

Diocese of Hexham and Newcastle

A Company Limited by Guarantee: Registered No. 7732977

Report and Financial Statements

31 March 2019

Charity No: 1143450

Company No: 7732977

Diocese of Hexham and Newcastle

Trustees' Report for the year ended 31 March 2019

Trustees

Right Reverend Robert John Byrne CO, Bishop of Hexham and Newcastle (appointed 25 March 2019)

Right Reverend Seamus Cunningham (resigned 25 March 2019)

Maureen Anne Bates (ceased 13 June 2019)

Matthew Boyle

Rory James Deane (ceased 8 December 2019)

Reverend Jeffrey John Dodds

Thomas Niall Ledlie Harrison

Reverend Colm Martin Hayden

Reverend Ian David Hoskins

Reverend Peter Leighton

Reverend Simon Lerche

Reverend Martin Stempczyk

Allison Mary Thompson (appointed 25 September 2019)

Chief Operating Officer

Fiona Standfield

Registered Office

St Cuthbert's House

West Road

Newcastle upon Tyne

NE15 7PY

Solicitors

Collingwood Legal

Muckle LLP

Square One Law

Winkworth Sherwood

Bankers

HSBC plc

Newcastle upon Tyne

Stockbrokers

Newton Investment Management

Land Agents

GVA Grimley

Savills UK Ltd

Auditors

Ernst & Young LLP

Citygate, St James' Boulevard

Newcastle upon Tyne, NE1 4JD

Trustees' Report

The Trustees present their report and audited financial statements for the year ended 31 March 2019. The Trustees have adopted the charities SORP (FRS102) "Accounting & Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standards applicable in the UK & Republic of Ireland".

Structure, Governance and Management

Constitution

Until 31 March 2012 the Roman Catholic Diocese of Hexham and Newcastle was constituted as a Charity for Roman Catholic Purposes by a Declaration of Trust dated 4 November 1867 no. 234071 and Hexham & Newcastle Diocesan Trust dated 16 September 1947 no. 235686. All reporting was made under the charity reference 235686.

On 1 April 2012 the assets and operations of the Diocese transferred to this Charitable Company Limited by Guarantee, called Diocese of Hexham and Newcastle. The Company number is 7732977 and the charity number is 1143450. The Directors of the Charitable Company are the Trustees. This Charitable Company carries on the activities of the Diocese.

Organisational Structure and Decision Making

Matters concerning the care and development of the clergy and the pastoral care of the people of the Diocese are referred to the Bishop in consultation with his Episcopal Council. The Bishop and the Episcopal Council meet frequently during the year. The Episcopal Council consists of the Vicar General and the Episcopal Vicars, who each have responsibility for a geographical area and an area of work within the Diocese. The Vicar General and Episcopal Vicars are all also Trustees of the Charitable Company.

Bishop Seamus Cunningham submitted his resignation upon reaching his 75th birthday in July 2017, but remained in role until 25 March 2019, when he was succeeded by Bishop Robert Byrne C.O.

The Diocese is divided into five Episcopal Areas, consisting of 152 separate parish communities, which have been grouped together into 19 Partnerships. There are 84 Diocesan Priests working within the Diocese and a number of priests from Religious Orders who are in active ministry throughout the Parishes of the Diocese. They are supported by a number of priests who have retired from office and eight foreign clergy. Six Diocesan priests are involved in ministry elsewhere.

Each parish aims to provide for the religious needs of its people through Church services and education in the Roman Catholic faith and to encourage charitable work. They also provide for the spiritual growth of people of all ages with particular emphasis on the needs of the sick and the poor. We also work in harmony with other Christian denominations, with people of other faiths and with local communities.

The Trustees govern the Charitable Company, and in carrying out this responsibility are mindful of clergy and pastoral initiatives of the Bishop which have an impact upon the operational wellbeing of the Charitable Company. The Board comprises the Bishop, some Episcopal Council members, and lay people selected for their relevant skills and expertise. There are a number of Board Sub-Committees and occasional working parties looking at specific matters which comprise Directors and experts especially co-opted.

The Board is responsible for all of the assets of the Charitable Company although in practice the Parish Priest acts as their representative in many Parish matters. Parish Priests are obliged by Canon law to be assisted in their duties by a Parish Finance Committee and many also have Parish Councils. The permission of the Board is required for all significant Parish projects.

To assist the Board, the operations of the Diocesan Curia have been organised into formal departments that report through the Chief Operating Officer to the Board. The Chief Operating Officer and senior managers form a Senior Leadership Team that executes the central administrative functions for the Charitable Company through support, dissemination of information, leadership and guidance on matters common throughout the whole Charitable Company. Officers carry out the Board's directions and refer matters arising for the Board's attention, via the Diocesan Strategy Committee. The Departments reflect the work carried out, and are: Spirituality; Adult Formation and Evangelisation; Communications; Ecumenism; Education; Finance; Human Resources; Interreligious Relations; Justice and Peace; Liturgy; Property Management; Safeguarding; Diocesan Chancery and Tribunal, and Youth Services.

Trustees' Report

Organisational Structure and Decision Making (continued)

Education is provided for children through a network of voluntary aided primary, first, middle, and secondary schools. Including Academies there are 132 Primary Schools (some with nursery provision), 3 First Schools, 1 Middle School and 20 Secondary Schools. There are 53,895 pupils in our Diocesan Schools of which 58.9% are Catholic. Within the schools there are 3,316 teachers of which 47% are Catholic (the national average is 49%). The Diocesan Department for Education offers support to schools whilst at the same time facilitating life-long learning throughout the Diocese. The Bede Chair in Catholic Theology and the Centre for Catholic Studies in the Theology Department of Durham University assist the Diocese's educational outreach.

Trustees' Recruitment and Appointment

Under the Articles of Association the power of appointing new or additional Trustees rests with the Bishop. The induction process for any newly appointed Trustee involves an initial meeting with the Bishop. The new Trustee is given a welcome pack comprising a copy of the Charitable Company's Memorandum and Articles; a copy of the most recent statutory accounts; the Minutes of the most recent Board meetings; and the Diocesan Guidelines and policies. The Trustees attend external training courses and receive regular circulars from the Charity Commission.

Risk Management

There is in place a risk review process, and the risk register is reviewed at every quarterly Board meeting. Changes to the RAG scores of identified risks are monitored by each Head of Department, and they are required to implement processes to mitigate risk whenever possible. The most strategic risks identified by the Senior Leadership Team are monitored by the Board. These cover:

- **Operational Risk:** Having insufficient active clergy to meet requirements, or an over-reliance on key personnel
The Forward Together in Hope programme identified areas in which lay people could share the workload of the clergy. Line managers meet with staff on a monthly basis to monitor their wellbeing.
- **Financial Risk:** A reduction in voluntary income impacting on the ability to fund necessary activities, or an inability to afford to care for sick and/or elderly clergy
An updated Finance Strategy is being developed, including a focus on fundraising. The moratorium on non-essential capital spending continues, so as to maintain a base level of financial reserves.
- **Reputational Risk:** Arising from inadequate safeguarding procedures, or a communications/data protection failure
Safeguarding training is mandatory for all clergy and employees, and staffing levels in the Safeguarding Department have been increased. A data protection support manager has been appointed and is delivering training across Parishes and Departments.

