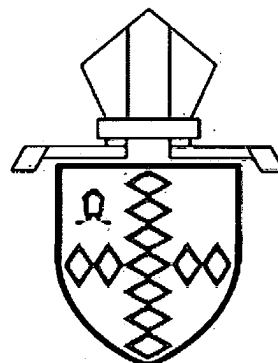


REGISTRAR OF COMPANIES



Southwark Diocesan Board of Education Incorporated

Annual Report and Financial Statements

31 December 2016

Company Limited by Guarantee
Registration Number 00086641
(England and Wales)

Charity Registration Number
313001

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Reference and administrative information Year to 31 December 2016

Trustees	The Rt Revd Christopher Chessun (President) The Rt Revd Jonathan Clark (Chair) Mr Martin Brecknell The Revd Anthony Buckley The Revd Carol Coslett The Revd Canon Stephen Coulson Mrs Lesley Daniell Mrs Pam Davies Mr Malcolm Edwards CBE The Revd Peter Farley-Moore The Revd Simon Foster Mr Niall Gallagher The Revd Dr Mark Garner The Ven Simon Gates Mrs Riana Gouws Mrs Emma Hart-Dyke The Revd Annie Kurk Ms Bett Llewelyn Mr Graham Long Mrs Jane Manning Mrs Jane Marwood The Rev Darren Miller The Revd Canon Peter Moseling (until March 2016) The Revd Peter Organ The Rev Bruce Rickards Mrs Penny Smith-Orr Dr Catherine Stibe-Hickson The Revd Mike Todd The Revd Andrew Williams The Revd Erica Wooff
Senior leadership team	Mr Colin Powell (Director of Education) Dr Carol Jerwood (Assistant Director)
Company secretary	Mr Colin Powell
Registered office	48 Union Street London SE1 1TD
Charity registration number	313001
Company registration number	00086641

Reference and administrative information Year to 31 December 2016

Auditor Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Bankers National Westminster Bank plc
57 Victoria Street
London
SW1H 0HN

Solicitors Winckworth Sherwood
Minerva House
5 Montague Close
London
SE1 9BB

The Trustees (who are also the Directors for Companies Act purposes) have pleasure in presenting their Annual Report and the audited Financial Statements for the year ended 31 December 2016.

This report provides an opportunity for the Southwark Diocesan Board of Education (SDBE) to set out how its objectives, governance, strategy, activities and achievements all contribute to its overall mission and purpose, and the contribution the SDBE makes to the education of children and young people within the Diocese of Southwark.

Trustees are proud of the achievements that have taken place in 2016 and would like to thank all the staff, volunteers, supporters, schools and governors who have made these possible.

The SDBE also provides information through a range of publications, briefings, the Diocesan website (www.education.southwark.anglican.org) and the Diocese of Southwark Annual Review.

Vision, mission and aims

Developing Church of England education

The purpose and objects of the Southwark Diocesan Board of Education are set out in its two main constitutional documents:

- ◆ The Diocesan Board of Education Measure (1991); and
- ◆ The Memorandum and Articles of Association of the Southwark Diocesan Board of Education.

Our vision

- ◆ To be a high-performing Diocesan Board promoting excellence in education both locally and nationally;
- ◆ To develop and grow highly effective, inclusive Church of England schools rooted in Christian values;
- ◆ To celebrate and share the richness, quality and successes of our schools and chaplaincies;
- ◆ To enable the mission of God through the work of the Board; and
- ◆ To offer exemplary service to our schools and chaplaincies.



Breaking Ground Ceremony at St Mary Magdalene's, Greenwich

Vision, mission and aims (continued)

Developing Church of England education (continued)

Key areas

- ◆ Church School Effectiveness;
- ◆ Development of Chaplaincy in Schools, Colleges and Universities; and
- ◆ Development and growth.

Church School effectiveness

- ◆ Strong, effective, high performing schools;
- ◆ Strong effective governance;
- ◆ Excellent Christian leadership;
- ◆ Identify individual school need and support;
- ◆ High quality Religious Education and Collective Worship; and
- ◆ Securing resources.



Opening Ceremony at St John's, Angell Town

Development of chaplaincy in schools and colleges

- ◆ Structured programme of development
- ◆ Looking for new opportunities;
- ◆ Developing new models of Chaplaincy; and
- ◆ Links with Diocesan Clergy.

Development and growth

- ◆ New provision and expansion;
- ◆ Embracing new systems and structures;
- ◆ Financial stability of the Board;
- ◆ Staff team development;
- ◆ Continual improvement of efficient and effective structures; and
- ◆ Clergy development.

Trustees' report Year to 31 December 2016

The SDBE provides support to the following:

- ◆ 92 Primary schools;
- ◆ 14 Secondary schools;
- ◆ 37,000 children and young people who attend C of E schools in the Diocese of Southwark; and
- ◆ 7 Higher and 7 Further Education institutions through its role in Chaplaincy.

The relationship with our beneficiaries and service users is one of partnership and collegiality. We work mainly with school leaders and governors to achieve our aims. Our main activities include:

- ◆ Delivery of a comprehensive 'Partnership Agreement' with Church of England schools in the Diocese;
- ◆ Analysis of the outcomes of school inspection (OFSTED and SIAMS);
- ◆ Headteacher meetings and conferences;
- ◆ Delivery of a comprehensive range of training programmes;
- ◆ Regular school visits;
- ◆ Meetings of the Board of Education and its Committees;
- ◆ Pastoral support for headteachers;
- ◆ Representation on Local Authority Overview and Scrutiny Committees;
- ◆ Representation on Standing Advisory Councils for Religious Education (SACRES);
- ◆ Administration of the Statutory Inspection of Anglican and Methodist Schools (SIAMS) across the Diocese;
- ◆ Meetings of Officers and Advisers to determine work patterns;
- ◆ Support for governing bodies in fulfilling their roles and responsibilities; and
- ◆ Support and development of chaplaincies across schools and Higher and Further Education institutions.

Achievements and performance for 2016

2016 was another busy and successful year for the SDBE. The highlights listed below demonstrate how the SDBE is fulfilling its aims. Key strategic areas identified for 2016 were:

- ◆ Church school effectiveness;
- ◆ Development of education chaplaincy;
- ◆ Development of the Board of Education; and
- ◆ Evaluation of opportunities for development and growth.

Growing and appointing the best leaders for our schools is key to our success. Our schools perform well above national averages on a range of indicators. Inspection framework reviews (OFSTED and SIAMS) challenge all schools to meet the new, demanding criteria which has resulted in some schools retaining, or indeed dropping a grade at inspection. Chaplaincy goes from strength to strength and plays a significant role in our educational settings. Board staff have continued to develop and produce quality advice and support materials for schools to meet the ever changing education landscape. A significant amount of staff resource has been directed at buildings and expansion projects to meet the challenge of increasing numbers of pupils in our schools. During 2016 the following Key Performance Indicators were reported to Board members on a regular basis:

- ◆ % of schools graded 'good or better' by OFSTED;
- ◆ % of schools graded 'good or better' by SIAMS;
- ◆ Schools classified as 'coasting';
- ◆ Number of schools in a category;
- ◆ Number of headship vacancies/schools with interim headteacher arrangements;
- ◆ Number of Diocesan foundation governor vacancies/% filled in a term;
- ◆ Number of building projects;
- ◆ Number of schools engaged in development programmes;
- ◆ Number of Secondary school Chaplaincy vacancies; and
- ◆ Number of FE/HE Chaplaincy vacancies.

