonathan Sedgwick	Yes	Yes
The Revd Alison Way	Yes	Yes

The SDBF is responsible for funding, via the Church Commissioners, the stipends of licensed stipendiary clergy in the Diocese, other than Bishops and Cathedral staff. The SDBF is also responsible for the provision of housing for stipendiary clergy in the Diocese excluding the Diocesan Bishop and Cathedral staff.

The SDBF paid an average of 293 (2016: 298) stipendiary clergy as office-holders holding parochial or Diocesan appointments in the Diocese, and the costs were as follows:

	2017 £'000	2016 £'000
Stipends	8,535	8,992
National Insurance contributions	682	553
Apprenticeship levy	28	-
Pension costs - current year	3,003	2,495
	<u>12,248</u>	<u>12,040</u>

The stipends of the Diocesan Bishop and Area Bishops are paid and funded by the Church Commissioners and are in the range £36,010-£43,150 (2016 range: £34,980-£42,870). The annual rate of stipend, funded by the SDBF, paid to Archdeacons in 2017 was in the range £34,864-£36,210 (2016 range: £34,180-£35,250) and other clergy who were Trustees were paid in the range £24,876-£26,020 (2016 range: £24,388-£25,510). The Archbishops' Council has estimated the value to the occupant, gross of income tax and National Insurance, of church-provided housing in the Diocese in 2017 at £28,581 (2016: £28,559).

14. Analysis of transfers between funds

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000
From Diocesan Pastoral Account to General Fund for exceptional property costs	126	(126)	-	-
From Diocesan Stipendiary Fund to General Fund for adjustment to CEFPS pension scheme deficit	1,345	-	-	(1,345)
From General Fund to Diocesan Stipendiary Fund for reduction in CEFPS pension scheme deficit	(1,175)			1,175
From General Fund to Multi Academy Trust Fund for funding	(200)	200	-	-
From General Fund to Strategic Development Fund for project costs	24	-	(24)	-
From Ministry Mission Fund to General Fund for parish mission	282	(282)	-	-
From Parsonage Capital Fund to Diocesan Pastoral Account for the sale of benefice houses	-	651	-	(651)
From Diocesan Pastoral Account to Parsonage Capital Fund for benefice house additions	-	(2,018)	-	2,018
From Dartmouth House Fund to General Fund for Diocesan Retreat House costs	99	-	(99)	-
	<u>501</u>	<u>(1,575)</u>	<u>(123)</u>	<u>1,197</u>

15. Tangible fixed assets

	Freehold & Leasehold Properties £'000	Leasehold Improvements £'000	Furniture & Equipment £'000	Total £'000
Cost or valuation				
At 1 January 2017	265,668	107	507	266,282
Additions	4,034	-	129	4,163
Disposals	(4,377)	-	(335)	(4,712)
Revaluation/impairment	879	-	-	879
At 31 December 2017	<u>266,204</u>	<u>107</u>	<u>301</u>	<u>266,612</u>
Depreciation				
At 1 January 2017	-	81	433	514
Charge for the year	-	2	35	37
Disposals	-	-	(335)	(335)
At 31 December 2017	<u>-</u>	<u>83</u>	<u>133</u>	<u>216</u>
Net Book Value				
At 31 December 2017	<u>266,204</u>	<u>24</u>	<u>168</u>	<u>266,396</u>
At 31 December 2016	<u>265,668</u>	<u>26</u>	<u>74</u>	<u>265,768</u>

15. Tangible fixed assets (continued)

Freehold and leasehold properties in the balance sheet are all vested in the SDBF, except for benefice houses which are vested in the incumbent. With the exception of benefice houses, which are stated at deemed cost, all properties in the current and prior year are stated at fair value. The carrying value of benefice houses held at deemed cost at the balance sheet date is £136,859,000 (2016: £135,561,000).

All properties other than benefice houses were revalued to fair value at 31 December 2015 and are subject to revaluation on a five-year cycle. Properties with a fair value of £32,332,000 at 31 December 2017 (2016: £25,190,000) were revalued. The revaluation was carried out by Rapleys LLP in accordance with Royal Institute of Chartered Surveyors professional standards and valuation practice statements and resulted in an increase in the value of the properties by £415,000 (2016: £4,184,000).

