

Birmingham Diocesan Trust

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended

31 December 2017

Birmingham Diocesan Trust

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Birmingham Diocesan Trust

LEGAL AND ADMINISTRATIVE INFORMATION

NAME

The name of the charity is Birmingham Diocesan Trust.
The charity, in its day to day dealings, is also known as the Archdiocese of Birmingham.
The charity registration number is 234216.

PRINCIPAL OFFICE

Cathedral House
St Chad's Queensway
Birmingham
B4 6EX

Website: www.birminghamdiocese.org.uk

TRUSTEES

BIRMINGHAM ROMAN CATHOLIC DIOCESAN TRUSTEES REGISTERED

Comprising:

Most Rev. B Longley MA STL (Archbishop of Birmingham) *(1) (7)
Rt. Rev. W Kenney CP KCHS Fil k and STL PhD(hc) (Auxiliary Bishop) *(1) (7)
Rt. Rev. D McGough LSS STL (Auxiliary Bishop) *(1) (3) (4) (7)
Rt. Rev. R Byrne Cong Orat (Auxiliary Bishop) *(1) (7)
Rt. Rev. Mgr. T Menezes STB SLL *(1) (2) (6) (7)
Rev. J Veasey STL*(4)
Sr. T Browne SP
Ms. H Bardy
Rev. Mr. D Palmer BA FCA CTA MCIPD *(1) (2) (3) (4) (5) (6)
Mr. M Weaver LLB *(4)
Mr. C Loughran *(5)

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

*(2) Member of Care of Clergy Sub-Committee

*(3) Member of Communications Sub-Committee

*(4) Member of Education Sub-Committee

*(5) Member of Investment Sub-Committee

*(6) Member of Remuneration Sub-Committee

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

Birmingham Diocesan Trust

LEGAL AND ADMINISTRATIVE INFORMATION (continued)

PROFESSIONAL ADVISERS

AUDITOR

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

BANKERS

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

INSURANCE BROKERS

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

INVESTMENT MANAGERS

Smith & Williamson Investment Management LLP
9 Colmore Row
Birmingham
B3 2BJ

PROPERTY CONSULTANTS

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

SOLICITORS

Gateley Plc
One Eleven
Edmund Street
Birmingham
B3 2HJ

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham
B3 2ES

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

Birmingham Diocesan Trust

TRUSTEES' REPORT

For the year ended 31 December 2017

The trustees present their annual report and the audited financial statements for the year ended 31 December 2017. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Birmingham Diocesan Trust is a charitable Trust constituted by a Declaration of Trust dated 3 July 1931. By a certificate dated 20 October 1931, the trustees of Birmingham Diocesan Trust are registered as a body corporate known as Birmingham Roman Catholic Diocesan Trustees Registered. All property assets are vested in the name of the body corporate. In order to update the constitution, the Declaration of Trust was amended by Resolution on 22 September 2017 and a Deed of Variation dated 26 January 2018. The consent of the Charity Commissioners has been obtained for these changes where necessary the Deed of Variation incorporates a copy of the Trust Deed as amended. A copy is available on request.

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

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

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

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

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

TRUSTEES

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

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

The trustees hold meetings generally on at least a quarterly basis to conduct the operations of the charity, to review the minutes of Sub-Committee meetings and implement other policies. Other ad hoc meetings are called if required.

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

The **Care of Clergy Sub-Committee** usually meets twice a year to consider and take major decisions on issues relating to clergy welfare, including retired clergy.

The **Communications Sub-Committee** usually meets quarterly to consider and take major decisions on communications issues.

The **Education Sub-Committee** usually meets quarterly to consider and take major decisions on educational matters as implemented through the Diocesan Education Services.

The **Investment Sub-Committee** usually meets three times a year to consider and take major decisions on investment issues in conjunction with the Diocese's Investment Managers.

The **Remuneration Sub-Committee** usually meets twice a year to consider and take major decisions on issues relating to employee matters - recruitment, evaluation of pay structures etc.

On the above committees, in addition to Trustee and employee members, competent advisors are invited to contribute.

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

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

The day to day legal and financial affairs of the charity are administered from the registered office, together with nearby premises in Birmingham City Centre (known collectively within the Archdiocese as the "**Curial Office**") by the Diocesan Treasurer, Rev. Mr. D Palmer (Trustee). He is assisted by a number of paid managers and staff in the Finance, Property, Human Resources, Communications, Fundraising, Legal and Planning functions. During 2018, after a rigorous selection process, a Chief Operating Officer Mr David Brooks was appointed to oversee these functions.

Also based at the Registered Office are the Diocesan Tribunal, which deals mainly with marriage annulment petitions, the office of the Chancellor who deals with other Canonical matters, the Diocesan Safeguarding office and the Historic Churches Committee office which is responsible for the supervision of works carried out to our buildings of historic importance.

There is also the **Council of Priests** which meets twice per year with the Archbishop to discuss and give advice on a wide range of issues. The Council is composed of approximately 35 priests of the Archdiocese,

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

TRUSTEES (continued)

1 representing each of 18 deaneries together with ex officio priests with diocesan responsibilities and the members of the Archbishop's Council.

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

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

The **Diocesan Education Service** deals with all issues concerning Catholic primary and secondary schools within the Archdiocese. This includes administration of all school building projects, liaison with school governors, admittance appeals procedures, policies for teacher appointments and the establishment of a policy for conversion of schools to Academy status. It also works in conjunction with Ofsted to ensure consistency and equality of Catholic education. The office is situated in Coleshill and is under the leadership of Rev. J Veasey STL (Trustee) currently, although he will be stepping down from that post during the latter part of 2018.

GOING CONCERN

The Trust's activities, together with the factors likely to affect its future development, principal risks and uncertainties facing the Trust and its availability of unencumbered cash reserves are set out within the Trustees' Report, on the following pages. Its financial position in terms of the year's results, its assets and liabilities and movement in cash is set out in the primary financial statements on pages 23 to 26. The Trust has considerable financial resources, mainly in the form of investments and property, and whilst it recognises that offertory income has followed a downward trend, it has taken steps to mitigate this by employing additional personnel to evangelise, assist in strategic planning, and to investigate additional income streams, including external grant funding. This has resulted in a modest upturn in offertory income in 2017, and it is hoped this will continue to improve. The Trustees believe that in spite of these risks and uncertainties, including the current general economic outlook, there are no material uncertainties about the Trust's ability to continue as a going concern and that it is well placed to manage these risks. The Trustees therefore have a reasonable expectation that the Trust has adequate resources to continue its operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees have a formal risk management process to assess risks and implement risk management strategies. This involves the identification of the types of risk faced by the charity, assessing the likelihood and potential impact of occurrence and identifying means of mitigation. Risks have been categorised under five broad headings: Governance, Operational, Financial, External and Compliance. These were then assessed as to the likelihood of their occurring and the severity of the effects of the risk leading to a potential

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TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

overall impact calculation in order to give a scale of relative importance/urgency to each one. The current highest overall adverse impact risks identified are; to income through lapsation of the faithful and resultant reducing Mass attendances; an increasingly ageing and therefore reducing number of clergy who are expected to undertake ever more administrative responsibilities; adverse publicity in an increasingly secular society; and the continual drain on financial resources of maintaining functional properties many of which are listed to some degree. Additionally, there is uncertainty over costs which may arise from the Independent Enquiry into Child Sexual Abuse (IICSA), as noted on page 19.

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

OBJECTIVES AND ACTIVITIES

The updated Diocesan Trust Deed specifies that the money and property received by the Trustees for the general purposes of the Trust shall be held to “apply both the capital and the income of the Trust Fund” to its objectives. 14 objects are listed in the Deed, by which the Trust furthers its charitable purposes for the public benefit, which can be summarised as: -

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

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

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

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

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

OBJECTIVES AND ACTIVITIES (continued)

The church is very heavily reliant on the contribution of its many volunteers to help achieve its objectives and is fortunate in that they see their contribution as an integral part of their individual vocation. It is estimated that during the year, approximately 960k hours were provided by some 11,700 volunteers. If this is valued at £11.00 per hour, the volunteer contribution amounts to some £10.5m, which is not included in the financial statements.

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

ACHIEVEMENTS AND PERFORMANCE REVIEW

Diocesan Curia

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

In order to further support the Parishes in their work, the Diocese is continuing to increase its Curial staff resources. This includes two Communications professionals, additional personnel in the Development Team to assist with the making of grant applications and additional staff in the Property Team to assist with the development of the property assets within the Archdiocese to serve both parishioners and the wider community. The appointment in early 2018 of Mr David Brooks as Chief Operating Officer to oversee the key Finance, Property and Administration Functions is designed to further enhance the support available.

As noted in 2016, the Archdiocese has invested in evangelisation initiatives, one of which has been to recruit two Evangelisation Field Workers to work in the Archdiocese, with the brief of forming a strategy for building missionary parishes within all Deaneries. Their work has also been complemented by the addition of a Family Project Ministry Worker, whose aim is to support Catholic families in their own individual vocations. Based at Maryvale, their work is already bearing much fruit, with a number of significant events including the Mercy Tour and Reboot event hosted at St Catherine of Sienna in Birmingham, which was attended by some 450 people from across the Diocese, and a number of locally supported events to foster evangelisation activities including Nightfever, Alpha, parish courses and Eucharist and Family days.