Below are some highlights from the year:

- ◆ 3 new headteachers took up post during the year;
- ◆ 1 school moved from 'Good' to 'Outstanding' under the revised OFSTED framework;

Achievements and performance for 2016 (continued)

- ◆ 3 schools moved from 'Good' to 'Outstanding' under the revised SIAMS framework;
- ◆ 35% of schools graded 'Outstanding';
- ◆ 93% of schools graded 'Good or better' by OFSTED (December 2016) – Primary 93% against a national average of 87%; Secondary 86% against a national average of 76%. There were 19 inspections;
- ◆ 98% of schools graded 'Good or better' by SIAMS (December 2016);
- ◆ There are some individual LAs where the SDBE combined attainment average is lower than the LA average, but the SDBE diocese-wide combined average is higher than the LA-wide combined average;
- ◆ The average Progress 8 score for diocesan secondary schools was 0.03 compared to the National of 0;
- ◆ The Progress 8 score in 31% of diocesan secondary schools was graded as above average; 15% of which were graded as well above average;
- ◆ The diocesan average of the proportion of students achieving C or above in English and Mathematics was 68% compared to the national average of 56%;
- ◆ The diocesan average of the proportion of students entered for the EBacc was 50% compared to national, with 29% achieving the Ebacc compared to 23% nationally;
- ◆ 3 schools were showcased for exemplary practice;
- ◆ 24 schools undertook significant building works (not including expansions/bulges);
- ◆ 13 school expansion initiatives;
- ◆ Provision for 1 bulge class under way;
- ◆ The Diocesan School Improvement Partner programme was launched;
- ◆ A new one-day forum for 'Outstanding' schools was introduced;
- ◆ The Annual Head/Deputies conference held at Canterbury was attended by 100 delegates;
- ◆ The School Effectiveness Team produced documents that linked the OFSTED and SIAMS frameworks;
- ◆ Two soft federations were established in Greenwich and Lambeth;



Worship contribution from Saint Cecilia's Academy

Achievements and performance for 2016 (continued)

- ◆ The number of Diocesan foundation governor vacancies reduced;
- ◆ 8 schools completed the Bishop's Certificate in Church School Governance;
- ◆ A framework was developed for Further Education chaplaincy;
- ◆ Our property rental portfolio was reviewed to achieve a better income;
- ◆ 2 new members joined our staff team;
- ◆ The Board reviewed their impact over the last three years; and
- ◆ The Multi-Academy Trust was developed.

Future plans

In order to continue to deliver a high quality service and to continue to achieve our aims, the following areas will be explored during 2017:



A new space at St Margaret's, Plumstead

- ◆ Implement the Strategic Objectives;
- ◆ Monitor the implementation of the 2016-2019 Organisation Development Plan;
- ◆ To take the first schools into the Diocesan Multi-Academy Trust;
- ◆ To develop work streams built on the expertise of new team members;
- ◆ To continue to maximise the income from our property portfolio;
- ◆ To actively engage with Local Authorities to seek expansion of Secondary School provision;
- ◆ To consider a further range of additional 'bought-back' services for our schools;
- ◆ To further embed the Chaplaincy frameworks in the various institutions;
- ◆ To bid for three new schools under the 'Free Schools' programme; and
- ◆ To trial a different style of Secondary Religious Education support.

Public benefit

In preparing this report the trustees have paid due regard to the Charity Commission guidance on public benefit in deciding what activities the charity should undertake.

Our principal beneficiaries and service users are the Church of England schools and the students and staff of the universities and colleges located within the Diocese of Southwark. In practice, the relationship with our beneficiaries and service users is one of partnership and collegiality. While our mission is directed towards the advancement and promotion of education for thousands of children and young people in the maintained education sector throughout the Diocese of Southwark, in real terms we achieve this through support of the management, staff and governors of our schools.

The SDBÉ is not primarily a grant-giving body; however from time-to-time funds are loaned to schools in particularly difficult circumstances, which can only be overcome by capital investment.

The specific needs and requirements of those who benefit from our services are identified in a number of ways, including:

- ◆ Regular contact with Church School leaders and governors and in response to requests for advice and support provided through our Partnership Agreement for Church of England schools and academies;
- ◆ Analysis of the outcomes of school inspection by Office for Standards in Education Inspection (OFSTED) and through the Statutory Inspection of Anglican and Methodist Schools (SIAMS); and
- ◆ Governor meetings, briefings and training.

Trustees' report Year to 31 December 2016

Trustee membership

Trustees

Bishop of the Diocese (President)

The Rt Revd Christopher Chessun

Chair (the Bishop's appointee)

The Rt Revd Jonathan Clark

Members appointed by the Bishop

Mr Martin Brecknell

The Ven Simon Gates

The Revd Peter Farley-Moore

Croydon Episcopal Area

Croydon Archdeaconry

Member of Diocesan Synod

The Revd Darren Miller

Clerk in Holy Orders

The Revd Simon Foster

Lay Member

Mrs Penny Smith-Orr

Reigate Archdeaconry

Member of Diocesan Synod

The Revd Canon Peter Moseling (until March 2016)

Clerk in Holy Orders

The Revd Carol Coslett

Lay Member

Dr Catharina Stibe-Hickson

Kingston Episcopal Area

Lambeth Archdeaconry

Member of Diocesan Synod

Vacancy

Clerk in Holy Orders

The Revd Canon Stephen Coulson

Lay Member

Mrs Jane Manning

Wandsworth Archdeaconry

Member of Diocesan Synod

Mrs Jane Marwood

Clerk in Holy Orders

The Revd Annie Kurk

Lay Member

Mrs Pam Davies

Woolwich Episcopal Area

Lewisham Archdeaconry

Member of Diocesan Synod

Mrs Lesley Daniell

Clerk in Holy Orders

The Revd Erica Wooff

Lay Member

Mr Graham Long

Southwark Archdeaconry

Member of Diocesan Synod

The Revd Anthony Buckley

Clerk in Holy Orders

Ms Bett Llewelyn

Lay Member

Chair of the Southwark Diocesan Head Teachers Association

Mrs Emma Hart-Dyke

Chair of Whiteland's College

The Revd Dr Mark Garner

Chairs of committees

Policy & Strategy Committee

The Rt Revd Jonathan Clark

Schools Committee

The Ven Jane Steen

Finance & Development Committee

Mr Malcolm Edwards CBE

Further & Higher Education Committee

The Revd Andrew Williams

Co-opted members

Mr Niall Gallagher

Rev Bruce Rickards

The Revd Peter Organ

Mrs Riana Gouws

Members Elected from FE/HE Committee (non-trustee)

The Revd Andrew Williams

Audit Committee (non-trustee) appointed by the Trustees

Mr Philip Bignell (Chair)

Dr Priscilla Chadwick

Mr David Wada

Members and members' interests

The members of the Board are directors under the Companies Act. Their names at the date of this report are included on the previous page. No other member(s) served on the Board during the year – (there were 2 visitors: Mr Philip Bignell, Chair of the Audit Committee and Mr Owen Carew-Jones, Board Solicitor). Attendance at Board Meetings was 66%.



Policy & Strategy Committee Meeting

The Board is a charitable company limited by guarantee and members may derive no benefit, income or capital interest in the Board's financial affairs other than reimbursement of out of pocket expenses.

Each trustee, being a member of the Trust, has given a guarantee of £1, in accordance with the Articles of Association.

Structure, governance and management

Governing document: Memorandum and Articles of Association of Southwark Diocesan Board of Education (2014).