In order to maintain consistency with the SDBF's accounting policy of measuring properties other than benefice houses at fair value, the results of this valuation have been extrapolated across those assets not revalued at the balance sheet date. This has resulted in an additional revaluation gain in the year excluding impairments of £1,066,000 (2016: £4,301,000).

The carrying value of leasehold properties included within freehold and leasehold properties amounts to £759,000 (2016: £3,200,000).

The carrying value of assets under construction included within freehold and leasehold properties amounts to £3,947,000 (2016: £2,841,000).

Certain properties have been purchased with the help of value-linked loans from the Church Commissioners. The properties are revalued to fair value annually. On disposal the agreed share of the net sale proceeds will be remitted to the Church Commissioners and the related loan liability extinguished. The value of such properties included above amounts to £3,150,000 (2016: £3,050,000). The revaluation gain on these properties amounts to £100,000 (2016: £20,000) and have been netted off against the matching movement in the linked liability.

16. Fixed assets investments

	At 1 January 2017 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	At 31 December 2017 £'000
Unrestricted funds						
Unlisted investments	4,658	1,248	(1,201)	(1,249)	262	3,718
Restricted funds						
Unlisted investments	2,963	941	(914)	(108)	199	3,081
Endowment funds						
Unlisted investments	20,114	2,781	(2,844)	1,357	1,490	22,898
Total	<u>27,735</u>	<u>4,970</u>	<u>(4,959)</u>	<u>-</u>	<u>1,951</u>	<u>29,697</u>

17. Debtors

	2017 £'000	2016 £'000
Due within one year		
Current year Parish share	64	71
Loans to parishes	18	116
Loans to others	-	18
Other debtors and prepayments	610	1,111
	<u>692</u>	<u>1,316</u>
Due after more than one year		
Loans to parishes	228	391
Other debtors	9	12
	<u>237</u>	<u>403</u>
Total debtors	<u>929</u>	<u>1,719</u>

18. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loan repayment instalments due in one year	1,500	-
Other taxes and social security	64	31
Other creditors and accruals	1,915	1,183
Church of England Funded Pension Scheme	1,000	1,000
Total creditors: amounts falling due within one year	4,479	2,214

19. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Loans repayable in instalments due after more than one year:		
Commercial loan	-	2,000
CBF other loan	1,000	1,000
Church Commissioners value-linked loans	3,150	3,050
Church Commissioners other loan	480	480
	4,630	6,530
Pension Scheme liabilities:		
Church of England Funded Pension Scheme	6,140	7,315
Total creditors: amounts falling due after more than one year	10,770	13,845

	2017 £'000	2016 £'000
The maturity of the above loans may be analysed as follows:		
Between two and five years	1,480	2,480
In five years and more	3,150	4,050
	4,630	6,530

The CBF other loan is a 10-year loan repayable at the end of the term under the Diocesan Loan Scheme. Interest is charged at 0.55% per annum above the CBF Church of England Deposit Fund Rate.

19. Creditors: amounts falling due after more than one year (continued)

The Church Commissioners' other loan is a 10-year interest-free loan repayable at the end of the term to assist with the purchase of a property.

Value-linked loans from the Church Commissioners are repayable on the sale of the property to which they relate. Interest is charged at 4% per annum. On disposal the agreed share of the net sale proceeds will be remitted to the Church Commissioners and the related loan liability extinguished.

20. Summary of fund movements

	Balances at 1 January 2017 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and Losses £'000	Balances at 31 December 2017 £'000
Unrestricted funds						
General	6,571	21,453	(22,000)	501	262	6,787
Designated funds						
Diocesan Pastoral Account	2,129	3,917	(3)	(1,493)	-	4,550
Board Property Fund	44,128	-	-	-	59	44,187
Ministry Mission Fund	282	-	-	(282)	-	-
Multi Academy Trust Fund	800	-	(150)	200	-	850
	47,339	3,917	(153)	(1,575)	59	49,587
Restricted funds						
Strategic Development Fund	-	116	(92)	(24)	-	-
Ordinand Training Fund	-	89	(78)	-	-	11
Gilmore Fund	350	17	(17)	-	21	371
Dartmouth House Fund	2,728	141	(36)	(99)	178	2,912
	3,078	363	(223)	(123)	199	3,294
Endowment funds						
Ministry Fund	4,058	-	-	-	224	4,282
Diocesan Stipendiary Fund	87,702	134	(27)	(169)	1,986	89,626
Parsonage Capital Fund	132,165	-	-	1,366	-	133,531
	223,925	134	(27)	1,197	2,210	227,439
Total funds	280,913	25,867	(22,409)	-	2,730	287,107