During 2017 preparations were commenced for the World Meeting of Families in Dublin in August 2018 and the Adoremus Eucharistic Congress in Liverpool in September 2018. The Diocese is fully involved in these with every Deanery sending a representative family to Dublin and through the involvement of Bishop Robert Byrne as the National Co-ordinator for Adoremus. A number of presentations have been run to involve parishes particularly by sending representatives and organising prayer in support of the events.

Investment in the Development Team has seen a significant number of successful grant applications for Diocesan Churches under the Listed Places of Worship Scheme, and various other forms of Government and

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

non-Government funding, including "Awards for All" and other lottery grants together with grants from private philanthropic organisations. Work has also taken place to develop online giving which has benefitted a number of parishes. This work is set to continue, and expand with services being offered to assist schools in due course.

Almost 150 people including the Archbishop and the Anglican bishops of Lichfield and Birmingham took part in an historic walk of friendship from St Chad's Cathedral in Birmingham to Lichfield in September. The 18-mile Pilgrimage marked the 500th anniversary of the Protestant Reformation. The walk ended at Lichfield Cathedral, which was founded in AD 700 on St Chad's burial site.

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

There were no ordinations to the priesthood in 2017 (2016: 3). One permanent deacon (2016: 2) was ordained. The Vocations Office continues to promote vocations to the clerical and religious life and in Spring 2017 a day was held specifically for young men at Catholic Secondary schools in the Diocese to help them consider their vocation in life.

Good relations with other faith communities are fostered by the work of the Diocesan Ecumenical Commission and the Diocesan Commission for Inter-Religious Dialogue. The Archbishop is a member of the Birmingham Faith Leaders Group (representing Christian, Jewish, Muslim, Hindu, Sikh and Buddhist leaders) which meets quarterly in support of good interfaith relations and as a contribution to community cohesion. The Archdiocese was well represented at the "Mayor and Faith Conference" held in November 2017 with many priests and others involved in an open forum discussion into the role in which faith communities can play in society.

In collaboration with Fr Hudson's Society, after a successful year of operating Fatima House as a hostel for female refugees, a further hostel Tabor House was opened in October 2017 to serve as an overnight shelter. It is intended that engagement with grant funders, local authorities and other bodies will be increased to enable the Archdiocese to continue to work collaboratively in serving the wider community.

Parish Accounting Services Limited, which was set up as a joint enterprise with the Archdiocese of Westminster to purchase and develop a bespoke accounting and Gift Aid software; OPAS (that was already being used by the majority of parishes within both Archdioceses) has seen an increase in its revenue and has shown encouraging profitability. The ownership by the two Archdioceses of OPAS was undertaken to protect the future availability of this product. The software has also been licenced to various other Dioceses and Catholic organisations, and has been marketed with success to other Dioceses in 2017, and will continue to be offered to other Dioceses and Catholic organisations in future. It is intended that this will yield increasing income to the Trust to enable its loan to be repaid over time (see Note 13).

Parishes

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

The number of Corpus Christi processions increases year on year and this public witness to the Catholic belief in the Real Presence is one way of helping others come closer to the love of Christ Jesus in the Blessed Sacrament.

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

Weekly average Mass attendance was approximately 58,300 (2016: 58,700), including both adults and children. During the year there were 5,396 baptisms and receptions (2016: 5,486), 743 marriages (2016: 821) and 3,423 funerals (2016: 3,451). Mass count fell by 1% (4% fall in 2016), parish offertories and other collections (excluding tax reclaims) increased to £7.9m (2016: £7.7m). The average offertory giving amount per head (including children) increased by 6p to £2.39 per week (2016: £2.33). In addition, parishes raised and paid over more than £1.5m (2016: £1.6m) on behalf of other religious and other charitable organisations.

Significant parish projects during the year included major church, parish hall and presbytery renovations, improvements and building works etc. at St Patrick, Dudley Road; Sacred Heart, Aston; Holy Trinity, Bilston; St Thomas More, Kidlington; Our Lady of the Wayside, Shirley; St Joseph, Burslem; Sacred Heart, Tunstall; St Joseph, Wolverhampton; SS Mary & John, Wolverhampton.

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

Diocesan Education Service

The Diocesan Education Service (DES), based in Coleshill, represents the interests of the charity in relation to the 240 maintained Catholic schools within the diocese. Of these, 237 schools (203 schools for children aged 4-11 and 34 schools for those aged 11-16/19) operate under the charity's trust deed and 3 operate under separate trust deeds of religious congregations. No capital expenditure is made by the charity in relation to the latter 3 schools; however, the Service does provide some advisory services to them.

7 Diocesan maintained schools converted to academy status during the year. There are now 95 Academy schools operating under 19 Multi Academy Trusts.

The Service's functions include: the obtaining of grant finance and management of building projects for diocesan schools; the administration of "School Building Fund" accounts for each school; the administration and appointment of foundation governors; the administration and appointment of Academy Foundation Directors and Foundation Academy Representatives; ensuring sufficiency of places for Catholic children in liaison with the Department for Education and the 13 Local Authorities within the diocese; the provision of training and support to schools, governors and academy board directors with day to day operations including admissions and appeals, grievance and disciplinary procedures and safeguarding issues.

The Service provides faith formation and development of high quality Catholic leadership within diocesan schools. In addition, the Service advises and supports schools on the provision they make for curriculum religious education and for the spiritual, moral, social, vocational and cultural development of pupils. It quality assures this provision through a five-year cycle of inspections in accordance with the Code of Canon Law of the Catholic Church and Section 48 of the Education (Schools) Act 2005. Schools which are judged to require improvement to be good will continue to be inspected after three years. It also represents the diocese's interests in liaison with various educational and other related organisations including OFSTED, Department for Education, the Regional School Commissioners office and the Education and Skills Funding Agency.

In 2017, 46 Diocesan schools were inspected. In the same year 239 schools and 8 independent schools participated in a service level agreement. This agreement has provided schools with individual advisory visits from department staff, RE subject leader meetings, in-service training days and a wide range of resources offering schools appropriate support and guidance.

Working with the Catholic Education Service, Department for Education, local authorities and other national agencies, the Service makes valuable contributions to the on-going development of Catholic education in

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

this country, offering guidance on the publication of new resources and contributing to advisory groups and national working bodies.

Increasingly the good performance of Catholic schools generally is attracting more children from outside the faith community and, whilst welcome, increases the need to expand the facilities to provide education at schools in the Archdiocese. The impact of planned housing growth on education needs is being closely monitored to ensure schools are better able to cope with any consequent increases in demand for places.

The grant assisted capital programme for the year ended 31 March 2018 was £12.7 million, of which the Diocese was allocated £7.48 million for capital works in our schools. The Service administered a building programme of 85 different projects. Of these 17 were over £100,000, 6 were over £200,000 and 2 were in excess of £300,000.

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

Youth activities

All provision for young people was amalgamated under The Kenelm Youth Trust Limited (KYT) from 1st January 2016. KYT receives a significant amount of funding from the Archdiocese of Birmingham to maintain provision of the Diocesan youth services. Two of the Trustees of the Archdiocese also served as Trustees of KYT in 2017, providing the strategic links with the Archdiocese. KYT provides a comprehensive and unified ministry for 11-25 year olds, and includes the residential retreat centre at Alton Castle in Staffordshire, The Soli Centre for Youth Ministry which is a residential centre for those aged 15-25 located next to Alton Castle, the Birmingham Catholic Youth Service (BCYS) which works within parishes, and The School Chaplaincy Project, working closely with the Diocesan Education Service in schools within the Archdiocese. In order to increase its income streams, and decrease reliance on grant income KYT now also offers hospitality to private groups during off peak times taking advantage of the tourism opportunities of its location.

Soli Centre for Youth Ministry

The centre provides a chapel, contemporary retreat/conference facilities for groups of 40 and above, whose services are primarily aimed towards young people aged 14-25 years to enable them to get away from the everyday pressures of home and school life where they can experience a sense of Christian community, and to hear, see and respond to the message of the gospel. An outreach programme enables many schools to provide mission days and reflection experiences in school, enriching the spiritual, moral and social development of these young people, including not only those of the Catholic faith but children of other faiths, or none, who attend our schools.

The centre has a dedicated youth ministry team offering dynamic, creative and prayerful retreat programmes and the trustees are grateful to all those who have financially supported this initiative and made this innovative development possible.

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

Alton Castle

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

It holds The Council for Learning Outside the Classroom of the AHOEC Gold Standard Award Badge and is also a Mountain Bike Leadership Approved Centre. The Castle also offers occasional family retreats to support faith development within the context of the family, building on its success with its school retreat programmes. Alton Castle is in its 21st year.

Birmingham Catholic Youth Service (BCYS)

This is the parish based element of the youth ministry and is committed to providing support to Parishes working with and among young people aged 11-25. The development workers build relationships with priests, adult leaders and young people to enable regular and varied activity for young people to explore and deepen their faith. Training courses and sessions were run across the Archdiocese to recruit and support adult volunteers. BCYS staff also co-ordinate the leadership and administration of World Youth Day Pilgrimages (WYD, engage hundreds of leaders and young people in groups and clubs and co-ordinate Birmingham's involvement in National events such as National Youth Sunday and CYMFed congresses including "Flame" at Wembley Arena, and in the administration of the Pope John Paul II Award, which will enable young people in the Archdiocese to take an active part in the life of their community and society.