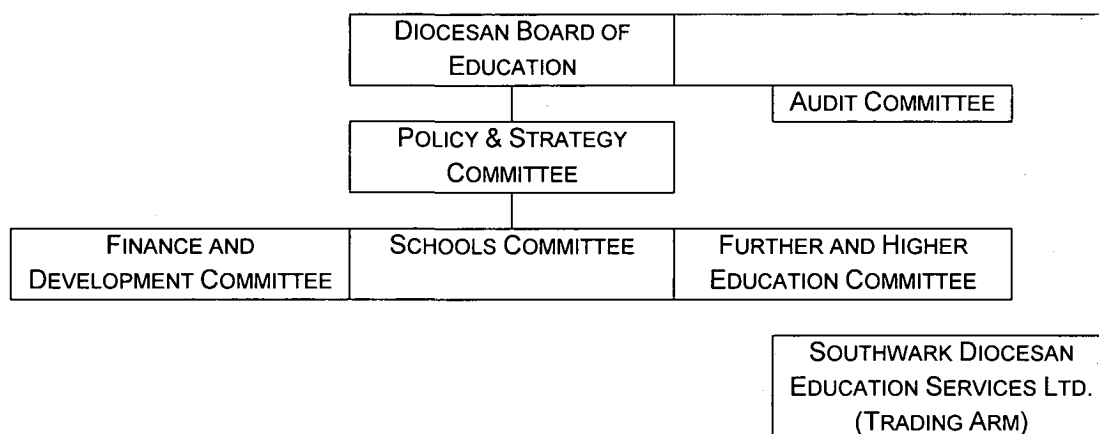
The Board has a membership representing a wide range of experience and interest, including representatives from the Diocese of Southwark, the Southwark Diocesan Head Teachers' Association, Whitelands College and appointees from each of the Board's three Committees as well as the Chairs of the Committees.

The Board's four principal Committees are: Policy and Strategy, Schools, Finance & Development and Further & Higher Education. The Schools Committee includes a significant representation of head teachers and foundation governors from Diocesan schools. The four Committees each include a designated officer of the Board. The Board also appoints an Audit Committee. Other working parties are established for specific projects.

The Board and its Committees meet three times a year to monitor and review progress, consider new developments and set strategy. The Audit Committee meets up to three times each year and has a membership comprising independent members appointed by the Board. The Board and its Committees operate under specific terms of reference, which delegate certain functions of the Board to one of the four principal Committees. The minutes of all Committee meetings are considered by the full Board.

Structure, governance and management (continued)

Day-to-day leadership and management of the SDBE are delegated to the Director and Assistant Director. Strategic development and any urgent matters which cannot wait for consideration by the Board and Committees are referred to the Policy & Strategy Committee. Members of the Policy & Strategy Committee are the Chairs of the Board and Committees, the Director and the Assistant Director. The Policy & Strategy Committee meets up to six times a year between Board meetings and supports the strategic development and work programme of the Board and its Committees.



Deanery Synod nominations to Episcopal Area Forums require nominees to identify relevant areas of interest and experience. Generally Members of the Board have experience as trustees of other charities. An induction and an information pack is provided for all members and ongoing training and development needs are met through an annual training and development event, written briefings and presentations at Board meetings.

A total of twelve Local Authorities are located within the Diocese and the SDBE is responsible for the appointment of a local representative to the committee responsible for the oversight of education services for children and young people. In addition the SDBE seeks to establish partnerships at a local, regional and national level and is actively engaged in education programmes and initiatives as they relate to church schools and education chaplaincy.

Each school has its own governing body and has deemed charitable status. The SDBE appoints a minority of governors to each school's governing body and as such does not consider them to be related parties.

The task of supporting Christian education is an important and demanding one. Our thanks and appreciation are due to the SDBE staff team for their unstinting commitment and hard work on behalf of church schools and education chaplaincy in the Diocese of Southwark.

Structure, governance and management (continued)



The staffing structure and team for the reporting year comprises:

Director	Mr Colin Powell
Assistant Director	Dr Carol Jerwood
7 Educational Advisers (3.9 FTE)	Mrs Claire Boag (until March 2016) Mr Marcus Cooper (until October 2016) Mrs Roz Cordner Mrs Hilary Grainger (from November 2016) Miss Joy Langley Mr Shaun Burns Mrs Jane Savill
Chaplaincy Development Officer	Ms Siriol Davies
Buildings and Capital Programmes Manager	Mr David Sanders Mr Paul Forrest (from December 2016)
Human Resources Adviser (0.5 FTE)	Mrs Atia Williams
SIAMS Manager (0.08 FTE)	Mrs Christine Smyth
Governance, Admissions and Development Adviser	Mr Leo Morrell
Financial Controller	Mr David Coyle
3 Administrators	Mrs Sheila Talbott Mrs Lynette Starr Mrs Cheryl Kuit
Caretaker (0.2 FTE)	Mrs Susan Hayden (until July 2016) Mr Gyorgy Szabo (from August 2016)

Structure, governance and management (continued)

The SDBE is a statutory body and is also incorporated as a company limited by guarantee (1905) within the Diocese of Southwark. It receives an annual grant from the Diocese through the Diocesan Board of Finance. The grant does not meet the requirements of the SDBE's statutory responsibilities and is subject to annual review and approval by Diocesan Synod.

Key management personnel

The Director of Education, Assistant Director, Financial Controller, Buildings and Capital Programmes Manager and Office Manager are considered key management personnel by virtue of the fact that they are in charge of controlling, running and operating the charity on a day-to-day basis. The pay for all staff is set by the Staffing Reference Group consisting of three trustees.

Relationship with other charities and foundations

The SDBE has the opportunity to nominate to the following educational charitable foundations, which support the provision and promotion of educational opportunity for children and young people through grants to organisations and individuals within the area of the Diocese of Southwark:

- ◆ Greenwich Bluecoat Foundation; and
- ◆ Culham St Gabriel's Trust.

Risk and internal controls

The trustees have overall responsibility for ensuring the SDBE has effective systems of control and for maintaining appropriate accounting procedures and records that comply with legislative requirements and good practice. Our systems of internal control have been developed to provide reasonable assurance against material misstatement or loss and include:

- ◆ Strategic development priorities and annual budget approved by the trustees;
- ◆ Regular monitoring of financial performance and service delivery;
- ◆ Appropriate delegation of authority and segregation of duties;
- ◆ Identification and management of risk; and
- ◆ Adherence to Section 17 of the Charities Act 2011, and trustees' requirement to have regard to public benefit.

The major risks to which the charity is exposed, as identified by the trustees, are regularly reviewed and systems have been established to mitigate those risks. These are included in the risk register and have been subject to further review during the year. The trustees have also developed a Major Incident Plan.

Risk management

England Primary and Secondary Schools throughout the Diocese of Southwark affecting up to 38,000 children and more than a thousand staff.

A scoring system in the board's risk register identifies the level of risk the trustees have identified as significant in a variety of different areas, and included in the document is a system of controls which (as far as is possible) addresses the risks therein.

The trustees consider it is appropriate to take some calculated risks with our charity's resources to make opportunities available to the pupils and staff whom we serve. We will not however, take any risks relating to the protection of young people and vulnerable adults. Full vetting procedures are always followed for all staff and volunteers and disciplinary action follows when breaches occur.

We will similarly not take any risks in relation to fraud and corruption. The charity is fortunate to hold assets in the form of property and investments, which generate revenue. While some risk has to be taken to achieve good returns, it would be inappropriate to risk the capital value of the assets. Therefore the risk of loss should be balanced against the expected return.