Objectives

The purpose of the Charitable Company is to promote the Roman Catholic religion in the counties of Northumberland, Tyne & Wear, Durham and the Northern part of Cleveland, which are covered by the Diocese of Hexham and Newcastle, and other charitable works promoted by the Church outside the Diocese. All of our work is underpinned by and reflects the ethos of the Roman Catholic tradition through prayer, worship, a commitment to community and a sense of mission.

The Charitable Company aims to satisfy its objectives and demonstrates its public benefit through four main areas of charitable activity, namely:

- To provide support to the clergy in their ministries
- To provide and support pastoral work in parishes and local communities
- To provide support and direct life-long Christian education in parishes and schools
- To preserve and invest in the property infrastructure of the Diocese and parishes, facilitating worship and enabling the charitable work of the church to take place.

The Trustees have given due consideration to Charity Commission published guidance on Public Benefit, and it is their opinion that the delivery of the above-noted charitable activities meets the requirement for the Charitable Company to exist for such Public Benefit.

Trustees' Report

Objectives (continued)

The work noted above is underpinned by the Diocesan Objectives, which are to ensure the:

- Dynamic growth and renewal of the Church through our Partnerships
- Building of God's Kingdom in community and public life
- Sustainability and resourcing of the Diocesan mission and ministry

Disabled employees

Applications for employment by disabled persons are always fairly considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment continues and the company will seek to cater for their needs and aim to retain them in suitable employment. On a continuing basis, a disabled employee will be included in the training programmes run by the company and will be given opportunities for promotion along with all other employees.

Employee involvement

The Charitable Company is committed to regular communication and discussions with employees on those matters relating to their work and the Charitable Company's activities.

The Charitable Company also seeks to delegate and involve staff in discussions and decision-making particularly in those areas to which they can contribute effectively, so that all may participate in the efficient running of the Charitable Company.

Going concern

The Charitable Company's activities, together with the factors likely to affect its future development, performance and position and its exposures to credit risk are set out below.

The Charitable Company meets its day to day working capital requirements through cash reserves. The current economic conditions do create some level of uncertainty over future offertory levels. At 31 March 2019 the Charitable Company held total reserves of £95.6million, consisting of Restricted Funds of £10.6million and Unrestricted Funds of £85.0million. Of the Unrestricted Funds, £72.8million was held in tangible assets and investments, so £12.2million was available as free reserves. The Charitable Company's forecasts and projections show that the Charitable Company should be able to operate within the level of its current arrangements.

As such, the Trustees have reasonable expectation that the Charitable Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Trustees' insurance

The Charitable Company maintains insurance for Trustees in respect of their duties as Trustees of the Charitable Company.

Auditor

A resolution to re-appoint Ernst & Young LLP as the Charitable Company's auditor will be put to the forthcoming Annual General Meeting.

Trustees' responsibilities for audit information

Insofar as the Trustees are aware:

Trustees' Report

- There is no relevant audit information of which the Charitable Company's auditors are unaware; and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.



Right Reverend Robert Byrne CO

Bishop of Hexham and Newcastle

Trustee

Date: 11 December 2019

Strategic Report

Activities during the year and achievements

The uncertainty in the UK economy has continued to have an impact upon the work of the Charitable Company. Pay rises have been minimal and concentrated on the lowest staff grade to ensure they were paid at least the Living Wage. To conserve resources capital building work has continued to be curtailed and only those parish projects which involved essential repair or projects that are of a health and safety or safeguarding nature, or of pastoral necessity, have been approved.

Clergy Support

There are five seminarians in formation, being three at St Mary's College, Oscott, one at the English College in Valladolid, Spain, and one at the English College in Rome. There were no ordinations to the Priesthood in the year ended 31 March 2019.

Pastoral Work

There are a number of commissions and central departments that facilitate and encourage work in local communities. Our most significant work is undertaken locally by many thousands of volunteers in our parishes.

Much of the income of our parishes goes to support the running activities of the parish although parishes use their facilities and people to reach out into the local community. Some parishes run successful parish youth groups or mother and toddler groups. Parish volunteers frequently visit people in Care Homes and Extraordinary Ministers of the Eucharist assist the priests in taking Holy Communion to those members of a parish who are too infirm to attend Mass with the rest of the community. Parish volunteers are often also closely associated with other local charities such as homelessness support, elderly and bereavement care, cancer care. There is a case to say that it is the ethos engendered in our parishes which encourages people to give so much of themselves so freely to their communities. Active participation with the Catholic faith helps to engender care for others in their community, with examples of local development projects existing throughout the Diocese.

Parishes are not only aware of the needs of their local communities but are also very conscious of the needs of poor people around the world and many have particular projects that they support. Over the year £151k (2018: £163k) has directly supported Mission work around the world. This year collections towards CAFOD's development work and disaster relief amounted to £103k (2018: £134k).

Parish Ecumenical Links from across the Diocese have gathered several times during the last twelve months, for practically grounded discussion on how ecumenical learning helps us in the enrichment of our own Catholic identity. A priority is the whole area of spiritual ecumenism which forms the fundamental basis of ecumenical friendship, at every level, out of which everything else grows. Encouraging such bonds of spiritual friendship allows the growth of a real appreciation of the spiritual 'treasures' of each other's tradition and is where appropriate practical cooperation is inspired. The strength of such ecumenical relationships in the Diocese will hopefully continue to bear fruit, in the continued growth of newer forms of ecumenical social outreach in many areas such as Street Pastors, Foodbanks, and assistance to asylum seekers. Involvement in the more usual ecumenical activities continues to foster a deep appreciation of the gifts and graces to be received from our ecumenical partners.

Apart from attending Episcopal Council meetings every two weeks, and serving a parish as parish priest, each clergy Director supports the Bishop in pastoral work throughout the Diocese.

Education

A Memorandum of Understanding has been developed which gathers together guiding principles which our schools adhere to within a Diocesan family of schools, whether they are Voluntary Aided schools or Academy companies. All of our schools are part of this Memorandum. Nineteen out of twenty Secondary Schools have converted to Academy status, as have thirty-six Primary Schools (out of 132). No First Schools or Middle Schools are Academies (out of three and one respectively).

Our link with Durham University via the Centre for Catholic Studies continues to flourish. Meetings and discussions took place to consider staffing, content delivery, and financing, all with satisfactory outcomes.

Property

During the year the majority of building work that has taken place within the Diocese has been of essential works of maintenance. At this time of global economic uncertainty, parishes have been asked to delay refurbishment and alteration work. As parishes continue to explore new structural arrangements in response to reduced numbers of priests there will be more sites becoming surplus to needs. This year has seen two site closures, and more must be anticipated.

Strategic Report

During the year a total of £2.8million was spent in parishes on building work ranging from repairs and minor projects £1.4million, to major works £1.4million.

Capital investment agreed with Education Funding Agency (EFA) covering some 300 school projects reduced slightly compared to the previous year. All of the Voluntary Aided school projects are handled by the Diocesan offices; from approval, negotiation with EFA, administration of the grant, payments to contractors, to collection of the Governors' contributions. School buildings expenditure amounted to £4.0million, with the Government contributing 90% funding towards Voluntary Aided School work. The Diocese acts as an agent for School Governors in these matters, so the building expenditure is not recognised in Diocesan fixed assets.

Financial Review

The Charitable Company's accounting policies are described in Note 1 to the financial statements.