School Chaplaincy Project

KYT has established practical partnerships with secondary schools across the Archdiocese. These address the ways to provide innovative ways to strengthen school chaplaincy provision through professional training, web based resources and support to schools.

Vocations

Clergy Training Fund (CTF)

The principal purpose of the fund is to finance the costs of formation of students preparing for the priesthood and permanent diaconate in the Archdiocese. The fund also finances the cost of clergy who are doing further studies and events organised for the ongoing formation of clergy. At the start of the academic year in September 2017 there were seven students for the priesthood at St Mary's College, Oscott, four students at the Venerable English College, Rome and one student at the Venerable English College in Valladolid, Spain. In 2017, there were also seventeen students in formation for the permanent diaconate.

The CTF finances the work of promoting a culture of vocation throughout the archdiocese, and in supporting young people to discern a call to the specific states of life – priesthood, permanent diaconate, religious life and marriage. This is done mostly by producing and distributing publicity materials and initiating projects, organising events and programmes for schools and parishes. In the months leading up to the Synod on young people, faith and vocational discernment the vocations office has worked in collaboration with the Kenelm Youth Trust to engage in conversation with many young people in the archdiocese around the themes of the Synod.

The funds main sources of income are the annual second collection in parishes on vocations Sunday and a regular giving scheme organised through parish CTF secretaries. The vocations director visits parishes on most weekends of the year to promote vocations and to encourage support of the CTF. Donors are encouraged where appropriate to gift aid their contributions. They are also asked to consider including a bequest in their wills.

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TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

Other activities

Retired and Sick Clergy

Aston Hall in Staffordshire is a residential home for retired and sick clergy. In 2017 there were 9 permanent residents (2016: 7); the hall also provides short breaks to a number of other clergy which by and large utilises the remaining capacity of the hall (12 rooms). The day to day running of the home is managed by a permanent deacon and his wife supported by a small number of staff. The home is supported by an annual grant from the Archdiocese with the remainder of its income generated from residents' fees and donations. The hall's total costs amounted to £218,000 including £34,000 for the remaining costs of the major property refurbishment commenced in 2016 (2016: £370,000 including £163,000 for the costs of major refurbishment works to the internal accommodation supported by grants from the Archdiocese.) Under the management of the Care of the Clergy Committee, the Archdiocese also supports a number of other retired priests accommodated in various locations according to their individual needs.

Harvington Hall

Harvington Hall, a historic, pre-reformation house associated with old Catholic families and some English Martyrs, is a listed building and place of pilgrimage. It is supported by the Archdiocese by means of a modest grant and through its own activities including admissions, a small souvenir-type shop and cafe. The hall also generates external grant finance to help with the costs of maintaining and improving the fabric of the building and its contents. These costs amounted to £130,000 (2016: £130,000) during the year. Some 90 volunteer staff support the day to day running of the hall.

Birmingham Diocesan Lourdes Pilgrimage

The Lourdes Committee organises an annual Diocesan Pilgrimage each year providing facilities to take sick, infirm and disabled pilgrims to Lourdes. The 2017 pilgrimage comprised 598 pilgrims together with 206 affiliated pilgrims – the latter make their own travel arrangements (2016: 640 pilgrims together with 150 affiliated pilgrims). Of these, 30 sick pilgrims were accommodated in the hospital and a further 110 sick pilgrims were accommodated in hotels.

FUNDRAISING

The Charities (Protection and Social Investment) Act 2016 requires charities which are subject to an audit, to make disclosure in their Financial Statements about their fundraising activities.

The Trust receives a large proportion of its income from donations and legacies from its supporters who are generally parishioners or those who have close connections to the Church. Without this valuable support the Trust would not be able to carry out most of its mission. The Trustees are mindful of their duty of care to those who support the Trust, and therefore ensure that fundraising is done in a responsible and caring manner always bearing in mind that the people themselves are integral to the Church. The Trust does not use external professional fundraisers or require its parishioners to donate in order to share in the generous resources that God has provided for their use. It rather encourages a culture of giving where this is possible; as little or as much as can be afforded in the spirit of the story of the Widow's mite (Luke 21 1:4). The Trust encourages the use of Gift Aid to maximise giving where this is possible, and ensures that donors are fully informed of the scope of Gift Aid in relation to their tax status so that they can make an informed choice. The Trust also operates a legacy scheme whereby parishioners are given information at parish level to very gently and sensitively encourage them to think about remembering the Church in their wills. The Trust is registered with the Fundraising Regulator whose code of Fundraising Practice provides a framework within which the Trust operates to ensure that its fundraising practices meet the moral, compliance and professional standards expected of a charity.

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

INVESTMENTS

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

Included in the value of investments is a significant unrealised surplus and this figure will vary year on year as property and stock market values fluctuate. The trustees have adopted a "total return" approach to the charity's investments in order both to generate further funds for charitable activity and also to ensure the best possible overall return on its investments by allowing its brokers to take advantage of capital growth opportunities.

The trustees consider the total return on investments of 10.0% during the year to be reasonable when measured against the various published indices used to monitor performance and the prevailing market conditions at the time, which were marginally less favourable than the previous year, as the market had begun to correct from the high performance of 2016, although income performance was 2.9%. The fair value of the Diocesan Investment Scheme at 31 December 2017 amounted to £41.61m (2016: £40.64m).

Investment policy

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

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

Ethical Investment Policy

General Statement of Ethical Investment Principles

The trustees wish to invest in accordance with the teachings of the Catholic Church and have prepared a new ethical investment policy in the light of Church teaching and the Charity Commission's guidance on ethical and responsible investment.

The trustees are aware that ethical restrictions limit the scope to invest and may affect the level of income and the total return generated by investments, thereby potentially reducing the income available to fulfil the Charity's objectives. The policy seeks to balance the long-term needs of the investment portfolio performance with the desire to invest within ethical industries and avoid investment in organisations operating in conflict with Church teaching. The policy applies only to companies held directly within the portfolio but the policy includes the proviso that investment managers should seek to exclude from the portfolio funds with major investments in prohibited areas on a best endeavours basis.

A copy of the full policy can be found on the Diocesan website.

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

ACHIEVEMENTS AND PERFORMANCE REVIEW (continued)

External factors affecting performance

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

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

Public benefit

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

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

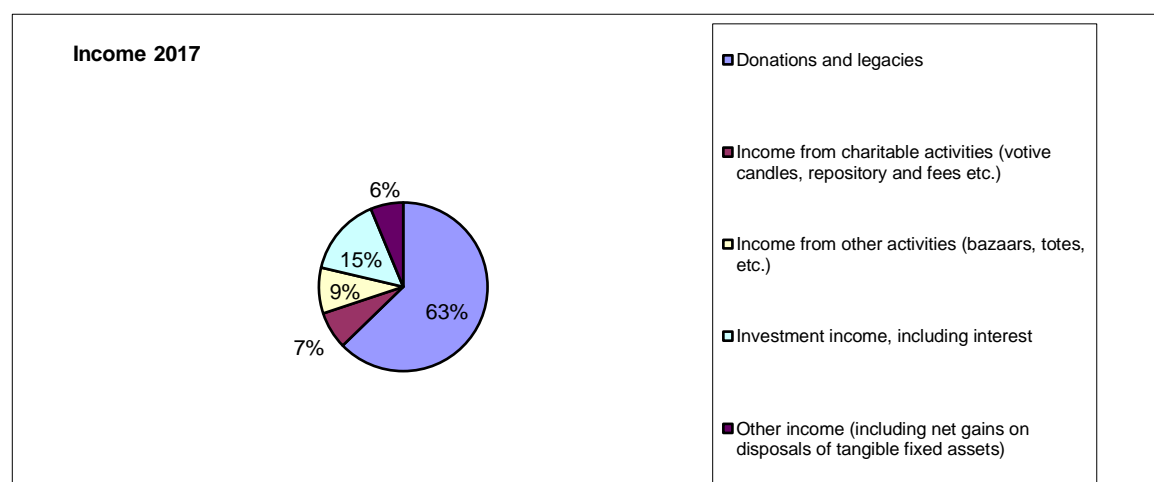
For the year ended 31 December 2017

FINANCIAL REVIEW

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

The Statement of Financial Activities of the Archdiocese for the year ended 31 December 2017 on pages 23 and 24 shows income of £22.65m (2016: £22.01m) analysed as follows:

	2017 £m	2016 £m
Donations and legacies (offertories, donations, legacies, Gift Aid, etc.)	14.21	14.68
Income from charitable activities (votive candles, repository and fees etc.)	1.62	1.68
Income from other activities (bazaars, totes, etc.)	1.99	2.05
Investment income, including interest	3.41	3.19
Other income (including net gains on disposals of tangible fixed assets)	1.42	0.41
	<hr/> 22.65 <hr/>	<hr/> 22.01 <hr/>



Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

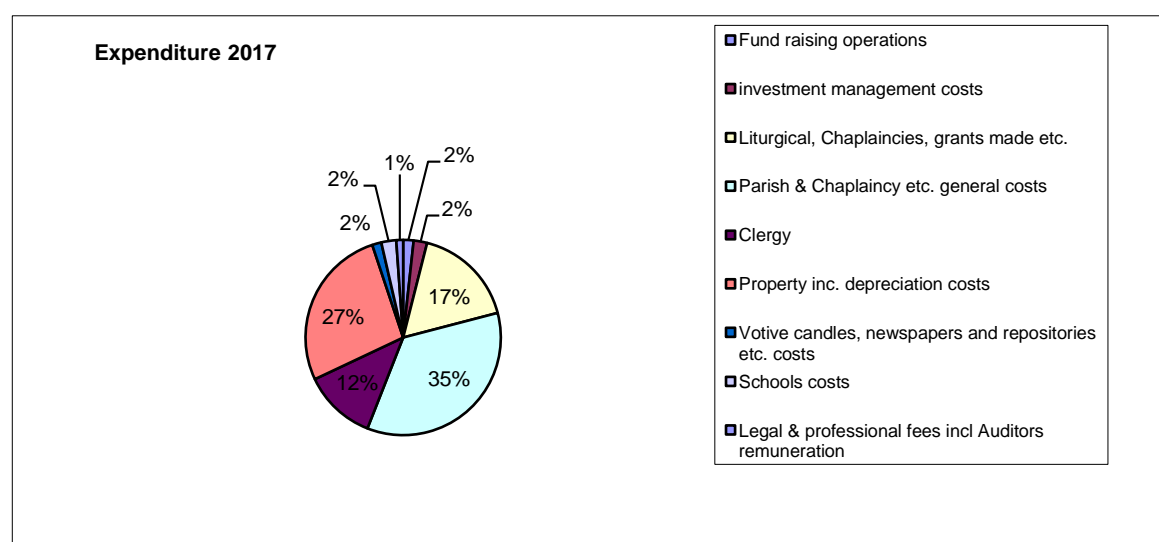
FINANCIAL REVIEW (continued)

Expenditure amounted to £25.55m (2016: £25.19m) analysed as follows: -

	2017 £m	2016 £m
Expenditure on raising funds:		
Fundraising operations	0.44	0.44
Investment management costs	0.57	0.50
Charitable Activities:		
Liturgical, Chaplaincies, grants made etc.	4.34	4.32
Curial, Parish and Chaplaincies* etc. general and administrative costs	8.95	7.88
Clergy costs	3.07	2.96
Property (including depreciation and impairment)	6.87	6.00
Votive candles, newspapers and repositories costs	0.39	0.42
Schools costs	0.63	2.41
Legal and professional fees (including auditor's remuneration)**	0.29	0.26
	<hr/> 25.55	<hr/> 25.19

*Chaplaincy etc. general costs include Diocesan activities relating to university and other chaplaincies catering for specific communities and groups within the Archdiocese, also included in this line are bank charges of £0.05m (2016: £0.06m).

**Legal and professional fees include auditor's remuneration of £57k (2016: £57k), costs relating to IICSA are also included here, amounting to £94k (2016: £140k), with the balance being spent in parishes on legal fees mainly relating to building works.



This resulted in an operating deficit (i.e. before considering the impact of gains and losses on investments and other assets) of £2.9m {£1.6m loss on unrestricted funds, £1.3m loss on restricted funds and endowment funds} (2016 £3.2m {£2.1m loss on unrestricted funds, £1.1m loss on restricted funds and endowment funds}), and an overall surplus for the year of £2.8m after investment gains. {£3.6m surplus on unrestricted funds, £0.8m loss on restricted funds and endowment funds, and before transfers} (2016: £1.5m surplus {£2.1m surplus on unrestricted funds, £0.6m loss on restricted funds and endowment funds, and before transfers}).

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

FINANCIAL REVIEW (continued)

The investments held by the parishes and the Archdiocese (mainly quoted investments) again produced substantial income to defray running costs, and there were realised and unrealised gains amounting to £2.9m (*£2.5m gain on unrestricted funds, £0.5 m gain on restricted funds and endowments*) (2016: £3.6m gain (*£3.0m gain on unrestricted funds, £0.6m gain on restricted funds and endowments*)) as a result of relatively stable market conditions in the year. Realised and unrealised gains on investment properties amounted to £2.8m (2016: £1.1m gain).

The net effect of the above is that, over the year, the funds of the charity increased by £2.8m (2016: £1.5m increase) to £120.6m (2016: £117.8m).

Weekend Mass attendance figures reduced by only 1% (4% in 2016). This slowdown in falling mass numbers resulted in an increase in mass offertory of 1.8%. While overall income from offertory, legacies and donations fell by £0.5m, this movement is mainly as a result of a fall in other donations and grant income. There was an increase in the overall value of legacies that have been secured for parishes by the Development team of £1.2m, to £1.6m in 2017 (2016: £0.4m). Grants decreased in 2017 by £0.25m to £1.05m (£1.3m 2016).

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

Cash reserves

The charity's total cash reserves decreased by £2.4m to £3.4m (2016: £3.2m decrease to £5.8m). Considerable cash was used for repairs, purchase and improvements to functional properties, several large grants and loans were made to other charities in line with the Archdiocese's charitable objectives (see Note 25, Related Parties Transactions page 56 and 57) Unrestricted cash reserves in parishes decreased by £0.9m to £7.3m (2016: £1.5m increase to £8.2m) whilst Diocesan unrestricted cash reserves decreased by £1.8m to a deficit position of £11.6m (2016: £2.3m decrease to £9.8m deficit) being in the main a historic legacy of spending on schools and during 2017 also reflecting the timing of the receipt of various grants, together with increased central costs, loans and grants made to other charities as referred to above.

Reserves policy

Unencumbered reserves, for this purpose defined as unrestricted stock market investments and cash - £32.1m (2016: £33.6m), are approximately 145% of annual unrestricted expenditure (2016: 162%). The trustees would not normally wish to see unencumbered reserves of less than 100% of annual unrestricted expenditure but they recognise that this figure may be considerably exceeded because of the nature of the charity's activities and short to medium term spending exigencies that can arise from parish properties (the timing of which is often quite legitimately based on individual parish reserve levels rather than diocesan led policy) and schools that can vary considerably from year to year.

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

FINANCIAL REVIEW (continued)

Fixed assets

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

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

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

KEY MANAGEMENT PERSONNEL AND REMUNERATION

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

Details of trustee expenses and related party transactions are disclosed in Notes 10 and 25 (respectively) to the accounts. Trustees are required to disclose all relevant interests and register them with the Diocesan Treasurer and in accordance with the Trust's policy withdraw from decisions where a conflict of interest arises.

PLANS FOR THE FUTURE

The intention for the future is to continue to meet the objectives of the charity as outlined on page 6. Additional resources are to be focussed on Evangelisation and engagement with local communities, with a particular focus the spiritual life of families and our young faithful – investment in our Evangelisation Field Workers, Family Project Ministry Worker and our various University Chaplaincies, along with the work done in our schools teaching about the love of Christ, and His ministry all help to facilitate this aim.

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

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

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

PLANS FOR THE FUTURE (continued)

The Youth Services are looking at the theme of discipleship and developing their programmes to draw young people closer to the life and mission of the Church, with a particular focus on inclusivity for those from disadvantaged backgrounds. To this end, additional financial support is to be sought from the hiring out of the facilities, and from development of the fundraising programme. Development of the activity programme to increase outdoor water activities is planned, in order to further enhance the opportunities for outdoor creative learning, and extend the summer programme to offer dynamic summer camps, all with the purpose of engagement of young people with the Mission of the Church in the World.

Independent inquiry into child sexual abuse

Safeguarding arrangements in respect of children and adults who may be at risk continue to be developed in line with the policies and procedures of the Catholic Church in England and Wales. On 27 May 2016 the Archdiocese was informed that it had been selected by the Independent Inquiry into Child Sexual Abuse to be one of two case studies as part of their investigation into the Catholic Church as one of several organisations being investigated. This notice was later confirmed by being published on the Inquiry's website later that day. At this stage it is too early to estimate the financial implications of the Inquiry, other than to note that considerable expenditure on legal costs to respond to its demands for information may be anticipated over the period of the Inquiry, which is likely to last several years, since its scope appears to cover the period since 1945. It is unfortunate that these costs are likely to have to be borne by the Trust as the Inquiry has made it quite clear that there will be no payments forthcoming from Government sources to meet these costs, nor as far as it is currently understood, are these costs recoverable from Insurers since they do not arise from any claim for wrongdoing. In view of the uncertainty regarding quantum it is intended that these costs will be reflected in the accounts of the year in which they are incurred. The costs to the Archdiocese incurred in 2017 are disclosed in note 7. In 2018 these costs are expected to be considerably higher since the Public Hearing at which the Diocese is to appear is scheduled for November 2018.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

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

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

Birmingham Diocesan Trust

TRUSTEES' REPORT (continued)

For the year ended 31 December 2017

STATEMENT OF TRUSTEES' RESPONSIBILITIES (continued)

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved at the trustees' meeting held on 19th October 2018 and signed on behalf of the trustees.

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

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

Opinion

We have audited the financial statements of Birmingham Diocesan Trust (the 'charity') for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 charity's affairs as at 31 December 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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 [group and parent charity/charity] 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.

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 charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve 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 Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, 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.