The key risks (as identified by the scoring system in the risk register) faced by the board are:

- ◆ Loss of Key Staff;
- ◆ Government changes in legislation; and
- ◆ Competition from other providers.

The trustees have adopted measures to manage these (in addition to the other risks which the charity faces), and the risk register and policy are kept under regular review.

Investment policy and performance

The board of trustees' investment powers fall under the Trustee Act 2000 and the Memorandum and Articles of Association in which paragraph 10 permits the Board of trustees "to invest any monies possessed by the charity (or held in trust by it) in or upon such investments or securities as may from time to time be determined, but so that monies or property subject to the jurisdiction of the Charity Commissioners shall only be invested in such securities and with such sanction as may for the time being be prescribed by law.

Low Risk Portfolio	+3.23%
WMA Income/Base Rates	-0.10% (benchmark)
Low to Medium Risk Portfolio	+4.64%
WMA Income	-0.83% (benchmark)
Medium to High Risk Portfolio	+5.64%
WMA Growth	+0.07% (benchmark)

Investment policy and performance (continued)

2016 was a mixed year for equity markets with volatility being prevalent globally. In Europe the European Central Bank's decision to initiate a broad Quantitative Easing programme in January drove equity markets higher over the first 6 months of the year. However the re-emerging fears of a Greek default came to the fore over the summer which led to markets giving back much of the gain achieved. The UK and US continued to show signs of strength, but the ramifications of the Greek crisis and the negative news flow from China caused investors to question the strength and stability of economic growth globally. China continued to dominate the fortunes of emerging markets; the first 6 months of the year were characterised by a strong market rally based on a Chinese policy misstep, allowing retail investors to utilise debt facilities to build investment portfolios. The unwinding of this, teamed with the slowing growth rate, resulted in substantial falls in the second half of the year.

Against this challenging backdrop, the three investment portfolios performed well over the year providing positive returns in excess of their relative benchmarks.

Even amongst the volatility in markets, the higher risk mandates produced higher returns over the year. Our UK and US equity allocations helped drive returns, as our preference for companies that prospered from improvement in domestic growth benefitted portfolios. The exposure to healthcare funds (held across all three mandates) has also benefitted performance; ageing populations in the west and growing middle classes in the emerging economies continued to provide strong growth drivers for the sector. Our allocations to alternative asset classes such as property also continued to produce strong returns. This is based on the improvement in the underlying UK economy leading to capital appreciation and also rental growth in prime locations. On the downside the higher risk mandates larger exposure to emerging markets held back returns, however the diversified approach and the continued preference for developed market equities helped moderate the impact.

In summary 2016 was a strong year for the portfolios in both relative and absolute terms against a challenging macro-economic backdrop.

Finance review

Finance and resources

- ◆ The SDBE is established as a statutory body to fulfil a range of duties and responsibilities.
- ◆ During 2016 the team comprised the equivalent of 13 full time staff. After adjusting for investment growth, the annual consolidated operating income of the charity in 2016 was received from the following sources:
 - Schools(Service Agreements and related income) 31% (2015: 49%)
 - Other income 32% (2015: 19%)
 - Diocesan Grant 14% (2015: 13%)
 - Lettings and Investments 23% (2015: 19%)
- ◆ A rigorous approach to budget planning, monitoring and review supported by robust financial systems was confirmed by the annual audit.
- ◆ During 2016 the charity continued to support Diocesan schools in the effective management of their Devolved Formula Capital Grant (DFC). Our finance and grants team has been able to assist schools with their signed annual assurance statement to the DfE (Department for Education), and ensuring that funds are properly invested in a dedicated Church of England Central Board of Finance deposit fund, in the name of each school, until spent on capital works, with income being rolled up for the benefit of each church school.

For the discharge of its day to day outgoings, (as distinct from its work connected with building works at the schools), the charity depends on the grant received from the Diocese of Southwark, which amounted to a total grant of £264,219 (2015: £260,239) for the year, comprising £240,000 (2015: £236,933) core grant, and £24,219 (2015: £23,306) additional grant allocation.

All assets are held primarily for investment purposes. In the context of the charity's future plans and commitments, it is expected that appropriate funding will enable the discharge of on-going items of expenditure and projects not yet completed.

There have been no significant post balance sheet events. The charity's assets are available and adequate to fulfil the obligations of the charity.

Finance review (continued)

Finance and resources (continued)

In operational terms, (represented by the charity's unrestricted funds only), the charity's income was under its expenditure on its operational activities by £57,964 (2015: £59,126) before taking account of a transfer of £60,000 from the external periodic maintenance restricted fund representing the costs of administering the fund (2015: £60,000), a transfer to the property fund representing additions to tangible fixed assets of £312,638 (2015: £100,128) and other transfers totalling £1,157 (2015: £1,331). This gives, read together with realised and unrealised gains on the value of investments of £140,617 (2015: £91,072) a deficit on the unrestricted (operational) activities of the charity for the year of £168,828 (2015: deficit of £6,851). Overall, there was a net decrease in funds of £10,669,281 (2015: decrease of £351,310), after accounting for an increase in restricted funds of £105,859 (2015: decrease of £251,557), a decrease in the property fund of £10,606,312 (2015: decrease of £92,092) and no change to the value of endowment funds (2015: no change).

Southwark Diocesan Education Services Limited

The charity operates a wholly owned subsidiary company, Southwark Diocesan Education Services Limited. This company carries out a number of the charity's activities including the provision of services for schools in the Diocese of Southwark and the provision of administrative services for the charity. Its turnover for the year was £608,195 (2015: £555,198) and the company made an operating profit of £nil (2015: £nil) after donation of £415,669 by Gift Aid to the parent charity.

Reserves policy

The General Synod of the Church of England, at its meeting in November 1999, affirmed two principal roles for the Diocesan Boards of Education in their support of Church of England schools in their Diocese:

- ◆ to provide an advisory service to schools; and
- ◆ to maintain and improve school buildings.

The reserves policy of the trustees has been determined in the light of these objectives. The reserves policy is monitored and reviewed annually.

Its main features are:

- (a) To maintain a margin of working capital sufficient to enable all aspects of the charity's work to be conducted in an orderly and efficient way and in particular to deal with the management of the schools' building and maintenance programme where the timing of the cash flow from receipts and payments often requires temporary bridging from internal resources.

Reserves policy (continued)

- (b) Current income and expenditure of the charity should be in balance and every effort will be made to maintain this, but a liquid reserve is necessary to provide for any unexpected but unavoidable items of expenditure which cannot be funded from current income. In this respect, it is important to realise that certain of the charity's reserves are in the form of fixed assets which would take time to realise and which in any case provide income which is part of the monies used to fund the current work of the Board.
- (c) In addition to (a) and (b) above, it is desirable that the charity retains additional reserves to allow it to take advantage of the opportunities afforded by changes in the educational system, to expand and strengthen Church of England education in the Diocese.

In accordance with Charity Commission guidance, the following are not considered as reserves for the above purposes: Endowment funds; restricted funds; designated funds and income funds represented by fixed assets held for the charity's use. In order to meet the criteria in (a), (b) and (c) above, the trustees consider that the minimum level of reserves required are three times average annual expenditure on management of the capital and maintenance projects and management and administration of the charity, of which one year should be represented by liquid resources.

An additional sum of half a million pounds should be maintained in reserve to facilitate future development of Church of England education in the Diocese.