Investment Policy and performance

The Trust deed authorises the Trustees to make and hold investments using the funds of the Charitable Company without any restrictions. The Trustees recognise that the investment portfolio is held to provide for the future needs of the Charitable Company whilst supporting the ongoing costs. Therefore the investment objective for the Diocese is to produce the optimum total return using income or capital, whichever is the most effective in the prevailing conditions. In setting an optimal total returns policy we identify, through a budgeting procedure, a level of cash return required from the managers, whilst paying due regard to the need to protect the real value of the capital. In the current conditions the aim is to withdraw not more than 3.5% of portfolio valuation per annum: the amount actually withdrawn during the year equated to 2.2% of the portfolio valuation.

The investment strategy is set on an annual basis. Fund managers are required to adhere to a strict ethical policy. An investment sub-committee of experts chaired by a Trustee provides advice and support. Although fund managers have discretionary investment powers they provide quarterly information. During the year the Diocese used the services of Newton Investment Management, while a charity investment specialist adviser (Stanhope Consulting) assists in reviewing performance. Over the year the market value of the portfolios moved in line with the general market conditions. At 31 March 2019 the combined portfolio was 103% of the previous year's valuation.

As at March 2019 the unrealised gains in the combined portfolio amounted to £7.4m.

Reserves Policy

The Trustees decide the level of free reserves to be held by the Charitable Company. Free reserves are those available to spend on any or all of the Charitable Company's purposes, being unrestricted reserves excluding those invested in fixed assets, those designated for a specific purpose, and those otherwise committed. Fixed assets are excluded because these assets cannot be realised without undermining the fundamental work of the Charitable Company.

In calculating the level of reserves to be retained by the Charitable Company, the Trustees give due regard to the need to fulfil all of its obligations and commitments and to finance the activities that it currently undertakes, and to fund future requirements including clergy retirement, schools provision, and maintenance of Parish properties including special projects such as governance arrangements and development of the Youth Village. The aim is to have retained free reserves sufficient to cover twelve months of unrestricted charitable expenditure: at 31 March 2019 ten months' cover was held.

Diocesan statistics suggest a 2% decrease in weekly Mass attendance to 31,108. As the attendance statistics are collected over three Sundays during October the Trustees feel that these are conservative figures, as the recent experience of many priests suggests that there are changing patterns of mass going and observance of the obligation. The total "giving" equated to £3.82 per mass-goer per week. Gift Aid Tax and Gift Aid Small Donation Scheme reclaims increased this to £4.44 per mass-goer. Overall, approximately 51% of parish giving was given under Gift Aid, with a further 22% eligible for the Small Donations Scheme, so the reclaims averaged £6,700 per parish, a vital source of funding to many parishes.

Grants Policy

Each year the Bishop, assisted by guidance from the Catholic Bishops' Conference of England and Wales, decides which organisations will benefit from special collections to be taken in the parishes. At a local level, parish priests and their finance committees decide which additional causes they will support to further the work of the Church, by means of special appeals. The amounts raised from such appeals and paid over to charities are sometimes supplemented from general offertory income, where this is approved by the parish priest and the parish finance committee.

Strategic Report

Financial risk management objectives

As described above the Charitable Company has established a risk and financial management framework whose primary objectives are to protect the Charitable Company from events that hinder the achievement of the Charitable Company's objectives. The Charitable Company has no operations outside the UK and is not exposed to movements in exchange rates, and therefore does not enter into transactions with derivative instruments. Cash flow and liquidity risk is covered by forecasting and management of cash. The Charitable Company has no significant individual debtors and therefore limited credit risk.

Expenditure During the Year

The principal funding sources are as described in the SOFA. A detailed analysis of expenditure is given in note 3. Outlined below is how the expenditure in the year supporting the key activities has been sourced.

Charitable Activity		Total Expenditure	Funded from specific income	Funded by general income
		£000	£000	£000
Clergy Support		1,340	177	1,163
Pastoral Work		6,407	733	5,674
Education		927	374	553
Property	Diocese/Parish	2,418	97	2,321
	School Building work	38	-	38
Cost of charitable activities		11,130	1,381	9,749

In the context of the Charitable Company's activities, the key performance indicators are:

- Attendance at events and services
- Support to local communities via outreach and ecumenical links
- Development of the religious well-being of communities

All of which are discussed above. From a financial perspective the key performance indicators are discussed above and are:

- Investment performance
- Income generated
- Expenditure incurred

Plans for Future Periods

The work of the Diocese will be streamlined and supported by the appointment of Episcopal Vicars with responsibility for the specific areas of Faith and Mission, Caritas, Care of the Clergy, and Education. A Diocesan Board of Education, chaired by Bishop Robert Byrne, has been established and will support the delivery of the Diocesan strategy relating to academisation.



Right Reverend Robert Byrne CO
Bishop of Hexham and Newcastle
Trustee

Date: 11 December 2019

Statement of Trustees' Responsibilities

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

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and of the profit or loss of the Charitable Company for that period. In preparing these financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



Right Reverend Robert Byrne CO

Bishop of Hexham and Newcastle

Trustee

Date: 11 December 2019

Independent auditors' report

to the trustees of the Diocese of Hexham and Newcastle (continued)

Opinion

We have audited the financial statements of the Diocese of Hexham and Newcastle for the year ended 31 March 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of cash flows and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2019 and of its net expenditure and application of resources, including its income and expenditure, for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Charitable Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditors' report

to the trustees of the Diocese of Hexham and Newcastle (continued)

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- ▶ the information given in the Trustees' Report, which includes the directors' report and the Strategic Report prepared for the purpose of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ The Strategic Report and the directors' report included within the Trustees' Report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or the directors' report included within the Trustees' Report.

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

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 9, the Trustees (who are also the directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report

to the trustees of the Diocese of Hexham and Newcastle (continued)

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Caroline Mulley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
11 December 2019

Statement of Financial Activities

for the year ended 31 March 2019

		<i>Unrestricted funds</i>		<i>Restricted Funds</i>	<i>2019</i>	<i>2018</i>
	<i>Notes</i>	<i>Parish</i>	<i>Central</i>	<i>Funds</i>	<i>Total</i>	<i>Total</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Income						
Income from donations		6,422	155	667	7,244	7,892
Legacies		293	5	160	458	478
Income from charitable activities		515	-	156	671	737
Investment income	2	773	1,136	153	2,062	1,755
Other income		322	306	378	1,006	1,130
Total income		8,325	1,602	1,514	11,441	11,992
Expenditure						
Expenditure on charitable activities:	3					
Clergy support		716	447	177	1,340	1,275
Pastoral		4,098	1,576	733	6,407	6,395
Education		-	553	374	927	930
Property		1,927	432	97	2,456	2,372
Total expenditure on charitable activities		6,741	3,008	1,381	11,130	10,972
Expenditure on raising funds	6(b)	91	219	45	355	308
Total expenditure		6,832	3,227	1,426	11,485	11,280
Net income/(expenditure)		1,493	(1,625)	88	(44)	712
Gains/(losses) on investment assets:						
Realised		-	345	104	449	(220)
Unrealised		-	1,214	383	1,597	739
Gains/(losses) on investment property		(68)	-	-	(68)	-
Revaluation of fixed assets held for disposal		286	-	-	286	742
Transfers between funds		(860)	860	-	-	-
Net (loss)/gain on disposal of fixed assets		(28)	3	-	(25)	358
Net movement in funds		823	797	575	2,195	2,331
Fund balances at 1 April	21	60,998	22,443	9,983	93,424	91,093
Fund balances at 31 March	21	61,821	23,240	10,558	95,619	93,424

The profit for the year for Companies Act purposes was £2,195k (2018: £2,331k).