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

Matters on which we are required to report by exception

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 19, the trustees 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 charity'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 charity 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 provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

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

Date:

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

Birmingham Diocesan Trust

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2017

	Note	PAROCHIAL			DIOCESAN			TOTAL			TOTAL		
		Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	2017 £000	2016 (Note 8) £000	
INCOME AND ENDOWMENTS FROM:													
Donations, legacies and grants	1	11,791	1,531	-	607	278	-	12,398	1,809	-	14,207	14,686	
Charitable activities	2	958	-	-	657	3	-	1,615	3	-	1,618	1,677	
Other trading activities	3	1,877	88	-	23	-	-	1,900	88	-	1,988	2,076	
Investment income	4	2,462	5	44	753	145	-	3,215	150	44	3,409	3,189	
Other income													
Profit on sale of tangible fixed assets		678	-	-	672	-	-	1,350	-	-	1,350	375	
Other income	5	74	-	-	-	-	-	74	-	-	74	37	
Total		17,840	1,624	44	2,712	426	-	20,552	2,050	44	22,646	22,009	
EXPENDITURE ON:													
Raising funds													
Fund raising operations		300	28	-	72	40	-	372	68	-	440	436	
Investment management costs	6	511	-	-	59	-	-	570	-	-	570	502	
Charitable activities	7	14,383	1,557	44	6,858	1,701	-	21,241	3,258	44	24,543	24,249	
Total		15,194	1,585	44	6,989	1,741	-	22,183	3,326	44	25,553	25,187	
Net (expenditure)/income before gains on investment assets													
		2,646	39	-	(4,277)	(1,315)	-	(1,631)	(1,276)	-	(2,907)	(3,178)	
Gains on investment assets													
Gains, losses and revaluations on investment properties	12	973	-	-	1,828	29	-	2,801	29	-	2,830	1,055	
Gains, losses and revaluations on other investments	12	1,271	10	97	1,189	344	-	2,460	354	97	2,911	3,628	
Total		2,244	10	97	3,017	373	-	5,261	383	97	5,741	4,683	
Net income/(expenditure)		4,890	49	97	(1,260)	(942)	-	3,630	(893)	97	2,834	1,505	

Birmingham Diocesan Trust

STATEMENT OF FINANCIAL ACTIVITIES (continued)

for the year ended 31 December 2017

	Note	PAROCHIAL			DIOCESAN			TOTAL			TOTAL	
		Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	2017 £000	2016 (Note 8) £000
Net income/(expenditure)		4,890	49	97	(1,260)	(942)	-	3,630	(893)	97	2,834	1,505
Transfers between funds	18	(2,185)	(46)	-	2,525	(871)	577	340	(917)	577	-	-
Net movement in funds		2,705	3	97	1,265	(1,813)	577	3,970	(1,810)	674	2,834	1,505
Reconciliation of funds												
Total funds brought forward		83,485	2,641	1,352	20,579	9,731	-	104,064	12,372	1,352	117,788	116,283
Total funds carried forward		86,190	2,644	1,449	21,844	7,918	577	108,034	10,562	2,026	120,622	117,788

All of the charity's activities are continuing.

2016 comparatives for the above are given in Note 8.

Birmingham Diocesan Trust
STATEMENT OF FINANCIAL POSITION
At 31 December 2017

Charity Number 234216

	Note	2017 £000	2017 £000	2016 £000	2016 £000
FIXED ASSETS:					
Tangible assets	11		45,779		43,775
Investments	12		69,221		67,496
Total fixed assets			115,000		111,271
CURRENT ASSETS:					
Debtors due in under one year	13	3,047		2,119	
Debtors due in more than one year	13	1,579		203	
Total Debtors	13	4,626		2,322	
Cash at bank and in hand		3,422		5,769	
Total current assets		8,048		8,091	
CURRENT LIABILITIES:					
Creditors: Amounts falling due within one year	14	(2,358)		(1,425)	
NET CURRENT ASSETS			5,690		6,666
TOTAL ASSETS LESS CURRENT LIABILITIES			120,690		117,937
Creditors: Amounts falling due after more than one year	15		(68)		(149)
NET ASSETS	20		120,622		117,788
THE FUNDS OF THE CHARITY:					
Endowment funds	17		2,026		1,352
Restricted funds	18		10,562		12,372
Unrestricted funds:					
Designated income funds	19	45,432		43,496	
General income funds	19	62,602		60,568	
			108,034		104,064
TOTAL CHARITY FUNDS			120,622		117,788

These financial statements were approved and authorised for issue at the trustees' meeting held on 19th October 2018 and signed on behalf of the trustees by:

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

Birmingham Diocesan Trust

STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Cash flows from operating activities:					
Net cash used in operating activities	22		(8,055)		(5,153)
Cash flows from investing activities					
Interest received		8		33	
Interest /dividends from investment in the stock market		1,333		1,218	
Movement in cash in investment portfolio		2,328		(1,817)	
Rental income from investment property		2,068		1,938	
Purchase of tangible fixed assets		(2,804)		(998)	
Proceeds of disposal of fixed assets		1,386		443	
Purchase of investments (excl. affiliated bodies)		(9,526)		(7,798)	
Proceeds of sale of investments (excl. affiliated bodies)		9,062		8,303	
Net movement attributable to endowment funds		97		121	
Proceeds of sale of investment properties		1,853		594	
Net cash provided by investing activities			5,805		2,037
Cash flows from financing activities					
Net movement attributable to endowment funds		(97)		(121)	
Net cash used in financing activities			(97)		(121)
Net decrease in cash and cash equivalents			(2,347)		(3,237)
Cash and cash equivalents at the beginning of the year			5,769		9,006
Cash and cash equivalents at the end of the year			3,422		5,769

Birmingham Diocesan Trust

ACCOUNTING POLICIES

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

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

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

BASIS OF PREPARATION AND ASSESSMENT OF GOING CONCERN

Basis of accounting

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

The financial statements have been drawn up under the historical cost convention as modified by the revaluation of investments and are presented in sterling, (£’000 except where otherwise noted) which is also the functional currency of the Trust.

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

FUND ACCOUNTING

The charity maintains various types of funds as follows:

Restricted funds

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

Endowment funds

These represent various trust funds which have been donated to the charity. The capital cannot be spent, and any income generated must be spent in line with the donor's instructions. Following a review of the various funds held by the charity during 2018, it was apparent that there were a number of restricted funds administered by the central Diocesan offices which should have been identified as endowments. A transfer has been made to properly reflect the nature of these as at the year end. These funds have always been operated as endowment funds (see Note 18 on page 51).

Unrestricted General and Designated funds

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

INCOME

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

Donations, legacies and grants

Offeratories and donations are included in income when receivable. Legacies are included in income upon the receipt becoming probable. Probability of receipt occurs where there is a grant of probate, the executors have established there are sufficient assets to pay the legacy and any conditions attached to the legacy are either within the control of the charity or have been met. Gifts in kind, if material, are included at an estimate of fair value. Included here also are grants receivable. Grants are recognised in the Statement of Financial Activities when the grant conditions have been complied with.

Charitable activities

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

Other trading activities

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

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

INCOME (continued)

Investment income

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

Proceeds from the disposal of school properties

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

INCOME FROM GOVERNMENT AND OTHER GRANTS

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

School Building Grants

The Diocesan Education Service (DES) assists voluntary aided schools with the administration of funding for school building projects and IT equipment. The Trustees have reviewed these arrangements and concluded that the DES acts as agent on behalf of the school governing body in certain circumstances in receiving funding from the Department for Education, Local Authority and other funding sources and settling and matching it with contractors' costs and associated professional fees. As a result of this review, for 2017 the income and expenditure from these activities are not reflected in the Statement of Financial Activities because the risk and reward of those transactions are those of the governing body and not the DES. In 2016 the Trust included these transactions on a net basis within the Statement of Financial Activities. The comparatives have not been restated, as the impact is immaterial. Expenditure on school building projects and IT where the DES acted as agent in the year amounted to £7.2m (2016: £8.8m), income from grants was £7.7m (2016: £7.3m) and the net position of £0.5m (2016: £nil) is included as a creditor for 2017. Further information on this is included in Note 7. In addition, there were some activities in the year whereby the DES acted as principal, and those transactions are reflected in the accounts, further explanation is provided in Note 18.

EXPENDITURE

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

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

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

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

GRANTS PAYABLE

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

OPERATING LEASES

Rentals are charged on a straight line basis, having taken account of lease incentives.

PENSION COSTS

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

GAINS AND LOSSES ON INVESTMENTS

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

TANGIBLE FIXED ASSETS

Churches and other functional property

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

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

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

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

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

TANGIBLE FIXED ASSETS (continued)

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

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

School property

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

At 31 December 2017 the building insurance valuation for the 240 voluntary aided schools and academies in the charity's ownership was £1,163million (2016: £1,211m).

Fixed assets other than property

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

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

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

INVESTMENTS

Investment properties

Investment properties such as houses and non-functional properties have been included at the trustees' estimate of their fair value at 31 December 2017. All investment properties are professionally valued on a rolling 5-year programme. During 2017, approximately one-fifth in number of investment properties were professionally valued at open market value by Reeves and Partners Limited and the Diocesan in-house qualified chartered surveyors. In accordance with Financial Reporting Standard 102, no depreciation is provided.

Other investments

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

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

INVESTMENTS (continued)

Investments – short term cash

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

FINANCIAL INSTRUMENTS

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

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

Financial Assets

Debtors

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

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

Cash and cash equivalents

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

Concessionary loans (assets)

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

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

Birmingham Diocesan Trust

ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

occurring after the impairment loss was recognised, are recognised immediately in the Statement of Financial Activities.