The current free reserves of the charity are £3.367m (2015: £3.536m). The charity's policy implies a minimum level of reserves of £5m (including £1.5m in liquid resources). Overall reserves are sufficient to meet requirements, with the liquid element being held as equities and invested cash deposits. However the level of reserves is below the target range, having been reduced by successive deficits, and the trustees intend to invest further funds in the coming year with a view to bringing free reserves back to the desired level.

Statement of trustees responsibilities

The trustees (who are also directors of the Southwark Diocesan Board of Education Incorporated for the purposes of company law) 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).

Company law 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 charitable company and the group and of the income and expenditure of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102);

Statement of trustees responsibilities (continued)

- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 disclose with reasonable accuracy at any time of 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Each of the trustees confirms that:

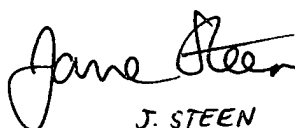
- ◆ so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

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.

Signed on behalf of the board of trustees:


M.J. EDWARDS
Trustee


J. STEEN
Trustee

Date: 13 July 2017

Independent auditor's report to the members of Southwark Diocesan Board of Education Incorporated

We have audited the financial statements of Southwark Diocesan Board of Education Incorporated for the year ended 31 December 2016, which comprise the consolidated statement of financial activities, the consolidated and charitable company balance sheets, the consolidated statement of cash flows, the principal accounting policies and the related notes. 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 FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities set out in the Trustees' report, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and report in accordance with that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ◆ give a true and fair view of the state of the group's and charity's affairs as at 31 December 2016 and of the group's and charity's 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Trustees' report has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the group and parent charitable company and of the group and charity's environment obtained in the course of the audit, we have identified no material misstatements in the Trustees' report.

Matters on which we are required to report by exception

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

- ◆ the parent charitable company has not kept adequate or sufficient accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the parent charitable company 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; or
- ◆ the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Katharine Patel, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

2 August 2017

Consolidated statement of financial activities 31 December 2016

	Notes	Unrestricted funds		Restricted funds	Endowment funds	Total 2016	Total 2015
		General funds	Property fund				
		£	£	£	£	£	£
Income and endowments from:							
Grants and donations	1	257,900	—	99,219	—	357,119	279,002
Charitable activities	2	10,123	—	499,253	—	509,376	806,374
Other trading activities	3	572,623	—	—	—	572,623	521,361
Investments	4	486,458	—	5,736	1,157	493,351	364,469
Total income		1,327,104	—	604,208	1,157	1,932,469	1,971,206
Expenditure on:							
Raising funds	5	181,981	—	—	—	181,981	190,418
Charitable activities	6	1,203,087	191,301	438,349	—	1,832,737	2,223,170
Total expenditure		1,385,068	191,301	438,349	—	2,014,718	2,413,588
Net (expenditure) income before investment gains		(57,964)	(191,301)	165,859	1,157	(82,249)	(442,382)
Unrealised losses on investment properties		—	(10,727,649)	—	—	(10,727,649)	—
Net gains on listed investments		140,617	—	—	—	140,617	91,072
Net income (expenditure) before transfers		82,653	(10,918,950)	165,859	1,157	(10,669,281)	(351,310)
Transfers between funds	15	(251,481)	312,638	(60,000)	(1,157)	—	—
Net movement in funds	8	(168,828)	(10,606,312)	105,859	—	(10,669,281)	(351,310)
Reconciliation of funds:							
Funds brought forward at 1 January 2016		3,535,525	29,123,590	2,090,615	244,848	34,994,578	35,345,888
Funds carried forward at 31 December 2016	15	3,366,697	18,517,278	2,196,474	244,848	24,325,297	34,994,578

All of the group's activities derived from continuing operations during the above financial years.


All recognised gains and losses for the year are included in the above statement of financial activities.

No summary income and expenditure account has been produced as the only difference to the statement of financial activities would be the omission of endowed income of £1,157 (2015: £1,331).

Balance sheets 31 December 2016

	Notes	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
Fixed assets					
Tangible assets	10	2,614,205	2,611,050	3,056,172	3,051,286
Investments	11	21,936,957	21,936,957	32,128,252	32,128,251
		<u>24,551,162</u>	<u>24,548,007</u>	<u>35,184,424</u>	<u>35,179,537</u>
Current assets					
Debtors	13	129,324	77,075	162,636	84,823
Cash at bank and in hand		353,360	311,595	214,937	186,827
		<u>482,684</u>	<u>388,670</u>	<u>377,573</u>	<u>271,650</u>
Creditors: amounts falling due within one year	14	<u>(708,549)</u>	<u>(623,132)</u>	<u>(567,419)</u>	<u>(468,362)</u>
Net current liabilities	15	<u>(225,865)</u>	<u>(234,462)</u>	<u>(189,846)</u>	<u>(196,712)</u>
Net assets		<u>24,325,297</u>	<u>24,313,545</u>	<u>34,994,578</u>	<u>34,982,825</u>
The funds of the charity					
Unrestricted funds					
. General funds	15	3,366,697	3,354,945	3,535,525	3,523,772
. Property funds	15	18,517,278	18,517,278	29,123,590	29,123,590
Restricted funds	15	2,196,474	2,196,474	2,090,615	2,090,615
Endowment funds	15	244,848	244,848	244,848	244,848
		<u>24,325,297</u>	<u>24,313,545</u>	<u>34,994,578</u>	<u>34,982,825</u>

The financial statements were approved and authorised for issue by the trustees and were signed on their behalf by:


M.J. EDWARDS
Trustee


J. STEEN
Trustee

Date: 13 July 2017

Southwark Diocesan Board of Education
Company limited by guarantee
Registration Number: 00086641 (England and Wales)

The notes on pages 32 to 42 form part of the financial statements.

Consolidated statement of cash flows Year to 31 December 2016

	Notes	2016 £	2015 £
Cash flows from operating activities:			
Net cash used in operating activities	A	(201,474)	(1,788,153)
Cash flows from investing activities:			
Dividends, interest and rents from investments		493,351	364,469
Purchase of tangible fixed assets		(314,369)	(100,127)
Proceeds from the disposal of listed investments		656,271	527,446
Purchase of listed investments		(466,450)	(1,106,331)
Release of funds held as agent		—	687,789
Net cash provided by (used in) investing activities		368,803	373,246
Change in cash and cash equivalents in the year		167,329	(1,414,907)
Cash and cash equivalents at 1 January 2016	B	3,017,609	4,432,516
Cash and cash equivalents at 31 December 2016	B	3,184,938	3,017,609

Notes to the cash flow statement for the year to 31 December 2016.

A Reconciliation of net movement in funds to net cash flow from operating activities

	2016 £	2015 £
Net movement in funds (as per the statement of financial activities)	(10,669,281)	(351,310)
Adjustments for:		
Depreciation charge	193,031	193,030
Gains on listed investments	(140,617)	(91,072)
Losses on investment properties	10,727,649	—
Dividends, interest and rents from investments	(493,351)	(364,469)
Decrease in debtors	33,311	68,292
Increase (decrease) in creditors	147,784	(1,242,624)
Net cash used in operating activities	(201,474)	(1,788,153)

B Analysis of cash and cash equivalents

	2016 £	2015 £
Cash in hand	353,360	214,937
Bank overdraft facility	(77,522)	(84,176)
Cash held by investment managers	2,909,100	2,886,848
Total cash and cash equivalents	3,184,938	3,017,609

Principal accounting policies Year to 31 December 2016

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 December 2016.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the trustees and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ estimating the useful economic life of tangible fixed assets for the purposes of determining the depreciation rate;
- ◆ determining the basis for allocating support costs across expenditure categories; and
- ◆ assessing the appropriateness of the discount rate used in determining the fair value of the investment properties.