20. Summary of fund movements (continued)

	Balances at 1 January 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and Losses £'000	Balances at 31 December 2016 £'000
Unrestricted funds						
General	3,695	22,115	(20,444)	973	232	6,571
Designated funds						
Diocesan Pastoral Account	588	946	(50)	645	-	2,129
Church Building Fund	386	-	(136)	(250)	-	-
Board Property Fund	41,388	-	-	-	2,740	44,128
Ministry Mission Fund	-	298	(574)	558	-	282
Multi Academy Trust Fund	-	-	-	800	-	800
	42,362	1,244	(760)	1,753	2,740	47,339
Restricted funds						
Ministry Mission Fund	550	26	(26)	(560)	10	-
Diocesan Stipend Income Fund	1,542	1,419	-	(2,961)	-	-
Xtend Project	(2)	21	(19)	-	-	-
Gilmore Fund	326	16	(11)	-	19	350
Dartmouth House Fund	2,488	108	-	(40)	172	2,728
	4,904	1,590	(56)	(3,561)	201	3,078
Endowment funds						
Ministry Fund	3,927	-	-	-	131	4,058
Diocesan Stipendiary Fund	79,341	-	-	1,345	7,016	87,702
Parsonage Capital Fund	134,601	-	-	(510)	(1,926)	132,165
	217,869	-	-	835	5,221	223,925
Total funds	268,830	24,949	(21,260)	-	8,394	280,913

21. Summary of assets by fund

2017	Fixed assets Tangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General	3,342	3,718	7,836	(8,109)	6,787
Designated funds					
Diocesan Pastoral Account	-	-	4,550	-	4,550
Board Property Fund	45,619	-	(1,432)	-	44,187
Multi Academy Trust Fund	-	-	850	-	850
	45,619	-	3,968	-	49,587
Restricted					
Ordinand Training Fund	-	-	11	-	11
Gilmore Fund	-	364	7	-	371
Dartmouth House Fund	-	2,718	194	-	2,912
	-	3,082	212	-	3,294
Endowment					
Ministry Fund	-	3,491	791	-	4,282
Diocesan Stipendiary Fund	81,041	19,406	(3,681)	(7,140)	89,626
Parsonage Capital Fund	136,394	-	(2,863)	-	133,531
	217,435	22,897	(5,753)	(7,140)	227,439
Total funds	266,396	29,697	6,263	(15,249)	287,107

21. Summary of assets by fund (continued)

2016	Fixed assets Tangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General	3,150	4,658	6,464	(7,701)	6,571
Designated funds					
Diocesan Pastoral Fund	-	-	2,129	-	2,129
Board Property Fund	48,208	-	(4,080)	-	44,128
Ministry Mission Fund	-	-	282	-	282
Multi Academy Trust Fund	-	-	800	-	800
	48,208	-	(869)	-	47,339
Restricted					
Ministry Mission Fund	-	108	(108)	-	-
Gilmore Fund	-	343	7	-	350
Dartmouth House Fund	-	2,512	216	-	2,728
	-	2,963	115	-	3,078
Endowment					
Ministry Fund	-	3,160	898	-	4,058
Diocesan Stipendiary Fund	78,849	16,954	210	(8,311)	87,702
Parsonage Capital Fund	135,561	-	(3,396)	-	132,165
	214,410	20,114	(2,288)	(8,311)	223,925
Total funds	265,768	27,735	3,422	(16,012)	280,913

22. Description of funds

General Fund

The fund represents the unrestricted undesignated fund available for any of the SDBF's purposes.