Balance Sheet

at 31 March 2019

Company no: 7732977

	Notes	2019 £000	2018 £000
Fixed assets			
Tangible assets	8	31,338	30,584
Investments	9	47,942	44,188
Investment properties	10	1,581	1,743
		<u>80,861</u>	<u>76,515</u>
Current assets			
Debtors	16	3,009	3,294
Short term deposits	17	1,457	377
Short term deposits – Schools projects		2,000	-
Unsecured short term loans	18	839	702
Cash at bank and in hand		13,495	15,187
Cash at bank – Schools projects		4,616	2,919
		<u>25,416</u>	<u>22,479</u>
Creditors: amounts falling due within one year	19	10,658	5,570
Net assets		<u>14,758</u>	<u>16,909</u>
Total assets less current liabilities		<u>95,619</u>	<u>93,424</u>
Net assets		<u>95,619</u>	<u>93,424</u>
Represented by:			
Restricted fund		10,558	9,983
Unrestricted parish funds		61,821	60,998
Unrestricted central funds		23,240	22,443
Total funds	21	<u>95,619</u>	<u>93,424</u>

These financial statements were approved and authorised for issue by the Board of Trustees on 11 December 2019 and signed on its behalf by:



Right Reverend Robert Byrne CO
Trustee

Statement of cash flows

for the year ended 31 March 2019

	Notes	2019 £000	2018 £000
Net cash inflow/(outflow) from operating activities	20	3,638	(2,641)
Investing activities			
Income from investments		2,090	1,739
Payments to acquire tangible fixed assets		(1,378)	(1,174)
Receipts from the sales of tangible fixed assets		780	358
Payments to acquire investments		(15,045)	(17,968)
Receipts from sales of investments		13,137	15,575
Unsecured short term loans (repaid)/advanced		(137)	13
		<u>(553)</u>	<u>(1,457)</u>
Increase/(Decrease) in cash and cash equivalents	20	3,085	(4,098)
Cash and cash equivalents at 1 April 2018	20	18,483	22,581
Cash and cash equivalents at 31 March 2019	20	<u>21,568</u>	<u>18,483</u>

Notes to the financial statements

at 31 March 2019

1. Accounting policies

Statement of Compliance

The Diocese of Hexham and Newcastle is a company limited by guarantee incorporated in England. The registered office is St Cuthbert's House, West Road, Newcastle Upon Tyne, NE15 7PY.

The company's financial statements have been prepared in compliance with Charities SORP (FRS102) "Accounting & reporting by Charities: Statements of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting standards applicable in the UK and the Republic of Ireland (FRS102) (effective 1 January 2015)".

Basis of preparation

The financial statements have been prepared under the historic cost convention, modified by revaluation of quoted investments, investment properties, and certain freehold property. The financial statements have been prepared in accordance with the applicable accounting standards.

The financial statements incorporate the following funds:

- Diocesan Central Fund
- Parishes' Fund
- Priests' Training Fund
- Managed Fund

The company has not prepared group financial statements on the grounds that its subsidiaries are immaterial to the group, see note 14, and accordingly the financial statements present information about the company as an individual undertaking and not about its group.

Income and expenditure

Offeratories, donations and legacies

Offeratories are accounted for on a cash received basis. Donations and legacies are recognised when the Diocese becomes legally entitled to them and they can reasonably be measured in financial terms. Tax credits relating to Gift Aid are accounted for on an accruals basis linked to the income received.

Investment income

This is recognised on an accruals basis when dividend and interest from stocks and shares have been declared.

Grant income (other than for schools' building work)

Revenue grants are accounted for on a received basis. Capital grants are accounted for on an accruals basis. They are treated as deferred income and released to income over the period to which they relate.

Notes to the financial statements

at 31 March 2019

1. Accounting policies (continued)

Income and expenditure (continued)

Grants for schools' building work

The Charitable Company acts as an agent for the School Governors in the recovery of grants and the payment of contractors. Those grants and payments are not included in the financial statements, other than that amounts held by the Diocese on behalf of schools as grants received but not yet expended are included in the balance sheets as cash at bank and as creditors.

During the year the cost of schools' building works undertaken was £3.9million, being financed primarily by Government grants of 90% and by School Governors' contributions.

Income from trading activities

This is accounted for on a cash received basis.

Expenditure

Expenditure is charged to the income and expenditure account on an accruals basis. Irrecoverable VAT is charged to the category of expenditure for which it was incurred.

Charitable Activities expenditure includes the costs identified as wholly or mainly attributable to achieving the charitable objectives of the Charitable Company, including direct staff costs, other direct costs, and apportioned support costs.

Governance Costs relate to the general running of the Charitable Company, and include such items as external audit, legal advice for Trustees, and the costs of meeting constitutional and statutory requirements.

Costs of Generating Funds include the costs incurred in generating voluntary income, fundraising trading costs, and investment management costs.

Grants paid/payable

Grants payable are recognised when payment is authorised.

Fixed asset investments

Fixed asset investments are shown in the financial statements at their market value at the balance sheet date. The resulting unrealised surplus or deficit is credited or debited to the fund account through the movement of funds in the Statement of Financial Activities.

Current assets

All are stated at the lower of cost and net realisable value.

Liabilities

Liabilities are recognised at the point where a legal or constructive obligation exists as a result of a past event. Provisions are liabilities where the timing and quantum of the economic outflows are significantly uncertain. The Charitable Company recognises provisions on an undiscounted basis.

Interest free loans

Occasionally the Charitable Company makes small interest free loans to priests. These are repayable over three to five years.

Deposits and loans

The Charitable Company operates a mutual system. Where parishes have money surplus to their immediate needs it is deposited centrally with the Diocese and interest may be paid. Where parishes are in need, interest free loans may be made at the discretion of the Trustees.

Fund accounting

The Trustees of the Charitable Company are currently reviewing their historical designation of some of the funds. The Charitable Company is in discussion with the Charity Commission to unite several ancient and smaller trusts and as part of this process is reconsidering the description and purpose of the funds.

Notes to the financial statements

at 31 March 2019

1. Accounting policies (continued)

Fund accounting (continued)

- **Unrestricted funds**

These are expendable at the discretion of the Trustees in furtherance of the objectives of the Charitable Company. For management purposes these funds have been accounted for as:

- Diocesan Central Fund
- Parish Fund (designated for use as such by the Trustees).

- **Restricted funds**

Included under this heading are funds which have been formed as a result of donor implied intentions for the money. These include:

- Parishes Special Collection Fund to gather and distribute special donations collected for specific charities.
- Clergy Training Fund to support training of priests, deacons, and seminarians.
- Diocesan Special Reserve Fund to benefit a sick and retired clergy project.
- The Managed Fund – this comprises a large series of mass funds and special deposits, subject to specific trusts under Canon Law that have been donated in the past with the intention of supporting a specific purpose within the Charitable Company. These are not considered permanent endowments. Administratively this is managed and accounted for as one fund but it comprises several separate funds that can be further classified as:
 - Historical Masses Fund – Legacies and donations given to the Charitable Company, where the income must be used to meet Mass obligations.
 - Diocesan Designated – Income is to be used for Diocesan purpose.
 - Parishes Designated – Income is to be used for a Parish purpose.
 - Other Restricted – Income to be applied for a named purpose.
 - Clergy Training Fund – Income is to be applied for the purpose of training clergy and related costs, so that the underlying capital of the fund remains intact.