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

Financial liabilities and equity

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

Creditors

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

Concessionary loans (liabilities)

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

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

De-recognition of financial assets and liabilities

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

RECOGNITION OF LIABILITIES

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

JOINTLY CONTROLLED ENTITIES

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

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1 DONATIONS, LEGACIES AND GRANTS - 2017							
	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Diocesan Unrestricted funds £000	Restricted funds £000	Total 2017 £000	Total 2016 £000
Offertories, collections and donations	9,134	522	-	167	174	9,997	10,925
Donations of property	-	-	-	210	-	210	475
Tax reclaimed on offertories and donations	1,287	5	-	79	10	1,381	1,540
Legacies	1,249	165	-	61	77	1,552	426
Grants receivable*	121	839	-	90	17	1,067	1,320
	11,791	1,531	-	607	278	14,207	14,686

* Included in grants receivable were Government grants, amounting to £932k (2016: £765k). Donations of property included assets transferred from a Religious Order to the Diocese.

DONATIONS, LEGACIES AND GRANTS – 2016 COMPARATIVES

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

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

2 CHARITABLE ACTIVITIES							
	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Diocesan Restricted funds £000	Total 2017 £000	Total 2016 £000
Votive candles, newspapers and repositories	773	-	-	1	-	774	822
Chaplaincy income	120	-	-	-	-	120	95
Fees and other charges	-	-	-	577	3	580	538
Other income	65	-	-	79	-	144	222
	<u>958</u>	<u>-</u>	<u>-</u>	<u>657</u>	<u>3</u>	<u>1,618</u>	<u>1,677</u>

CHARITABLE ACTIVITIES – 2016 COMPARATIVES

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Diocesan Restricted funds £000	Total 2016 £000
<i>Votive Candles, newspapers and repositories</i>	821	-	-	1	-	822
<i>Chaplaincy Income</i>	95	-	-	-	-	95
<i>Fees and other charges</i>	-	-	-	534	4	538
<i>Other income</i>	74	1	-	147	-	222
	<u>990</u>	<u>1</u>	<u>-</u>	<u>682</u>	<u>4</u>	<u>1,677</u>

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

3 OTHER TRADING ACTIVITIES							
	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Restricted funds £000	Total 2017 £000	Total 2016 £000
Social income	1,877	88	-	23	-	1,988	2,045

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

OTHER TRADING ACTIVITIES – 2016 COMPARATIVES

	<i>Unrestricted funds £000</i>	<i>Parochial Restricted funds £000</i>	<i>Endowment funds £000</i>	<i>Unrestricted funds £000</i>	<i>Restricted funds £000</i>	<i>Total 2016 £000</i>
<i>Social income</i>	1,905	87	-	53	-	2,045

4 INVESTMENT INCOME							
	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Restricted funds £000	Total 2017 £000	Total 2016 £000
Income from UK investments	600	5	44	542	142	1,333	1,218
Rental income	1,858	-	-	208	2	2,068	1,938
Interest receivable	4	-	-	3	1	8	33
	2,462	5	44	753	145	3,409	3,189

INVESTMENT INCOME – 2016 COMPARATIVES

	<i>Unrestricted funds £000</i>	<i>Parochial Restricted funds £000</i>	<i>Endowment funds £000</i>	<i>Unrestricted funds £000</i>	<i>Restricted funds £000</i>	<i>Total 2016 £000</i>
<i>Income from UK investments</i>	522	4	40	510	142	1,218
<i>Rental income</i>	1,725	-	-	211	2	1,938
<i>Interest receivable</i>	24	-	-	4	5	33
	2,271	4	40	725	149	3,189

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

5 OTHER INCOME

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Diocesan Restricted funds £000	Total 2017 £000	Total 2016 £000
Insurance claims	74	-	-	-	-	74	37

OTHER INCOME – 2016 COMPARATIVES

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

6 INVESTMENT MANAGEMENT COSTS

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Diocesan Restricted funds £000	Total 2017 £000	Total 2016 £000
Costs of management of investment properties and other investments	511	-	-	59	-	570	502

INVESTMENT MANAGEMENT COSTS – 2016 COMPARATIVES

	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Diocesan Restricted funds £000	Total 2016 £000
Costs of management of investment properties and other investments	433	-	-	69	-	502

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

7 CHARITABLE ACTIVITIES							
	Unrestricted funds £000	Parochial Restricted funds £000	Endowment funds £000	Unrestricted funds £000	Restricted funds £000	Total 2017 £000	Total 2016 £000
Liturgical and pastoral costs	1,506	35	11	1,006	8	2,566	2,229
Curial, Parish and Chaplaincy etc. general support costs *	6,211	56	-	2,586	39	8,892	7,820
Clergy costs	1,319	-	-	876	891	3,086	2,961
Property refurbishment, maintenance and major repairs	3,740	1,407	33	224	268	5,672	4,864
Depreciation	978	-	-	220	1	1,199	1,135
Bank charges	45	-	-	8	1	54	61
Votive candles, newspapers and repositories etc. costs	386	-	-	-	-	386	416
Chaplaincy expenditure	-	-	-	416	150	566	605
Schools costs (including impairment losses)**	13	-	-	329	285	627	2,409
Grant funding	148	29	-	975	58	1,210	1,490
External audit fees	-	-	-	57	-	57	57
Other professional fees ***	37	30	-	161	-	228	202
Total Charitable Activities	14,383	1,557	44	6,858	1,701	24,543	24,249

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

** Included in Schools costs is £285k which represents the net costs on activities where the Trust is acting as principal, and payments made under a PFI agreement (see page 29). The net position relates to income of £324k and expenditure of £609k. In 2016 the net position was £1,262k which represented income of £14.0m and expenditure of £15.3m. These costs relate to an excess of spending over grant income for which the DES acted as the principal in those building contractual arrangements in 2017 due to the change in accounting treatment explained on page 29.

*** Included in Other Professional fees is £94k (2016: £140k) in respect of the Independent inquiry into historic child sexual abuse (IICSA).

The costs above relate directly to the activity concerned and no form of estimation or apportionment has therefore been necessary.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

CHARITABLE ACTIVITIES – 2016 COMPARATIVES

	<i>Unrestricted funds £000</i>	<i>Parochial Restricted funds £000</i>	<i>Endowment funds £000</i>	<i>Diocesan Unrestricted funds £000</i>	<i>Restricted funds £000</i>	<i>Total 2016 £000</i>
<i>Liturgical and pastoral costs</i>	1,730	99	10	382	8	2,229
<i>Parish and Chaplaincy etc. general costs *</i>	6,200	52	-	1,498	70	7,820
<i>Clergy costs</i>	1,287	-	-	912	762	2,961
<i>Property refurbishment, maintenance and major repairs</i>	2,984	1,245	30	591	14	4,864
<i>Depreciation</i>	958	-	-	176	1	1,135
<i>Bank charges</i>	48	-	-	12	1	61
<i>Votive candles, newspapers and repositories etc. costs</i>	416	-	-	-	-	416
<i>Chaplaincy Expenditure</i>	-	-	-	482	123	605
<i>Schools costs (including impairment losses)**</i>	10	3	-	834	1,562	2,409
<i>Grant Funding</i>	148	31	-	897	414	1,490
<i>External audit fees</i>	-	-	-	57	-	57
<i>Other professional fees***</i>	15	-	-	187	-	202
<i>Total Charitable Activities</i>	13,796	1,430	40	6,028	2,955	24,249

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

8 COMPARATIVES (BY FUND) FOR 2016 STATEMENT OF FINANCIAL ACTIVITIES

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

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

8 COMPARATIVES (BY FUND) FOR 2016 STATEMENT OF FINANCIAL ACTIVITIES (continued)

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

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2017

9	NET INCOME	2017	2016
		£000	£000
	Net income for the year is stated after charging:		
	Depreciation of tangible fixed assets	1,199	1,135
	Impairment of tangible fixed assets	-	300
	Operating lease expenditure	27	-
	PFI facilities management fees	128	128
	Auditor's remuneration		
	- for audit services	57	57
	- for non-audit services	-	4
		=====	=====

10	INFORMATION REGARDING EMPLOYEES, TRUSTEES AND VOLUNTEERS	2017	2016
		£000	£000
	Staff costs comprise the following:		
	Salaries and wages	3,512	3,186
	Social security costs	250	218
	Pension costs	186	143
	Death in service premium	19	7
		=====	=====
		3,967	3,554
		=====	=====

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

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

	2017	2016
	Number	Number
£80,001 - £90,000	===== 1	===== 1

The charity contributed £6,698 (2016: £6,448) in pension contributions in respect of this employee.

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

	Full Time		Part Time		Full Time Equivalent	
	2017	2016	2017	2016	2017	2016
Parishes	4	5	239	234	78	77
Other Diocesan services	20	18	36	24	32	29
Central/Curial Services	26	19	28	27	37	28
	50	42	303	285	147	134

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

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

10 INFORMATION REGARDING EMPLOYEES, TRUSTEES AND VOLUNTEERS (continued)

Eight of the twelve trustees listed on page 1 also serve as clergy of the charity, and in addition to their responsibilities as trustees are actively involved in carrying out the objects of the charity. Seven of those trustees benefited from accommodation costs and other associated expenditure included within charitable activities (see Note 7). These trustees received in total £49,335 (2016: £52,900) of allowances as serving clergy but not in their office as trustee. The remaining trustees do not derive any income from the charity. Similarly, no trustee is paid expenses in relation to their activities as a Trustee, only in their canonical roles as serving clergy. Non-clerical trustees are not paid expenses.