Diocesan Pastoral Account

The account is a designated fund for the purposes defined in the Mission and Pastoral Measure 2011 and represents capital receipts released following the sale of benefice houses (parsonages) and redundant churches. To the extent that any remaining funds are not required, or are not likely to be required, for these purposes then the funds may be applied to any general purpose of the SDBF.

Board Property Fund

The fund is a designated fund and represents the fair value of properties held by the SDBF at the year end.

22. Description of funds (continued)

Multi Academy Trust Fund	This is a designated fund to provide initial financial support for the Multi Academy Trust set up by the Southwark Diocesan Board of Education.
Ministry Mission Fund	This designated fund represents a grant received from the Church Commissioners to fund mission within the Diocese. Funding ceased on 31 December 2016.
Strategic Development Fund	This restricted fund represents a grant received from the Church Commissioners to fund mission within the Vauxhall, Nine Elms and Battersea area and Fresh Expressions across the Diocese.
Ordinand Training Fund	This restricted fund represents a block grant received from the Archbishops' Council to fund Ordinand training.
Gilmore Fund	The Isabella Gilmore Fund is a restricted fund for the purpose of the education and development of licensed, commissioned or ordained women.
Dartmouth House Fund	This is a restricted fund for the purpose of facilitating clergy and lay training, retreats or conferences to assist and promote the work of the Church of England in the Diocese of Southwark and to use the monies to acquire any buildings which may be necessary to forward such purposes, subject always to the consent in writing of the Bishop of Southwark.
Ministry Fund	This is a permanent endowment fund held under the Endowments and Glebe Measure 1976 from which the income arising and/or benefit of use of the asset has been passed to the SDBF for the purpose of supporting clergy stipends within the Diocese. Investment income from the fund is credited to the General Fund where it is used only to fund clergy stipend payments.
Diocesan Stipendiary Fund	This is a permanent endowment fund and represents the glebe assets of benefices from which the income arising and/or benefit of use has been passed to the SDBF under the provisions of the Mission and Pastoral Measure 2011. Investment income from the fund is credited to the General Fund where it is used only to fund clergy stipend payments.

22. Description of funds (continued)

Parsonage Capital Fund

This is an expendable endowment fund and represents the capital assets relating to benefice houses (parsonages) but which under the Repairs of Benefice Buildings Measure 1972 are maintained by the Diocese. Under the Mission and Pastoral Measure 2011 capital receipts released following the sale of benefice houses are held in the Diocesan Pastoral Account, a designated fund. To the extent that the funds are not required for future building or improvement works to benefice houses the funds may be applied to any general purpose of the SDBF.

23. Capital commitments

At 31 December 2017 the SDBF had capital expenditure commitments authorised but not contracted for of £nil (2016: £nil), and contracted for but not yet due of £164,000 (2016: £2,019,000).

24. Operating leases

Total commitments under non-cancellable operating leases are as follows:

	2017 £'000	2016 £'000
Minimum lease payments payable		
Within one year of the balance sheet date	205	127
In the second to fifth years inclusive of the balance sheet date	240	163
More than five years from the balance sheet date	-	19
	<u>445</u>	<u>309</u>

Total lease rental payments expensed in the year are £373,000 (2016: £311,000).

	2017 £'000	2016 £'000
Minimum lease payments receivable		
Within one year of the balance sheet date	301	265
In the second to fifth years inclusive of the balance sheet date	356	374
More than five years from the balance sheet date	921	986
	<u>1,578</u>	<u>1,625</u>

25. Post balance sheet events and contingent liabilities

There were no post balance sheet events or contingent liabilities at the balance sheet date.

26. Pensions

The SDBF participates in two pension schemes administered by the Church of England Pensions Board: the **Church of England Funded Pensions Scheme (CEFPS)** for stipendiary clergy and the **Church Workers Pension Fund (CWPF)** for lay staff.

Church of England Funded Pensions Scheme

The SDBF participates in the CEFPS for stipendiary clergy. This Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the employer and the other participating employers.

Each participating employer in the Scheme pays contributions at a common contribution rate applied to pensionable stipends.

The Scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme.