Monies collected and accumulated in the parishes are shown as designated as a whole but they are specific to each individual parish. Parishes are encouraged to participate fully in the local and universal church and contribute to the running of the Diocesan wide activities through the annual levy.

Notes to the financial statements

at 31 March 2019

1. Accounting policies (continued)

Pensions

The Charitable Company contributes to three defined contribution pension schemes. Contributions are charged in the SOFA as they become payable in accordance with the rules of the schemes.

Accounting policy for tangible fixed assets

i. Freehold and lease land and buildings

A Functional land and buildings

1. Churches, presbyteries, halls and other buildings

i. Freehold land

Functional land (i.e. land used for the prime purpose of the Charitable Company) which are still in use by the Charitable Company are included in the financial statements at original cost or where this is not available at an estimate of its historic cost (or in the case of donated land, at its fair value at the date of receipt).

Freehold land is not depreciated because it has an indefinitely long useful life.

ii. Freehold Buildings

Functional buildings (i.e. buildings used for the prime purpose of the Charitable Company) which are still in use by the Charitable Company are included in the financial statements at original cost or where this is not available at an estimate of their historic cost (or in the case of donated buildings, at an estimate of their fair value at the date of receipt). All new functional buildings, improvements and major renovations are capitalised at the cost of construction.

Buildings that were in use at 31 December 1996 are depreciated at rates calculated to write off their estimated historic cost (less the estimated residual value) evenly over the whole of their useful life.

The estimate of the useful life of a building varies depending on the condition and future use of the building, however, in general it is expected that a building in a reasonable state of repair will continue in use without major renovations or improvements for the following period:

a) Unlisted churches	100 years
b) Cathedral and listed churches	200 years
c) Presbyteries	50 years
d) Other buildings including care homes	50 years

Depreciation rates are calculated using the age of the building and its expected useful life.

iii. Leasehold land and buildings

Leasehold land and buildings (if held) are depreciated over the life of the lease on a straight-line basis.

Details and addresses of the Diocesan churches and other buildings (both freehold and leasehold) can be found in the Northern Catholic Calendar and on the Diocesan website.

Notes to the financial statements

at 31 March 2019

1. Accounting policies (continued)

Accounting policy for tangible fixed assets (continued)

i. Freehold and lease land and buildings (continued)

A Functional land and buildings (continued)

2. Voluntary aided schools

i. Land

The Charitable Company owns the land on which its voluntary schools are built. The nature of the occupation of the land by these exempt charities means that the Diocesan Trustees do not have the power to dispose of the land, until the school ceases its occupation, which in turn would require the approval of the Secretary of State. Consequently, for the purposes of these financial statements the land is not capitalised. The cost of any land acquired for the purposes of a voluntary aided school is charged to the statement of financial activities in the year of acquisition.

Land agreed as surplus to a school's requirements by the Local Education Authority may be disposed of by the Trustees who own the land.

ii. Buildings

The school buildings are occupied, improved, extended and repaired by the school governors. The nature of the occupation of these buildings by these exempt charities means that the Diocesan Trustees do not have control over the buildings, until the school ceases its occupation, which in turn would require the approval of the Secretary of State. Consequently, for the purposes of these financial statements any cost of new building is written off to the statement of financial activities in the year it is incurred.

The Diocese, as agent for School Governors, pays all school improvement and repair costs and reclaims all of the related grants. Parishes and/or Governors are billed for their contributions.

Details of the Diocesan Voluntary Aided Schools (both freehold and leasehold) are given in the Northern Catholic Calendar.

B Investment property and former functional land and buildings

1. Investment property

Investment properties are shown at the Trustees' best and prudent estimate of market value. Any material changes in value during the year are reported in the 'gains and losses on revaluation and investment asset disposals' section of the statement of financial activities. Details of the date and basis of the valuations and of the valuer are given in note 11 to these financial statements. The historical cost of these assets is disclosed in note 10. As these assets are recorded at current market value no charge for depreciation is made in the financial statements.

Notes to the financial statements

at 31 March 2019

1. Accounting policies (continued)

Accounting policy for tangible fixed assets (continued)

B Investment property and former functional land and buildings (continued)

2. Former functional land and buildings

Properties which were previously occupied for Charitable Company use but are now no longer in use fall into two categories:

- i. Those which can now be sold or are awaiting sale.

Properties awaiting sale are shown at the Trustees' best estimate of their ultimate net sale proceeds. If it is expected to realise the asset within 12 months then it is shown under current assets. All changes in value during the year are reported in the 'gains and losses on revaluation and investment asset disposals' section of the statement of financial activities. Details of the date and basis of the valuations and of the valuer are given in note 11 to these financial statements. The estimated historical cost of these assets is disclosed in note 10. As these assets are no longer used by the Charitable Company, no charge for depreciation is made in the financial statements.

- ii. Those which have restrictions on them which make sale difficult or detrimental to the Charitable Company.

Land

Former functional land is included in the financial statements at an estimate of its historic cost (or in the case of donated land, at its fair value at the date of receipt).

Freehold land is not depreciated because it has an indefinitely long useful life. Leasehold land and buildings are depreciated over the life of the lease on a straight-line basis.

Buildings

Former functional buildings are included in the financial statements at original cost or where this is not available at an estimate of their historic cost (or in the case of donated buildings, at an estimate of their fair value at the date of receipt). However as the buildings no longer have any use they are fully depreciated and have no net book value.

ii. Fixtures, fittings and equipment

Fixtures, fittings and equipment which were in use at 31 December 1996 and which had a current replacement cost exceeding £5,000 were capitalised and included in the financial statements at an estimate of their historical cost (or in the case of donated assets, at an estimate of value at the date of acquisition). Subsequent acquisitions with a cost (or, in the case of donated assets, estimated value) of over £5,000 are capitalised on the same basis. They are depreciated at rates calculated to write off the cost of valuation, less the estimated residual value, of each asset evenly over its expected useful life as follows:

Church furniture	50 years
Presbytery and hall contents, and equipment	5 to 10 years
Sound systems and special lighting	5 to 10 years
Other fixtures and equipment	5 to 10 years

Notes to the financial statements

at 31 March 2019

1. Accounting policies (continued)

Accounting policy for tangible fixed assets (continued)

iii. Motor vehicles

Motor vehicles have been capitalised and included in the financial statements at their historical cost (or in the case of donated assets, at an estimate of value at the date of acquisition) and are depreciated at rates calculated to write off the cost or valuation, less the estimated residual value, of each asset evenly over expected useful life as follows:

Motor cars	5 years
Mini buses	5 years

Accounting policy for tangible fixed assets – heritage assets

Works of art and historic treasures

The Charitable Company owns several works of art and historic treasures. The items have extraordinary long lives and are worth preserving perpetually. The collection is not recognised in the Balance Sheet because details of the costs of these items are not available and the cost to the Charitable Company of obtaining valuations would exceed the benefit arising from doing so. The vast majority of the collection was acquired over 100 years ago.