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

During the year charity funds were used to pay a premium of £2,204 (2016: £2,204) in respect of Trustees' Indemnity Insurance. This insurance protects the charity from loss arising from the neglect or defaults of its trustees, employees or agents or to indemnify the trustees or other officers against the consequences of any neglect or default on their part.

It is estimated that during the year, approximately 0.96 million hours (2016: 0.97 million) were provided by some 11,700 (2016: 11,700) volunteers. If this is valued at £11.00 per hour, the volunteer contribution amounts to some £10.5m (2016: £10.7m). Volunteer roles fulfil liturgical, pastoral and administrative activities of the charity. This amount is not included in the financial statements.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

11 TANGIBLE FIXED ASSETS FOR USE BY THE CHARITY

Functional property

	Church / presbytery £000	Improve- ments and contents £000	Freehold land £000	Other £000	Total £000
Cost					
At 1 January 2017	37,430	31,747	2,226	1,028	72,431
Additions	1,787	1,026	-	201	3,014
Transfers from Investment Properties (Note 12)	225	-	-	-	225
Disposals	(37)	(34)	-	(101)	(172)
At 31 December 2017	39,405	32,739	2,226	1,128	75,498
Depreciation & impairment					
At 1 January 2017	10,758	14,819	2,226	853	28,656
Charge for the year	392	674	-	133	1,199
Eliminated on disposals	(9)	(26)	-	(101)	(136)
At 31 December 2017	11,141	15,467	2,226	885	29,719
Net book value					
At 31 December 2017	28,264	17,272	-	243	45,779
At 31 December 2016	26,672	16,928	-	175	43,775

The net book value of functional property includes £415k long leasehold properties (2016: £420k).

The total insured value of the functional buildings and contents is £575 million (2016: £573m). No value is attached to the land element, which has been treated as being impaired. There is no intention to sell the land in the ordinary course of the charity's activities and no income is generated from the ownership of this land.

School properties are not included above as they are treated as not recognised in accordance with the accounting policy on page 31.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

12 INVESTMENTS HELD AS FIXED ASSETS	2017 £000	2016 £000
Investments comprise the following:		
Investment properties	27,612	26,861
Other investments	41,609	40,635
	<hr/>	<hr/>
	69,221	67,496
	<hr/>	<hr/>
	2017 £000	2016 £000
Investment properties at valuation		
Fair value at 1 January 2017	26,861	26,055
Transfers from functional property	-	345
Transfers to functional property (Note 11)	(225)	-
Disposals	(1,854)	(594)
Gains and losses on revaluations and disposals	2,830	1,055
	<hr/>	<hr/>
Fair value at 31 December 2017	27,612	26,861
	<hr/>	<hr/>
The investment properties are included based on a 5 year rolling programme of professional revaluations by Reeves & Partners (the Diocesan Property Consultants) and internal valuations completed by professionally qualified (MRICS) staff – see page 31.		
	2017 £000	2016 £000
Other investments comprise the following:		
Equities	34,299	30,248
Fixed interest securities	5,153	5,902
	<hr/>	<hr/>
Investments listed on a stock exchange	39,452	36,150
Uninvested cash	2,157	4,485
	<hr/>	<hr/>
	41,609	40,635
	<hr/>	<hr/>

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

12 INVESTMENTS HELD AS FIXED ASSETS (continued)

Stock exchange investments at fair value

	Diocesan £000	Parishes £000	Sub- total £000	Affiliated bodies £000	2017 Total £000	2016 Total £000
Fair value at						
1 January 2017	19,077	17,009	36,086	64	36,150	33,652
Additions	4,575	4,951	9,526	-	9,526	7,811
Disposal proceeds	(4,158)	(4,904)	(9,062)	(74)	(9,136)	(8,947)
Realised and unrealised investment gains	1,523	1,378	2,901	10	2,911	3,634
Fair value at 31 December 2017	<u>21,017</u>	<u>18,434</u>	<u>39,451</u>	<u>-</u>	<u>39,451</u>	<u>36,150</u>

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

The historic cost of investments held at 31 December 2017 was £30.1m (2016: £28.4m). There were no investment holdings which represented more than 5% by value of the portfolio excluding cash.

Stock exchange investments by location

	Fair value	Cost	Fair value	Cost
	2017 £m	2017 £m	2016 £m	2016 £m
UK listed investments	25.4	18.8	24.8	18.7
Overseas listed investments	14.1	11.3	11.4	9.7
	<u>39.5</u>	<u>30.1</u>	<u>36.2</u>	<u>28.4</u>

Jointly controlled entity

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

The company operated at a small operating profit in 2017. The company was financed by two loans each of £71,999 one from each Diocese, and is considered an unsecured concessionary loan (see Note 13). The loans carry no interest and no fixed repayment term. It is intended that the loans will be repaid over time from income generated by the company from sales to other Catholic organisations. No repayments were made in 2017 (£10,000 on the total loan (£5,000 per Diocese): 2016). £10,000 (£5,000 each Diocese) was repaid in April 2018 with further amounts expected at the end of 2018.

Ownership of dormant private limited company

The charity owns 100% of the share capital of The Sower Limited, a dormant private limited company. Total called up share capital is £3. There are no other assets or liabilities.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

13	DEBTORS	2017 £000	2016 £000
	Debtors amounts due in under one year		
	Amounts due in respect of school building projects	506	190
	Accrued investment income	61	91
	Accrued Gift Aid Tax reclaimable	1,462	1,587
	Other debtors including trade debtors, major bequests and property sales	905	143
	Unsecured concessionary loans to priests etc.	35	25
	Unsecured concessionary loan to Jointly Controlled Entity	67	67
	Secured concessionary loan to priests etc.	11	16
	Total	<u>3,047</u>	<u>2,119</u>
	Debtors amounts due in more than one year		
	Unsecured concessionary loans to priests etc.	31	74
	Unsecured concessionary loan to other religious charities and bodies	1,424	-
	Secured concessionary loan to priests etc.	124	129
	Total	<u>1,579</u>	<u>203</u>
	TOTAL DEBTORS	<u>4,626</u>	<u>2,322</u>
14	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2017 £000	2016 £000
	*Amounts due in respect of school building projects	292	321
	Due to other religious charities	494	471
	**Other creditors	911	354
	Accruals	661	279
		<u>2,358</u>	<u>1,425</u>

* The amount noted above as “amounts due in respect of school building projects” is in respect of transactions for which the Diocesan Education Service (DES) acted as principal.

**Included here is an amount held in respect of grant income not spent on school building projects which were managed by the DES in its role acting as agent. For 2017 this was £495k (2016: nil). The distinction between certain school building project transactions is part of the change in accounting treatment explained on page 29.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

15	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2017 £000	2016 £000
	Concessionary loans	68	78
	Due to affiliated bodies	-	71
		<u>68</u>	<u>149</u>

16 FINANCIAL ASSETS AND LIABILITIES

Financial assets held at fair value are included in Note 12. Note 13 includes financial instruments of £734k (2016: £408k) held at amortised cost and concessionary loans of £1,692k (2016: £311k) held at cost plus accrued interest, less impairment where applicable. Notes 14 and 15 include financial instruments held at amortised cost of £1,881k (2016: £1,531k).

17 ENDOWMENT FUNDS

	Balance at 1 January 2017 £000	Income £000	Expenditure £000	Transfers £000	Gains on investments £000	Balance at 31 December 2017 £000
Diocesan funds	-	-	-	577	-	577
Various small trust funds						
- registered charities	183	6	(6)	-	13	196
- other	1,169	38	(38)	-	84	1,253
	<u>1,352</u>	<u>44</u>	<u>(44)</u>	<u>577</u>	<u>97</u>	<u>2,026</u>

These funds are linked to specific parishes and funds held by the Diocese, and are endowment in nature, i.e. the capital donated cannot be spent and any income generated must be spent in line with the donor's instructions. In the main the purposes of these funds are to relieve poverty, support priests and to provide for church repairs within the parishes concerned. The assets of all the funds listed are represented by investment in the Diocesan Investment Scheme (see page 13). There are two separate registered charities (Leamington Trust, registered charity no. 248948; and Birmingham Roman Catholic Diocesan Educational Trust no. 528881) and thirteen other separate funds. During 2017, there was a transfer from restricted funds to endowment funds which is explained in Note 18. A uniting direction given by the Charity Commissioners is in force in respect of these funds.