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The trustees have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

Principal accounting policies Year to 31 December 2016

Assessment of going concern (continued)

The most significant areas of judgement that affect items in the financial statements are detailed above. With regard to the next accounting period, the year ending 31 December 2017, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return, the performance of the investment markets (see the investment policy and the risk management sections of the trustees' report for more information) and changes in the retail price index.

Income

Income is recognised in the period in which the charity has entitlement to the income and the amount can be measured reliably and it is probable that the income will be received. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Income comprises grants, maintenance subscriptions, rental and investment income and the income from the trading subsidiary. Income from other trading activities carried out by the trading subsidiary comprises, in the main, charges made for service agreement subscriptions, educational consultancy and other services provided to school, and conduit project management fees.

Grants and donations are included as income from activities in furtherance of the charity's objectives where these amount to a contract for services, but as voluntary income where the money is given in response to an appeal or with greater freedom of use, for example monies for core funding.

Maintenance and service level subscriptions are recognised in the financial year to which the subscription relates and deferred if received in advance of that financial year.

Income derived from the letting of the charity's investment properties is recognised in the period to which the tenancy relates.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Service level subscriptions are recognised in the financial year to which the subscription relates and deferred if received in advance of that financial year.

Income from educational consultancy services is accounted for on an accruals basis with the income being recognised when due contractually.

Conduit project management fees are recognised on the date of completion of the relevant project.

Principal accounting policies Year to 31 December 2016

Income (continued)

Amounts derived from capital and maintenance project activities where the charity acts as an agent, administering projects funded principally by the Department for Education and Skills on behalf of the school governors are excluded from these financial statements, as they constitute conduit funds. Details of these funds are set out in note 15.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes the direct costs and support costs associated with generating rental income, together with the fees paid to investment managers in connection with the management of the charity's listed investments.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include direct and support costs (including governance costs).

Allocation of support and governance costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.

Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

Support costs and governance costs are apportioned using percentages based on the time spent on the activities by the employees of the charity.

Tangible fixed assets

The charity's policy is to capitalise asset purchases over £1,000. Depreciation is provided on tangible fixed assets so as to write down the cost over the expected useful life.

The following depreciation rates are used:

Freehold properties	-	2% straight line
Office equipment	-	25% straight line

Investments

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

The charity does not acquire put options, derivatives or other complex financial instruments.

Investments, including investment properties are valued at fair value at the balance sheet date, with unrealised gains and losses posted through the Statement of Financial Activities.

The fair value of investment properties is estimated as the present value of the expected future cash flow in perpetuity- including expected rental income and maintenance costs- from each property. The expected future cash flows are discounted using the retail price index, as the Charity has no cost of equity or debt and is therefore only exposed to fluctuations in the time value of money arising from changes in general market conditions such as inflation.

In the course of administering a capital scheme under the Education Acts 1944 to 1973, the charity acts as trustee to the school involved, whose former property may be sold or leased as part of the implementation of the scheme. These proceeds are generally "free monies" in the hands of the charity to use under the provisions of the Education Acts 1943, subject to the restrictions applying under Section 86 of the 1944 Act and Section 2 of the 1973 Act. The trustees do not consider that it is practicable to place a value on such assets and, accordingly, they are not included in the financial statements.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Subsidiary undertaking

The charity owns the whole of the issued share capital of Southwark Diocesan Education Services Limited. The principal activity of the subsidiary undertaking is the provision of services for schools in Southwark Diocese and administrative services for its parent undertaking. The consolidated financial statements include the financial statements of SDBE and its subsidiary Southwark Diocesan Education Services Limited. In accordance with the SORP, a separate statement of financial activities dealing with the results of SDBE has not been presented.

Funds

The charity has various types of funds for which it is responsible and which require separate disclosure. These are as follows:

Unrestricted funds

Unrestricted funds arise from all the accumulated surpluses and deficits in the provision of general charitable activities.

Designated funds

Designated funds are funds set aside out of general funds by the trustees and designated for a particular purpose. The balance on the fund at 31 December 2016 represents the net book value of the fixed assets and the value of investment properties shown on the balance sheet at that date.

Restricted funds

These are funds subject to specific conditions imposed by the donor or by the specific terms of a trust deed or other legal measure. Income and expenditure on restricted funds is taken directly to those funds in the statement of financial activities except to the extent that income is freely available to the charity.

Endowment funds

These are funds subject to the condition that they be held as permanent capital. Unexpended income is included in the relevant funds in accordance with the terms of the trust.

Custodian Trusts

Trusts, where the charity acts merely as custodian trustee with no control over the management or use of the funds, are not included in the statement of financial activities or balance sheet.

Funds (continued)

Conduit Funds – capital projects

The charity is responsible on behalf of school governors for the financial administration of capital projects funded by the Department for Education (DFE) and LA. The statutory legal agreement between the schools and the government departments grant no decision making authority to the charity who act as administrative agents. Accordingly the funds held represent conduit funding and are therefore excluded from the charity's financial statements. Details of these funds are set out in note 16.

Pension contributions

Contributions are made for full-time staff to the Church of England Church Workers Pension Fund and to the Teachers' Pension Scheme. The pension costs charged against income are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially consistent percentage of the current and future payroll. Variations from regular cost are spread over the remaining service lives of the current employees in the schemes.

Both pension schemes constitute collective employer pension schemes under section 28 of FRS 102 and are therefore accounted for as if they were defined contribution schemes. Further details are set out in note 17.

1 Grants and donations

	Unrestricted funds				2016 £	2015 £
	General funds £	Property funds £	Restricted funds £	En- dowment funds £		
Diocesan grant	240,000	—	24,219	—	264,219	260,239
Other grants	17,900	—	75,000	—	92,900	18,763
2016 Total funds	257,900	—	99,219	—	357,119	279,002
2015 Total funds	255,696	—	23,306	—	279,002	

2 Charitable activities

	Unrestricted funds				2016 £	2015 £
	General funds £	Property funds £	Restricted funds £	En- dowment funds £		
Maintenance subscriptions	—	—	499,253	—	499,253	449,617
Other educational income	—	—	—	—	—	—
Release of completed school projects	—	—	—	—	—	204,680
Surpluses on conduit fund projects	—	—	—	—	—	119,855
Advisory and consultancy fees	—	—	—	—	—	27,150
Bishop's certificate in church school governance	3,810	—	—	—	3,810	4,260
Other sundry income	6,313	—	—	—	6,313	812
2016 Total funds	10,123	—	499,253	—	509,376	806,374
2015 Total funds	356,757	—	499,617	—	806,374	

3 Other trading activities

	Unrestricted funds				2016 £	2015 £
	General funds £	Property funds £	Restricted funds £	En- dowment funds £		
Service Agreement Subscriptions	419,413	—	—	—	419,413	405,646
Management fees	—	—	—	—	—	—
Capital projects	30,012	—	—	—	30,012	25,007
Maintenance projects	81,214	—	—	—	81,214	36,280
Conduit project surpluses	451	—	—	—	451	11,696
Training events	1,040	—	—	—	1,040	6,131
Publications	11,853	—	—	—	11,853	12,674
Additional advisor support	27,651	—	—	—	27,651	22,293
Teacher recruitment support	375	—	—	—	375	550
Sundry trading income	614	—	—	—	614	1,084
2016 Total funds	572,623	—	—	—	572,623	521,361
2015 Total funds	521,362	—	—	—	521,362	