Basis of allocation and apportionment of Central Support Costs

As shown in Note 4(a) to the financial statements, the costs of the Episcopal office and of the central Diocesan departments (including the finance and human resources departments) have, as far as possible, been allocated directly to the relevant charitable activity. The remaining unallocated costs have been apportioned equally to charitable activities, as the Trustees are of the opinion that no single activity is of more importance than any other, and the interaction and close links between different activities makes this the most reasonable basis of apportionment.

2. Investment income

	<i>Unrestricted funds</i>		<i>Restricted</i>	<i>2019</i>	<i>2018</i>
	<i>Parish</i>	<i>Central</i>	<i>Funds</i>	<i>Total</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Income arising from:					
Investment properties	14	79	-	93	65
Listed investments	21	729	153	903	820
Cash deposits held as investments	2	328	-	330	169
Income from functional assets	736	-	-	736	701
	<u>773</u>	<u>1,136</u>	<u>153</u>	<u>2,062</u>	<u>1,755</u>

Notes to the financial statements

at 31 March 2019

3. Expenditure on charitable activities

		<i>Unrestricted funds</i>		<i>Restricted Funds</i>	<i>2019 Total</i>	<i>2018 Total</i>
	<i>Notes</i>	<i>Parish £000</i>	<i>Central £000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Clergy support						
Clergy costs		716	217	-	933	920
Support of retired clergy		-	60	-	60	56
Clergy Training Fund		-	-	132	132	110
Managed Fund		-	-	16	16	-
Grants and donations	5	-	-	28	28	32
Share of central support costs	4(a)	-	170	1	171	157
		716	447	177	1,340	1,275
Pastoral						
Church running costs		3,780	-	-	3,780	3,789
Other parish costs		241	-	-	241	570
Grants and donations	5	49	147	562	758	805
Youth Service: provision re loan		-	318	-	18	166
Liturgy commission		-	10	-	10	8
Vocations commission		-	6	-	6	4
Provision of Care		28	-	-	28	8
Safeguarding commission		-	175	-	175	129
University Chaplaincy work		-	117	-	117	126
Justice and Peace		-	77	-	77	62
Diocesan Tribunal		-	10	-	10	16
Department for Communications		-	38	-	38	25
Adult Formation and Evangelisation		-	32	-	32	21
Discipleship and Lay Leadership		-	36	-	36	71
Pastoral Provision for Deaf People		-	1	-	1	1
Ecumenical and Interfaith commissions		-	35	-	35	35
Marriage care		-	10	-	10	10
Diocesan events		-	6	-	6	9
Northern Catholic Calendar		-	23	-	23	23
Family life		-	3	-	3	3
Newcastle City Centre Ministry		-	-	25	25	11
Pastoral Development and Renewal		-	75	146	221	119
Share of central support costs	4(a)	-	-	170	170	148
		4,098	1,576	733	6,407	6,395
Education						
Education service		-	320	374	694	721
Schools chaplaincy		-	10	-	10	7
CES grant	5	-	53	-	53	53
Share of central support costs	4(a)	-	170	-	170	149
		-	553	374	927	930
Property						
Repair of parish property		1,331	-	97	1,428	1,315
Diocesan property office		-	109	-	109	134
Diocesan resource centre		-	52	-	52	52
School building costs		38	-	-	38	85
Depreciation charges		558	101	-	659	638
Share of central support costs	4(a)	-	170	-	170	148
		1,927	432	97	2,456	2,372
Total cost of charitable activities	4(b)	6,741	3,008	1,381	11,130	10,972

Notes to the financial statements

at 31 March 2019

4(a). Central support costs in Unrestricted funds

	<i>Staff costs £000</i>	<i>Other costs £000</i>	<i>2019 Total £000</i>	<i>2018 Total £000</i>
Episcopal office	38	95	133	110
Finance and human resources offices	166	18	184	143
Governance costs, note 6(a)	120	104	224	180
Diocesan office overheads	5	135	140	161
	<u>329</u>	<u>352</u>	<u>681</u>	<u>594</u>
Apportioned to charitable activities:				
Clergy support (25%)	83	88	171	149
Pastoral (25%)	82	88	170	148
Education (25%)	82	88	170	149
Property (25%)	82	88	170	148
	<u>329</u>	<u>352</u>	<u>681</u>	<u>594</u>

Basis of allocation and apportionment

The costs of the Episcopal office and of the central Diocesan departments (including the finance and human resources departments) have, as far as possible, been allocated directly to the relevant charitable activity. The remaining unallocated costs have been apportioned equally to charitable activities, as the Trustees are of the opinion that no single activity is of more importance than any other, and the interaction and close links between different activities makes this the most reasonable basis of apportionment.

4(b). Charitable activities expenditure

	<i>Staff costs £000</i>	<i>Other costs £000</i>	<i>2019 Total £000</i>	<i>2018 Total £000</i>
Clergy support	82	1,258	1,340	1,275
Pastoral	1,233	5,174	6,407	6,395
Education	565	362	927	930
Property	183	2,273	2,456	2,372
	<u>2,063</u>	<u>9,067</u>	<u>11,130</u>	<u>10,972</u>

Notes to the financial statements

at 31 March 2019

5. Grants and donations

During the year the Group made a large number of donations, as described below:

	2019 £000	2018 £000
Bishop's charities	6	7
Catholic Agency for Social Concerns	3	3
National Catholic Fund	119	96
National Catholic Fund re IICSA	-	22
Domestic grants	6	7
Catholic Youth	23	22
Lay Training Fund	39	23
Apostleship of the Sea	27	27
Holy Places	14	36
Peter's Pence	19	19
Racial Justice	7	9
Sick and Retired Priests NBF	28	32
World Communications	15	16
Day for Life	19	18
Home Mission	16	17
World Mission	21	21
Other Mission Charities	115	125
CAFOD Development and emergency aid	103	134
Other smaller grants	259	256
Total group charitable grants and donations	839	890

These are included in charitable activities (note 3) as follows:

Clergy support	28	32
Pastoral	758	805
Education	53	53
	839	890

Parishes occasionally allow fundraisers from other charities to collect outside of Mass or through collection boxes in parishioners' homes. These funds are usually counted and recorded by the receiving Charitable Company and do not pass through parish funds.

Notes to the financial statements

at 31 March 2019

6(a). Governance costs included in Central Support costs

	Unrestricted funds			Restricted funds		
	Parish	Central	Clergy Training Fund Total	Managed Fund	Total	2018 Total
Audit fees	-	79	79	-	-	66
Other governance costs	-	24	24	-	1	34
	-	103	103	-	1	100

6(b). Expenditure on raising funds

	Unrestricted funds			Restricted funds		
	Parish £000	Central £000	Clergy Training Fund Total £000	Managed Fund £000	Total £000	2018 Total £000
Fundraising and publicity costs	91	-	91	-	91	87
Stockbroker fees	-	213	213	45	258	212
Gift Aid office costs	-	6	6	-	6	9
	91	219	310	45	355	308

Notes to the financial statements

at 31 March 2019

7. Wages and Staff costs

Included in expenditure are the following staff costs:

	2019 £000	2018 £000
Wages and salaries	1,838	1,710
Social security costs	130	111
Other pension costs	116	98
Total remuneration	2,084	1,919

All pension costs are paid out of unrestricted funds.