An explanation of the transfer shown above is provided on page 51.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

17 ENDOWMENT FUNDS (continued)

The 2016 analysis of endowment funds follows:

ENDOWMENT FUNDS – 2016 COMPARATIVES

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

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

18 RESTRICTED FUNDS

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

	Balance at 1 January 2017	Income	Expenditure	Transfers	Gains on investments (stock market and property)	Balance at 31 December 2017
	£000	£000	£000	£000	£000	£000
Restricted funds						
Poor Mission Fund	825	54	-	(221)	53	711
Memorial Mass Scheme	398	11	(4)	-	18	423
Perpetuity Mass Fund	546	18	(484)	-	39	119
Evangelisation Field Worker Fund	-	17	(17)	-	-	-
Religious Workers Accommodation Fund	156	-	(58)	(25)	-	73
Specific bequests						
- Masses	41	1	(1)	(33)	3	11
- University Chaplaincy	765	25	(16)	(9)	55	820
- Aston Hall	256	4	(260)	-	-	-
Other funds	918	28	(16)	(542)	63	451
Alton Castle	41	-	-	(41)	-	-
Canons Chapter Fund	275	12	(6)	-	18	299
Clergy Training Fund	472	255	(594)	-	124	257
Diocesan Education Service – schools projects*	5,031	1	(285)	-	-	4,747
Other Chaplaincies	7	-	-	-	-	7
Parish building and other projects	2,641	1,624	(1,585)	(46)	10	2,644
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	12,372	2,050	(3,326)	(917)	383	10,562
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2017

18 RESTRICTED FUNDS (continued)

* Schools projects. As set out on page 29 the income and expenditure in relation to activities where the Trust acts as principal are shown net on page 50 and 52. The net position of £285k above, comprises income of £324k (2016: £1,400k) and expenditure of £609k (2016: £1,530k).

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

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

The transfers shown above represent amounts paid, in accordance with the terms of the restriction, to certain parishes and other entities within the Archdiocese. In the case of "Parish building and other projects" the amount transferred relates to capitalised spending completed in accordance with the terms of the restriction. These parish assets are included within the unrestricted property assets of the charity; the associated restricted funding being regarded as having been effectively discharged. In addition, following a review of the restricted funds in 2018, it was noted that there were some funds that should have been noted as endowment funds. These funds had operated as endowment funds, albeit they had not been classified as such. These funds which totalled £577,000 and which were previously included within "Masses" and "Other Funds" have now been properly classified as endowment funds. These endowments include funds held within Masses, and Other Funds.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

The 2016 analysis of restricted funds follows:

RESTRICTED FUNDS – 2016 COMPARATIVES

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

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

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

19	UNRESTRICTED FUNDS	General £000	Designated £000	Total £000
	At 1 January 2017	60,568	43,496	104,064
	Net movement in funds (excluding transfers)	3,630	-	3,630
	Transfers to restricted funds (Note 18)	340	-	340
	Transfer to designated funds	(1,936)	1,936	-
	At 31 December 2017	62,602	45,432	108,034

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

The 2016 analysis of unrestricted funds follows:

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

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

20 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted (general) £000	Unrestricted (designated) £000	Restricted £000	Endowment £000	2017 Total £000
Tangible fixed assets	243	45,432	104	-	45,779
Investments	63,568	-	3,627	2,026	69,221
Other net assets/ liabilities	(1,209)	-	6,831	-	5,622
At 31 December 2017	62,602	45,432	10,562	2,026	120,622

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

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

ANALYSIS OF NET ASSETS BETWEEN FUNDS – 2016 COMPARATIVES

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

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

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

	2017 £000	2016 £000
Net income for the reporting period	2,834	1,505
Adjustments for:		
Donation of property	(210)	(475)
Depreciation of tangible fixed assets	1,199	1,135
Impairment losses on tangible fixed assets	-	300
Fair value gains on investment properties	(2,830)	(1,055)
Fair value gains on investments on the stock exchange	(2,911)	(3,628)
Gain on disposal of tangible assets	(1,350)	(375)
Dividends, interest and rents from investments	(3,409)	(3,189)
	(6,677)	(5,782)
Movements in working capital:		
(Increase)/decrease in debtors	(2,303)	561
Increase in creditors	925	68
	(8,055)	(5,153)

23 CAPITAL COMMITMENTS

At 31 December 2017, the charity was committed to future capital expenditure of approximately £0.2m (2016: £0.5m). This relates primarily to spending in parishes.

24 OTHER COMMITMENTS

Operating leases

The charity leased office space on a five-year term. The total commitment falls due as follows:

	2017 £000	2016 £000
Less than one year	28	-
More than one year, but less than five years	85	-
Total due over remaining term of the lease	113	-
Total	226	-

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

24 OTHER COMMITMENTS (continued)

PFI Scheme

The Trust, through the Diocesan Education Service (DES) is party to a facilities management contract under a PFI scheme in respect of a school. Total commitments under the contract are £129k (2016: £128k) within one year, £542k (2016: £532k) between one and five years, and £741k (2016: £881k) greater than 5 years. These costs may change, dependent on changes to indexation. The costs are calculated using RPI. These costs are met from within the restricted funds held for the purposes of spending on new schools.

25 RELATED PARTY TRANSACTIONS

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

St Mary's College, Oscott – Registered Charity 1172979

During the year £34,000 (2016: £31,000) of rent and other costs and £181,000 (2016: £182,000) of students' fees was paid to St Mary's College, Oscott. There was no balance (2016: £nil) owing to St Mary's College, Oscott at the year-end in respect of miscellaneous costs or student fees. There was also £50,500 paid by Oscott in relation to recharges relating to priests' stipends and expenses (2016: £69,600). In addition, a loan of £1,200,000 was made to St Mary's College, Oscott during 2017 which was repaid in August 2018. This loan was made within the provisions of the Charity's Trust deed. Most Rev. B Longley, Right Rev. D McGough, and Rev. Mr. D Palmer are all Trustees in common.

Father Hudson's Society - Registered Charity 512992

During the year, £58,400 (2016: £66,500) was collected on behalf of and paid over to Father Hudson's in the main via a retiring collection following Masses said in parishes in September 2016. In addition, £6,800 was paid to Father Hudson's by the Diocesan Education Service (DES) in respect of rent and utility bills (2016: £25,800, which included rent no longer applicable in 2017 as the DES no longer occupy that building. Only utility bills are chargeable from 2017 onwards regarding shared services). The Diocese also paid for residential care for sick and retired priests in Father Hudson's Residential Care Home, amounting to £341,000 (2016: £254,800). In addition to these, grants were also made to Father Hudson's totalling £37,000 (2016: £107,000) for them to administer on behalf of the Archdiocese to aid social outreach work through other Catholic agencies, and also with a special focus on Fatima House, a women's shelter for refugees.

There was a balance as at the year-end in respect of collections not paid over to Father Hudson's amounting to £17,687 (2016: £643), and a balance in respect of accommodation costs for sick priests was outstanding at the year-end amounting to £nil (2016: £3,600). Whilst not a Trustee of Father Hudson's, Most Rev. B Longley is President of the charity.

Maryvale Institute - Registered Charity 1068634

Grants totalling £300,004 (2016: £167,400) were made to Maryvale Institute during 2017. These funds were used in supporting the provision of catechetical work for the parishes and schools of the Archdiocese and for the fostering and nurturing of marriage and family life through Maryvale's courses and departmental work. The Trust made a loan of £600k in the year which was also fully impaired in the year. Additionally, miscellaneous costs of £4,098 (2016: £2,375) and £14,665 (2016: £37,600) was paid in respect of contributions to office and salary costs of the Evangelisation Field Workers based at Maryvale. The charity took over the employment of these staff during 2017, and £16,889 was paid to the charity by Maryvale, being the residual of a grant that was received to partially fund these posts. No other balances were outstanding at the year end.

The Most Rev. B Longley, Rev. Mgr. T Menezes and Rev. Mr. D Palmer are trustees in common.

Birmingham Diocesan Trust

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2017

25 RELATED PARTY TRANSACTIONS (continued)

The Kenelm Youth Trust Ltd– Charitable company registration number 1144209

Grants totalling £307,550 were made to Kenelm Youth Trust in 2017 (2016: this was a total of £666,158, representing grant payments and transfer of net assets of £7,708). Rental receipts of £7,198 were received by the Diocesan Education Service in 2017 (2016: £6,680). KYT is a separate charity that was set up to provide all of the Trust's youth services from 1 January 2016. No balances were outstanding at 31 December 2017. Right Rev. W Kenney and Ms H Bardy are trustees in common; Ms H Weaver wife of Mr M Weaver (Trustee of the Archdiocese) is a Trustee of KYT.

Alive Publishing Ltd – Charitable company registration number 298807

Alive Publishing Limited is a Catholic Christian publishing house located in the Diocese. The Archdiocese paid the company £146,777 (2016: £119,200) for publishing services relating to the publishing of the diocesan website, Catholic Today, the diocesan newspaper and Walk with Me, a seasonal journey of prayer (Advent and Lent). There were no balances outstanding at the year end. Fr Jonathan Veasey is a Trustee in common.

Parish Accounting Services Limited – Company registration number 09503675

During the year, in addition to the loan disclosed in notes 12 and 13, £46,648 was paid to Parish Accounting Services Limited (2016: £46,450) in respect of software licencing fees of parish accounting software. There were no balances outstanding at the year end. Rev. Mr. D Palmer, a trustee of the charity, is a director of Parish Accounting Services Limited.

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

A grant was made to this charity of £nil in 2017 (2016: £10,000). There were no balances outstanding at the year end. Rev. J Veasey is a trustee in common.

Cornerstone Regeneration – Registered charity 1143282

Rent was received from Cornerstone by one of the parishes of the Archdiocese in respect of property, of £20,000 (2016: £18,934). There were no balances outstanding at the year end. Rev. Mr. D Palmer is a trustee in common.

Birmingham Churches Together – Registered charity 243931

A grant was made to the charity in 2017 of £19,770 (2016: £19,770). There were no balances outstanding at the year end. The Most Rev. B Longley is a trustee.

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

No transactions were recorded in 2017.

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

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