4 Investment income

	Unrestricted funds		Restricted funds £	En- dowment funds £	2016 £	2015 £
	General funds £	Property funds £				
Listed and unlisted	125,717	—	5,736	1,157	132,610	86,450
Rental and letting	360,741	—	—	—	360,741	278,019
2016 Total funds	486,458	—	5,736	1,157	493,351	364,469
2015 Total funds	355,382	—	7,756	1,331	364,469	

5 Expenditure on raising funds

	Unrestricted funds		Restricted funds £	En- dowment funds £	2016 £	2015 £
	General funds £	Property funds £				
Lettings expenses	137,262	—	—	—	137,262	155,377
Investment management fees	38,372	—	—	—	38,372	30,648
Bank charges	6,347	—	—	—	6,347	4,393
2016 Total funds	181,981	—	—	—	181,981	190,418
2015 Total funds	190,418	—	—	—	190,418	

6 Expenditure on charitable activities

	Unrestricted funds		Restricted funds £	En- dowment funds £	2016 £	2015 £
	General funds £	Property funds £				
Expenditure on charitable activities						
School maintenance expenditure	—	—	281,384	—	281,384	648,930
Advice and guidance	779,266	123,224	24,034	—	926,524	1,025,502
Training and development	212,179	33,785	52,061	—	298,025	310,042
Project management	211,642	34,292	80,870	—	326,804	238,696
2016 Total funds	1,203,087	191,301	438,349	—	1,832,737	2,223,170
2015 Total funds	1,357,904	193,030	672,236	—	2,223,170	

7 Analysis of total expenditure

	Direct costs £	Other directly allocated costs £	Support costs £	2016 £	2015 £
Raising funds (note 5)	181,774	207	—	181,981	190,418
Charitable activities (note 6)					
· School maintenance expenditure	281,384	—	—	281,384	648,930
· Advice and guidance	482,318	353,210	101,285	936,813	1,025,502
· Training and development	133,504	142,711	27,206	303,421	310,042
· Project management	20,573	163,906	126,640	311,119	238,696
	1,099,553	660,034	255,131	2,014,718	2,413,588

7 Analysis of total expenditure (continued)

Analysis of support costs is as follows:

	Expenditure on charitable activities			Total 2016 £	Total 2015 £
	Advice and guidance £	Training and development £	Project management £		
Finance and HR	45,464	3,213	41,764	90,441	90,749
Administration	28,660	16,514	78,025	123,199	112,432
Governance	27,161	7,479	6,851	41,491	8,127
2016 Total funds	101,285	27,206	126,640	255,131	211,308
2015 Total funds	141,903	39,214	30,191	211,308	

All costs allocations are made on the basis of estimated time spent by staff.

During the year, a provision of £nil (2015 - £186,996) was made against monies receivable from the conduit.

8 Net movement in funds

Net movement in funds is stated after charging:

	2016 £	2015 £
Staff costs (note 9)	953,706	943,315
Depreciation	193,031	193,030
Auditor's remuneration (including VAT)		
Audit work	21,170	22,757
Other services	6,300	1,800
Bank charges and interest on bank loans and overdrafts	6,347	4,166

9 Employee and key management personnel remuneration

(a) Staff costs

	2016 £	2015 £
Wages and salaries	664,110	687,798
Social security costs	70,035	64,610
Pension costs	175,899	166,758
	910,044	919,166
Consultancy costs	43,662	24,149
	953,706	943,315

(b) Staff numbers

The number of employees during the year, calculated on an average headcount basis was 18 (2015: 17).

9 Employee and key management personnel remuneration (continued)

(c) Higher paid staff

The number of employees whose emoluments fell within the following bands was:

	2016 number	2015 number
£60,000-£70,000	1	—
£70,001-£80,000	2	2
£80,001-£90,000	—	—
£90,001-£100,000	1	1

Two of the above higher paid employees belong to the Teachers' Pension Scheme and one belongs to the Church Workers Pension Scheme. Aggregate employer pension contributions for the above employees during the year amounted to £58,616 (2015: £49,377). Details of the relevant defined benefit pension schemes are given in note 17.

(d) Key management personnel

Key management personnel comprise the Director of Education, Assistant Director, Financial Controller, Building and Capital Programmes Manager and the Office Manager.

The aggregate remuneration and benefits received by key management personnel during the year was as follows:

	2016 £	2015 £
Remuneration	297,853	314,803
Pension contributions	92,020	84,278
	389,873	399,081

None of the trustees received any remuneration or reimbursed expenses in respect of their services during the year (2015 - £nil).

10 Tangible fixed assets

	Charity					
	Freehold land and buildings £	Property improve- ments £	Assets under con- struction £	Charity total £	Group office and computer equipment £	Group total £
Cost						
At 1 January 2016	2,864,050	18,187	551,287	3,433,524	40,980	3,474,504
Additions	—	—	314,369	314,369	—	314,369
Transfers	—	48,825	(612,130)	(563,305)	—	(563,305)
At 31 December 2016	2,864,050	67,012	253,526	3,184,588	40,980	3,225,568
Depreciation						
At 1 January 2016	381,873	364	—	382,237	36,095	418,332
Charge for the year	190,937	364	—	191,301	1,730	193,031
At 31 December 2016	572,810	728	—	573,538	37,825	611,363
Net book value						
At 31 December 2016	2,291,240	66,284	253,526	2,611,050	3,155	2,614,205
At 31 December 2015	2,482,177	17,823	551,287	3,051,287	4,885	3,056,172

Group equipment is all used by the trading subsidiary for non-charitable purposes.

11 Investments

		2016 £	2015 £
Listed investments	(a)	6,033,884	6,060,835
Investment properties	(b)	15,903,073	26,067,417
		21,936,957	32,128,252

(a) Listed investments

	2016 £	2015 £
Listed investment		
Market value at 1 January 2016	3,173,988	2,502,139
Additions	466,450	1,078,133
Disposals at book value (proceeds: £656,271; realised losses £(64,432))	(720,703)	(485,245)
Unrealised gains on revaluation	205,049	78,960
Market value at 31 December 2016	3,124,784	3,173,987
 Cash held by investment managers	 2,909,100	 2,886,848
	6,033,884	6,060,835
 Cost of listed investments at 31 December 2016	 6,344,637	 5,875,040

All listed investments were dealt in on a recognised stock exchange and comprised UK equities and UK managed funds.

11 Investments (continued)**(b) Investment properties**

	Charity and Group Freehold properties	
	2016 £	2015 £
Valuation at 1 January	26,067,417	26,542,482
Transferred from assets under construction (note 10)	563,305	—
Transferred to assets under construction (note 10)	—	(475,065)
Revaluation in the year	(10,727,649)	—
Valuation at 31 December	15,903,073	26,067,417
Historic cost at 31 December	2,006,418	2,006,418

Each investment property is valued at the discounted expected future cash flow it will produce, on the assumption that these cash flows will continue indefinitely. Discounting reduces the future cash flows by a discount factor equivalent to the Retail Price Index (RPI) at the balance sheet date. Between 31 December 2015 and 31 December 2016, the RPI rose from 1.5% to 2.5%, resulting in a greater reduction in the value of the future cash flows due to discounting at 31 December 2016 and thus a decrease in the estimated value of the property portfolio as a whole by £10.25 million.