The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2017: £1,921,000, 2016: £1,913,000), plus the figures highlighted in the table overleaf as being recognised in the SoFA, giving a total charge of £3,003,000 for 2017 (2016: £2,974,000).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2015. The valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030
 - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement
- investment returns of 2.6% per annum on gilts and 4.6% per annum on equities
- RPI inflation of 3.2% per annum (and pension increases consistent with this)
- increase in pensionable stipends of 3.2% per annum
- mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance for improvements in mortality rates in line with the CMI 2015 core projections with a long-term annual rate of improvement of 1.5%.

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the deficit repair contributions payable (as a percentage of pensionable stipends) are as set out in the table overleaf.

26. Pensions (continued)

Church of England Funded Pensions Scheme (continued)

Percentage of pensionable stipends

	January 2016 to December 2017	January 2018 to December 2025
Deficit repair contributions	<u>14.1%</u>	<u>11.9%</u>

As at December 2015, the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends until December 2025. As at December 2016 and December 2017 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

	2017 £'000	2016 £'000
Balance sheet liability as at 1 January	8,315	9,660
Contributions paid	(1,082)	(1,061)
Interest cost (recognised in the SoFA)	117	228
Remaining change to the balance sheet liability* (recognised in SoFA)	<u>(210)</u>	<u>(512)</u>
Balance sheet liability as at 31 December	<u>7,140</u>	<u>8,315</u>

*Comprises change in agreed deficit recovery plan and change in discount rate and assumptions between year-ends.

26. Pensions (continued)

Church of England Funded Pensions Scheme (continued)

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	December 2017	December 2016	December 2015
Discount rate	1.4% pa	1.5% pa	2.5% pa
Price inflation	3.0% pa	3.1% pa	2.4% pa
Increase to total pensionable payroll	1.5% pa	1.6% pa	0.9% pa

The legal structure of the Scheme is such that if another employer fails, the employer could become responsible for paying a share of that employer's pension liabilities.

Church Workers Pension Fund

The SDBF participates in the Defined Benefits Scheme (DBS) section of the CWPf for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

The CWPf has a section known as the DBS, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014. The SDBF closed the DBS section to new entrants from July 2013.

Defined Benefits Scheme

The DBS section of the CWPf provides benefits for lay staff based on final pensionable salaries.

For funding purposes, the DBS is divided into sub-pools in respect of each participating employer as well as a further sub-pool, known as the Life Risk Pool. The Life Risk Pool exists to share certain risks between employers, including those relating to mortality and post-retirement investment returns.

The division of the DBS into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the DBS are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

26. Pensions (continued)

Church Workers Pension Fund (continued)

Defined Benefits Scheme (continued)

It is not possible to attribute the Scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The Scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2017: £151,000, 2016: £187,000), plus any impact of deficit contributions (see below) giving a total charge of £151,000 for 2017 (2016: £187,000).

If, following an actuarial valuation of the Life Risk Pool, there is a surplus or deficit in the pool and the Actuary so recommends, further transfers may be made from the Life Risk Pool to the employers' sub-pools, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the Church of England Pensions Board on the advice of the Actuary.

A valuation of the DBS is carried out once every three years, the most recent having been carried out as at 31 December 2013. In this valuation, the Life Risk Section was shown to be in deficit by £4.9m and £4.3m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £12.9m.

Following the valuation, the Employer has entered into an agreement with the CWPF to pay a contribution rate of 29.1% of pensionable salary and expenses of £11,200 per year.

26. Pensions (continued)

Church Workers Pension Fund (continued)

Defined Benefits Scheme (continued)

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out below:

	2017 £'000	2016 £'000
Balance sheet liability as at 1 January	-	-
Contributions paid	-	-
Interest cost (recognised in the SoFA)	-	-
Remaining charge to the balance sheet liability* (recognised in SoFA)	-	-
	<u>-</u>	<u>-</u>
Balance sheet liability as at 31 December	<u>-</u>	<u>-</u>

*Comprises change in agreed deficit recovery plan and change in discount rate and assumptions between year-ends.