	2019 Number of employees	2019 £000	2018 Number of employees	2018 £000
Central Diocesan services	45	1,446	40	1,275
Parishes	125	638	128	644
	170	2,084	168	1,919

No trustee received any remuneration during the year or previous year. Certain trustees received allowances as serving Clergy but not in their capacity as trustee. Pension contributions paid for Trustees as members of the Clergy scheme amounted to £6k (2018: £6k).

Eight trustees received expenses to the value of £5k (2018: £6k) in respect of travel and subsistence costs.

Higher paid employees received remuneration (including pension contributions) of:

between £90k and £95k	one employee	(2018: 0)
between £75k and £80k	one employee	(2018: 0)
between £70k and £75k	one employee	(2018: 0)
between £65k and £70k	one employee	(2018: 0)
between £60k and £65k	one employee	(2018: 1)

no other employee received more than £60k.

Total remuneration of key management personnel (Chief Operating Officer and 14 Heads of Departments, 6 of which are remunerated through the Diocese) was £396k.

Clergy are not included in the above staff details as they are Office Holders and not employees of the Charitable Company. Payments to clergy during the year amounted to £1,116k (2018: £1,001k).

The Charitable Company is very grateful for the help of the army of volunteers who support the work of every member of the group. It is estimated that some 8,000 people support the parishes, and without their help the parishes could not function. It is however not possible to value the service provided by volunteers.

Notes to the financial statements

at 31 March 2019

8(a). Tangible fixed assets

	<i>Freehold property £000</i>	<i>Motor vehicles £000</i>	<i>Fixtures, fittings and equipment £000</i>	<i>Total £000</i>
Cost:				
At 1 April 2018	43,370	64	3,352	46,786
Additions	1,231	-	147	1,378
Transfer from Investment Properties	94	-	-	94
Disposals	(258)	(35)	(100)	(393)
Transfer to Current Assets	(58)	-	-	(58)
At 31 March 2019	44,379	29	3,399	47,807
Accumulated depreciation:				
At 1 April 2018	13,291	59	2,852	16,202
Charge for the year	569	3	116	688
Disposals	(258)	(36)	(100)	(394)
Transfer to Current Assets	(27)	-	-	(27)
At 31 March 2019	13,575	26	2,868	16,469
Net book value:				
At 31 March 2019	30,804	3	531	31,338
At 31 March 2018	30,079	5	500	30,584

8(b). Tangible fixed assets – Heritage assets

There have been no transactions in works of art and historic treasures during the past five years. Where acquisitions were made, these were by donation. In the Trustees' view the value of these donations is not material and obtaining a current valuation would involve disproportionate cost.

Management policy

The works of art and historic treasures owned by the Charitable Company comprise several hundred items, acquired throughout many years. The items were acquired mostly through direct donation and occasionally by purchase.

Notes to the financial statements

at 31 March 2019

9. Fixed asset investments

	<i>Notes</i>	<i>2019</i> <i>£000</i>	<i>2018</i> <i>£000</i>
Quoted investments:			
Investment fund	12	25,478	24,658
Managed fund	13	8,068	7,759
Total quoted investments		33,546	32,417
Investment in Sursum Corda Limited	14	250	250
Loan to YMT	14	-	200
Fixed investment deposits		14,146	11,321
		47,942	44,188
Investment categories (quoted investments):		<i>2019</i> <i>£000</i>	<i>2018</i> <i>£000</i>
Conventional gifts		3,404	4,842
UK fixed interest		891	1,089
UK equities		12,472	10,969
Overseas equities		16,108	15,175
Overseas bonds		324	-
Property		347	342
		33,546	32,417

The above are shown at market value as defined in accounting policy note 1. Derivation of property market value is further explained in note 11. Of the above investments no single investment has a value in excess of 5% of the total.

Notes to the financial statements

at 31 March 2019

10. Investment properties

	<i>Diocesan Central fund £000</i>	<i>Parishes unrestricted fund £000</i>	<i>2019 Total £000</i>	<i>2018 Total £000</i>
Market value:				
At 1 April 2018	489	1,254	1,743	1,743
Additions	-	-	-	-
Unrealised losses on revaluation	-	(68)	(68)	-
Transfer to tangible fixed assets	-	(94)	(94)	-
At 31 March 2019	489	1,092	1,581	1,743
Book cost of investment property:				
At 31 March 2019	162	524	686	686

11. Valuation of investment properties

Properties have been included at Trustees' valuation.

If a commercial rent was paid, the valuation of properties is calculated as 7 times the annual rent.

Occasionally a peppercorn rent agreement has been arranged if the church will benefit from the occupation of the property. For example:

- safeguarding a nearby church where there is no resident priest
- tenant has agreed to substantially renovate the premises
- used by similar charities such as convents or religious orders and seen as furthering the outreach work of the church.

For properties rented out at below commercial rate, their valuation is based on 40% of the reinsurance value.

This is except for presbyteries attached to Parishes due to the significant reinsurance value. The valuation of these properties is based on an independent valuation obtained from GVA Grimley, land and estate agents commissioned by the Diocese.

Where properties are placed on the open market an independent valuation is obtained from land and estate agents commissioned by the Diocese (GVA Grimley or Savills)

Notes to the financial statements

at 31 March 2019

12. Investment fund

			2019	2018
			£000	£000
At 1 April 2018			24,657	23,285
Additions			9,270	7,701
Disposals			(9,663)	(6,890)
Net unrealised investment gains			1,214	562
Market value of quoted investments at 31 March 2019			25,478	24,658
Book cost of quoted investments as at 31 March 2019			19,852	19,064
Comprising at 31 March:				
	Cost	Unrealised	2019	2018
	£000	£000	Total	Total
			£000	£000
Wise Speke	-	-	-	1
Newtons	19,852	5,626	25,478	24,657
	19,852	5,626	25,478	24,658

13. Managed fund

		2019	2018	
		£000	£000	
At 1 April 2018		7,759	7,330	
Additions		2,950	2,436	
Disposals		(3,024)	(2,184)	
Net unrealised investment gains		383	177	
Market value of quoted investments as at 31 March 2019		8,068	7,759	
Book cost of quoted investments as at 31 March 2019		6,263	5,983	
Comprising at 31 March 2019:				
		2019		
	Cost	Unrealised	Total	2018
	£000	£000	£000	£000
Newtons	6,263	1,805	8,068	7,759

See note 15 for further details of the Managed Fund.

Notes to the financial statements

at 31 March 2019

14. Other investments

The Diocese holds 100% of the ordinary share capital of Sursum Corda Limited.

Youth Ministry Trust is a Charitable Company, of which Diocese of Hexham and Newcastle is the sole member.

Financial information relating to these companies is as follows:

Reserves	Net movement in funds	
	£000	£000
Sursum Corda Limited (31 March 2018)	(34)	205
Youth Ministry Trust (31 August 2018)	(103)	(415)

The Diocese made a long term loan of £250k to Sursum Corda Limited in the year ended 31 March 2004, to enable that company to adequately support its work in the distribution of religious knowledge resources. This is in addition to the short-term loan of £525k shown in note 18 to these financial statements.

The Diocese also made a long term loan of £100k to Youth Ministry Trust in the year ended 31 March 2013, and further loans in subsequent years. The full amount outstanding is £484k, and the terms of repayment are entirely at the discretion of the Diocesan Trustees. Provision in full has been made against the value of the loan, because of concerns relating to the recoverability of the funds.