12 Investment in subsidiary undertaking

The charity owns 100% of the issued ordinary share capital of a subsidiary undertaking, Southwark Diocesan Education Services Limited, which is registered in England and supplies administrative services to the charity and to Schools in the Diocese. The company began trading on 1 April 1996 and its results for the period and assets and liabilities have been consolidated into the charity's financial statements. Total income for the year was £608,195 (2015 - £555,198), gross profit was £527,064 (2015 - £510,070) and total administrative expenditure was £177,056 (2015 - £154,414). The net profit after taxation was £nil (2015 - £nil) and is after amounts payable to the parent charity under Gift Aid of £415,669 (2015 - £355,656).

13 Debtors

Amounts falling due within one year:

	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
Other debtors	52,231	38,672	89,061	47,719
Prepayments and accrued income	77,093	38,403	73,575	37,104
	129,324	77,075	162,636	84,823

14 Creditors: amounts falling due within one year

	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
Bank overdraft	77,522	77,522	84,176	84,176
Trade creditors	174,641	138,759	94,550	82,805
Other creditors	30,453	30,021	26,920	15,223
Conduit creditor	215,000	215,000	215,000	215,000
Accruals and deferred income	200,015	88,860	138,971	30,950
Amounts due to group undertakings	—	72,970	—	40,208
VAT payable	10,918	—	7,802	—
	708,549	623,132	567,419	468,362

Income has been deferred because the charity has not yet met the conditions for recognising the income. The movements on deferred income are analysed below:

	2016 £	2015 £
Brought forward as at 1 January 2016	116,921	116,594
Released in the year	(116,921)	(116,594)
New deferrals in the year	115,081	116,921
Carried forward as at 31 December 2016	115,081	116,921

The deferred income balance represents rent received in advance of £9,333 (2015 - £14,750) and service income relating to periods after 31 December 2016 of £105,748 (2015 - £102,171).

15 Analysis of group net assets between funds

Fund balances at 31 December 2016 are represented by:

	General funds £	Designated property fund £	Restricted funds £	Endowment funds £	Total funds £
Tangible fixed assets	—	2,614,205	—	—	2,614,205
Investments	4,549,619	15,903,073	1,236,899	247,366	21,936,957
Net current liabilities	(1,182,922)	—	959,575	(2,518)	(225,865)
	3,366,697	18,517,278	2,196,474	244,848	24,325,297

15 Analysis of group net assets between funds (continued)

Reconciliation of funds

	Balance at 1 January 2016 £	Income £	Expenditure £	Gains/ (losses) £	Transfers £	Balance at 31 December 2016 £
Endowment funds	244,848	1,157	—	—	(1,157)	244,848
Restricted funds						
External maintenance scheme	(63,067)	499,253	(281,384)	—	(60,000)	94,802
Diocesan grant	—	24,219	(24,219)	—	—	—
Other restricted funds	2,153,682	80,736	(132,746)	—	—	2,101,672
	2,090,615	604,208	(438,349)	—	(60,000)	2,196,474
Designated property fund	29,123,590	—	(191,301)	(10,727,649)	312,638	18,517,278
General funds (including trading funds of £11,753)	3,535,525	1,327,104	(1,385,068)	140,617	(251,481)	3,366,697
	34,994,578	1,932,469	(2,014,718)	(10,587,032)	—	24,325,297

Endowment funds represent a fund held under a Section 86 order and a fund set aside under a charity order to develop Church of England education.

The External Maintenance Scheme is a scheme developed by the charity on a voluntary subscription basis to ensure that all the schools in the Diocese can maintain the external fabric and structural elements of their buildings. The fund balance carried forward represents the accumulation of income over expenditure which is available to meet the Governors' 10% liability for ongoing schemes of maintenance works.

The Diocesan grant restricted fund related to funding provided by the Diocese of Southwark to fund a specific post and chaplaincy support.

Other restricted funds represent assets arising from the disposal of redundant school buildings to be deployed by the Southwark Diocesan Board of Education under Section 554 of the Education Act 1996. Such funds can be deployed for the development of existing schools or the provision of new schools within the Diocese of Southwark. Such Schools are to follow the tenets of the Church of England.

The designated property fund represents the net book value of the fixed assets and investment properties at the balance sheet date.

16 Conduit funds – capital projects

	2016 £	2015 £
Income	10,784,552	11,506,359
Expenditure	(10,784,552)	(11,506,359)
	—	—

As at 31 December 2016 the charity had a conduit creditor of £215,000 (2015 - £215,000), this represents net expenditure made in advance of receiving the conduit income. Amounts held on behalf of schools as part of the Devolved Formula Capital Scheme of the DFE were £2.64 million (2015 - £3.47 million).

17 Pension and similar obligations

The Group's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPA) and the Church of England Church Workers Pension Fund (CECWPF), which are of the defined benefit type, the assets of the schemes being held in separate trustee administered funds. Both the TPA and CECWPF fund assets are not apportioned to individual employing bodies in the fund and therefore both constitute collective defined benefit pension schemes under Financial Reporting Standard 102: Section 28 – Employee Benefits.

The total pension cost was £175,899 (2015 - £166,758). Creditors falling due within one year include £nil (2015 - £nil) in respect of employer's contributions.

TPS

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt-out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

17 Pension and similar obligations (continued)

TPS (continued)

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- ♦ employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge) - previously 14.1%;
- ♦ total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- ♦ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations; and
- ♦ The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to the TPS in the year amounted to £58,420 (2015 - £52,724).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Under the definitions set out in section 28.11 of Financial Reporting Standard 102 (FRS 102), "Employee Benefits", the TPS is a multi-employer pension scheme. The charity has accounted for its contributions to the scheme as if it were a defined contribution scheme. The charity has set the information available on the scheme out above.

17 Pension and similar obligations (continued)

Church of England Church Workers Pension Fund

The Southwark Diocesan Board of Education participates in the Defined Benefits Scheme Section of the Church Workers Pension Fund (the Fund), a pension scheme administered by the Church of England Pensions Board to provide benefits based on final pensionable salaries. The assets of the Fund are held separately from those of the Employer.

There was a valuation of the fund as at 31 December 2013 and, from 1 April 2015 the contribution rate was increased from 31.14% to 39.2%.

18 Related party transactions

The Southwark Diocesan Board of Education is a company limited by guarantee. The results and balance sheet of Southwark Diocesan Education Services Limited (SDES) are consolidated into these financial statements. The Southwark Diocesan Board of Education has taken advantage of the exemptions in FRS 102 and has not reported transactions between it and SDES.

During the year the group received grant funding amounting to £264,219 (2015 – £260,239) in respect of the Diocesan Measure from the Southwark Diocesan Board of Finance and South London Church Fund, a related charity. At 31 December 2016, £nil (2015 – £1,482) remained to be received. The Southwark Diocesan Board of Finance and South London Church Fund is a related party as a result of sharing a number of trustees with the charity.

During the year the group received income of £19,650 (2015 – £15,518), including VAT, from Bacon's Educational Foundation in respect of the provision of a service level agreement and additional consultancy and advisory work. At 31 December 2016, £nil (2015 – £5,040) remained to be received. Bacon's Educational Foundation is a related party as a result of sharing a number of trustees with the charity.

19 Funds held as agent

During the year, the charity acted as an agent, with interest receivable £1,293 (2015 – £3,720) being paid into accounts held on behalf of various Schools under the aegis of the Diocese of Southwark. In the year, £608,579 (2015- £nil) was paid over to these schools. At the year end, balances of £80,700 were held in designated bank accounts separate from the charity and trading subsidiary's designated bank accounts. As the trustees have no responsibility for the application of these funds, the income and bank balances have been excluded from the financial statements.

20 Members

The company is limited by guarantee and the liability of the members is limited to an amount not exceeding £1.