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions, set by reference to the duration of the deficit recovery payments:

	December 2017	December 2016	December 2015
Discount rate	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Pension Builder Scheme

The SDBF participates in the Pension Builder Scheme section of CWPf for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

The CWPf has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

The Pension Builder Scheme of the CWPf is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

Pension Builder Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the Church of England Pension Board from time to time. Bonuses may also be declared, depending upon investment returns and other factors.

26. Pensions (continued)

Church Workers Pension Fund (continued)

Pension Builder Scheme (continued)

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' normal pension age.

There is no sub-division of assets between employers in each section of the Pension Builder Scheme.

The Scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2017: £197,000, 2016: £104,000).

A valuation of the Scheme is carried out once every three years, the most recent having been carried out as at 31 December 2013. This revealed, on the ongoing assumptions used, a surplus of £0.5m. There is no requirement for deficit payments at the current time.

Pension Builder 2014 will be valued in relation to the lump sum payable to members at normal pension age. There are no annual pension benefits. Pension Builder 2014 commenced in February 2014 so the first full valuation of that section will be carried out at the next CWPV valuation date, 31 December 2016.

27. Related party transactions

The SDBF has a number of related party relationships with connected organisations as detailed on page 30 of this annual report. Grants made in the current and previous year to these related parties are disclosed in Note 12 to these accounts.

28. Prior year statement of financial activities

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000
Income and endowments from					
Donations					
Parish contributions	16,166	-	-	-	16,166
Archbishops' Council	246	298	47	-	591
Other donations	1,221	-	-	-	1,221
Charitable activities	1,316	-	-	-	1,316
Other activities	122	-	-	-	122
Investments	998	-	1,543	-	2,541
Other	2,046	946	-	-	2,992
	<u>22,115</u>	<u>1,244</u>	<u>1,590</u>	<u>-</u>	<u>24,949</u>
Expenditure on					
Raising funds	42	-	-	-	42
Charitable activities	20,402	760	56	-	21,218
Total	<u>20,444</u>	<u>760</u>	<u>56</u>	<u>-</u>	<u>21,260</u>
Net income before investment gains	<u>1,671</u>	<u>484</u>	<u>1,534</u>	<u>-</u>	<u>3,689</u>
Net gains on investments	232	-	201	1,005	1,438
Net income	<u>1,903</u>	<u>484</u>	<u>1,735</u>	<u>1,005</u>	<u>5,127</u>
Transfers between funds	973	1,753	(3,561)	835	-
Other recognised gains					
Gains on revaluation of fixed assets	-	2,740	-	4,216	6,956
Net movement in funds	<u>2,876</u>	<u>4,977</u>	<u>(1,826)</u>	<u>6,056</u>	<u>12,083</u>
Total funds brought forward	<u>3,695</u>	<u>42,362</u>	<u>4,904</u>	<u>217,869</u>	<u>268,830</u>
Total funds carried forward	<u>6,571</u>	<u>47,339</u>	<u>3,078</u>	<u>223,925</u>	<u>280,913</u>

29. Funds held as Diocesan Authority

The SDBF acts as Diocesan Authority or Custodian Trustee for many trust funds by virtue of the Parochial Church Councils (Powers) Measure 1956, as amended, and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are PCCs and others. Assets held as Diocesan Authority are not controlled by the SDBF and are not included in these financial statements. They are summarised as follows:

	2017 £'000	2016 £'000
CBF Church of England Investment Fund	7,856	7,551
M&G Equities Investment Fund for Charities	2,030	1,624
CBF Church of England Global Equity Income Fund	592	1,146
Other CBF Church of England funds	876	581
Other Common Investment and OEIC holdings	1,555	1,336
Direct holdings in UK equities and gilts	423	466
CBF Church of England Deposit Fund	2,218	3,934
	<hr/>	<hr/>
Total assets held as Diocesan Authority	15,550	16,638
	<hr/>	<hr/>

30. Subsidiary undertaking

The SDBF is the beneficial owner of a subsidiary undertaking, Southwark DBF Trading, a company limited by guarantee, which is registered in England and supplies property and administrative services to the SDBF. The company did not trade during the current or prior year and had no assets or liabilities at the Balance Sheet date (2016: £nil).