15. The Managed Fund

The Managed Investment Fund was derived initially from legacies and bequests and money held on trust under the protection of Charitable Company Trustees. Each donation is redefined as a number of units, determined by a rate based on the market value of the fund at the date of subscription.

The capital is then invested in the Managed Fund. Its many individual subscriptions can be broadly categorised into:

- church funds deposited for investment
- special donations deposited for investment

The Managed Fund comprises quoted investments and cash awaiting investment held by Newtons at the Royal Bank of Scotland.

Notes to the financial statements

at 31 March 2019

15. The Managed Fund (continued)

At 31 March 2019 the fund comprised:

	<i>Note</i>	<i>Initial cost plus reinvested gains £000</i>	<i>Market value £000</i>
Quoted investments	13	6,263	8,068
Cash at the Royal Bank of Scotland	17	402	402
Value of investment at 31 March 2019		6,665	8,470

This fund is apportioned as follows:

	<i>Initial cost 31/3/19 £000</i>	<i>Market value 31/3/19 £000</i>	<i>Number of Units 31/3/19</i>
Special donation balances:			
Historical Mass Fund	213	806	93,008
Diocesan Designated Fund	103	372	42,976
Parishes Designated Fund	427	3,344	385,928
Restricted Fund	107	661	76,337
Clergy Training Fund	1,218	2,652	306,035
Lay Training Fund	50	67	7,704
	2,118	7,902	911,988
Church funds balances:			
Historical Mass Fund	45	115	13,234
Diocesan Designated Fund	35	92	10,639
Parishes Designated Fund	16	33	3,795
Restricted Fund	130	328	37,842
	226	568	65,510
Total Managed Fund	2,344	8,470	977,498

Notes to the financial statements

at 31 March 2019

16. Debtors

	2019 £000	2018 £000
Trade debtors	129	143
Taxation repayments	1,325	1,346
Accrued investment income	49	77
Other debtors	291	116
Prepayments	580	782
Assets held for disposal	635	830
Total debtors at 31 March	3,009	3,294

Amounts falling due after more than one year included in the above are £350k (2018: £375k).

17. Short term deposits

This includes cash held awaiting investment.

	2019 £000	2018 £000
Diocesan Central Fund:		
Bank of Scotland at Wise Speke	-	2
Newton Investment Bank	1,055	225
Managed Fund:		
Royal Bank of Scotland at Newton	402	150
Total short term deposits at 31 March	1,457	377

18. Short term loans

	2019 £000	2018 £000
Loans to Priests	33	32
Other loans	281	278
Loan to group charitable company	525	392
Total short term loans at 31 March	839	702

Amounts falling due after more than one year included in the above are £210k (2018 £240k).

Notes to the financial statements

at 31 March 2019

19. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Sundry creditors	329	319
Accruals	197	112
School grants received in advance	8,681	3,655
Deposits repayable on demand	1,451	1,484
	<u>10,658</u>	<u>5,570</u>

20. Note to statement of cash flows

a) Reconciliation of net (expenditure)/income to net cash inflow/(outflow) from operating activities

	2019 £000	2018 £000
Net (expenditure)/income	(44)	712
Depreciation and assets written off	718	648
(Increase)/decrease in debtors	(62)	376
Increase/(decrease) in creditors	5,088	(1,870)
Investment income	(2,062)	(1,755)
Net cash inflow/(outflow) from operating activities	<u>3,638</u>	<u>(2,641)</u>

b) Movement in net debt

	1 April 2018 £000	Cash flows £000	31 March 2019 £000
Cash at bank and in hand	18,106	5	18,111
Short term deposits	377	3,080	3,457
Cash and cash equivalents	<u>18,483</u>	<u>3,085</u>	<u>21,568</u>

Notes to the financial statements

at 31 March 2019

21. Reserves summary

	Note	At April 2018 £000	Statement of financial activities		Transfers between funds (c) £000	Balance at 31 March 2019 £000	
			Income £000	Expenditure £000	Fixed asset gains £000		
Restricted reserves							
Clergy Training Fund		153	285	132	-	146	To meet the costs of training clergy
Parishes Special Collections and Grants		-	590	590	-	-	Donated to missions, special appeals, etc.
Parishes Restricted Fundraising		278	156	97	-	337	Fundraising for specified projects
Pastoral Development and Renewal		261	(100)	146	-	15	To meet the costs of the development programme
Main Fund Restricted Funds	(a)	-	374	374	-	-	Various specified purposes
Main Fund Newcastle City Centre Ministry		89	100	26	-	163	
Main Fund Special Reserve		250	-	-	-	250	For a project to benefit sick and retired clergy
Managed Capital Funds	(b)						
Historical Masses Fund		809	10	5	44	858	Income must be used to meet Mass obligations
Diocesan Fund		524	7	4	28	555	Income must be used for Diocesan purposes
Parishes Fund		3,383	41	23	184	3,585	Income must be used for Parish purposes
Clergy Training Fund		3,231	39	22	176	3,584	Income must be used to meet costs of training clergy
Other Funds		1,005	12	7	55	1,065	Income applied for specific purposes
Total restricted reserves		9,983	1,514	1,426	487	10,558	
Unrestricted reserves							
Diocesan Central Funds		22,443	1,602	3,227	1,562	23,240	
Unrestricted designated reserves							
Parishes' Funds		60,998	8,325	6,832	190	61,821	
Total unrestricted reserves		83,441	9,927	10,059	1,752	85,061	
Total charity reserves		93,424	11,441	11,485	2,239	95,619	

Notes

(a) The Main Fund Restricted Funds received during the year were Schools' Contributions to the Department for Education. All were fully expended during the year.

(b) Where income to the Management Fund is subsequently distributed to other funds that income is shown in the financial statements only as income of the ultimate recipient fund. The 'Incoming resources' to the Managed Fund shown above represents income of that fund re-invested into that same fund.

(c) The transfers between funds represent the levy paid by parishes to the central activities of the Diocese (£860k) and restricted funds spent by parishes on capital assets that are part of unrestricted assets.

(d) Total restricted reserves include £8,068k of quoted investments, £1,868k of cash and cash equivalents, £403k of short term deposits and £219k of other assets.

Notes to the financial statements

at 31 March 2019

22. Capital commitments

Amounts contracted for at the year end but not provided in the financial statements amounted to £26k for parish building work.

23. Contingent liability

In the opinion of the Trustees there were no contingent liabilities in existence other than in the normal course of the activities of the Charitable Company as at 31 March 2019.

24. Pension commitments

The Charitable Company operates a defined contribution pension scheme administered by Prudential for its senior employees (no new members are admitted to this scheme). It is also a member of the Teachers' Pension Scheme, continuing the contributions (on a defined contribution basis) of senior staff who are qualified teachers. A Group Personal Pension Scheme administered by Standard Life is operated for Diocesan Clergy. There is a Stakeholder Pension Scheme administered by Standard Life available for all employees. The assets of all of these pension schemes are held separately from those of the Charitable Company in independently administered funds.

25. Liability

The Charitable Company is a private company limited by guarantee. The liability of the members is limited and every member undertakes to contribute to the assets of the company, in the event of the Charitable Company being wound up while he or she is a member, or within one year after he or she ceases to be a member, for the debts and liabilities of the company contracted before he or she ceased to be a member and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributors among themselves, such amount as may be required not exceeding one pound.