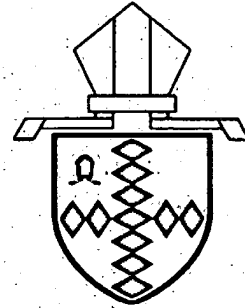


# REGISTRAR OF COMPANIES



## Southwark Diocesan Board of Education Incorporated

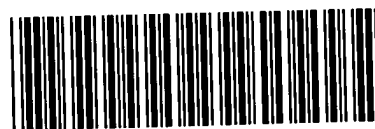
### Annual Report and Financial Statements

31 December 2018

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 2018

<b>Trustees</b>	<p>The Rt Revd Christopher Chessun (President) The Rt Revd Jonathan Clark (Chair) The Revd Susan Billin (appointed 1 January 2019) Mr Martin Brecknell The Revd Carol Coslett (resigned 13 March 2018) The Revd Canon Stephen Coulson Mrs Pam Davies Mrs Virginia Eaton Mr Malcolm Edwards CBE The Revd Simon Foster (resigned 31 December 2018) Mr Niall Gallagher (resigned 31 December 2018) The Revd Dr Mark Garner The Revd Captain Jeremy Garton (appointed 1 January 2019) Mrs Riana Gouws Mrs Emma Hart Dyke The Revd Ariadne van den Hof The Revd Canon Gary Jenkins (resigned 31 December 2018) The Revd Annie Kurk Mr Robert Love MBE Mrs Jane Marwood (resigned 31 December 2018) Miss Maria McBean (resigned 31 December 2018) The Rev Darren Miller (resigned 13 March 2018) Esther Moorey (appointed 1 January 2019) The Revd Dr Sharon Moughtin-Mumby Mr Ekundayo Olomu The Revd Peter Organ Mrs Eileen Perryer (appointed 10 March 2018) Dr Nicholas Shepherd Mrs Penny Smith-Orr The Ven Dr Jane Steen Dr Catharina Stibe Hickson Mrs Alison Venn The Revd Andrew Williams The Revd Erica Wooff</p>
<b>Senior leadership team</b>	<p>Mr Colin Powell (Director of Education) Mr Mike McKeaveney (Assistant Director) (resigned 31 December 2018)</p>
<b>Company secretary</b>	<p>Mr Colin Powell</p>
<b>Registered office</b>	<p>48 Union Street London SE1 1TD</p>
<b>Charity registration number</b>	<p>313001</p>

**Reference and administrative information Year to 31 December 2018**

**Company registration number** 00086641

**Auditor** Buzzacott LLP  
130 Wood Street  
London  
EC2V 6DL

**Bankers** National Westminster Bank plc  
P.O. Box 3038  
57 Victoria Street  
London  
SW1H 0HN

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

## Trustees' report Year to 31 December 2018

The Trustees (who are also the Directors of the charitable company for Companies Act purposes) have pleasure in presenting their Annual Report and the audited Financial Statements for the year ended 31 December 2018.

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.

The Trustees are proud of the achievements that have taken place in 2018 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](http://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 enable the mission of God through the work of the Board;
- ◆ 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; and
- ◆ To offer exemplary service to our schools and chaplaincies.

**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;
- ◆ Securing resources; and
- ◆ Living well together.

*Development of chaplaincy in schools and colleges*

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

*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;
- ◆ Additional services to schools;
- ◆ Working well together; and
- ◆ Environmental stewardship.

## **Trustees' report Year to 31 December 2018**

### **Vision, mission and aims (continued)**

#### ***Developing Church of England education (continued)***

The SDBE provides support to the following:

- ◆ 92 Primary schools;
- ◆ 14 Secondary schools – including 2 all-through schools;
- ◆ 37,000 children and young people who attend C of E schools in the Diocese of Southwark; and
- ◆ 7 Higher and 5 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 (Office for Standards in Education (OFSTED) and Statutory Inspection of Anglican and Methodist Schools (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;
- ◆ Support and development of chaplaincies across schools and Higher and Further Education institutions;
- ◆ Liaising with Local Authorities and other providers; and
- ◆ Liaising with the Department for Education.

## **Trustees' report Year to 31 December 2018**

### **Achievements and performance for 2018**

2018 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 2018 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 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.

During 2018 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;
- ◆ 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.

Key Activities and Outcomes for the year:

- ◆ 5 new headteachers took up post during the year;
- ◆ There were 21 OFSTED inspections;
- ◆ 2 primary schools went from 'Requires Improvement' to 'Good' (OFSTED);
- ◆ 1 All-Through school was inspected for the first time and judged 'Good' (OFSTED);
- ◆ 2 schools moved from 'Good' to 'Outstanding' under the revised SIAMS framework;



## Trustees' report Year to 31 December 2018

### Achievements and performance for 2018 (continued)

- ◆ 35% of schools were graded 'Outstanding' against a national average of 20% (August 2018);
- ◆ 90% of all schools were graded 'Good or better' by OFSTED against a national average of 86% (August 2018);
- ◆ 98% of schools graded 'Good or better' by SIAMS (August 2018);
- ◆ 75% of schools graded 'Outstanding' by SIAMS (August 2018);
- ◆ 97% of schools graded 'Good or better' for RE by SIAMS (August 2018);
- ◆ 62% of schools graded 'Outstanding' for RE by SIAMS (August 2018);
- ◆ The average Progress 8 score for diocesan secondary schools was +0.16. This was up from 0.03 last year, compared to the National of -0.02. When taking into account the relative weighting based on student numbers across our schools, the Progress 8 rises to +0.27;
- ◆ The Progress 8 score in 43% of diocesan secondary schools was graded as above average; 21% of our schools were graded as well above average;
- ◆ The diocesan average of the proportion of students achieving 5 or above in English and Mathematics was 52% compared to the national average of 43%;
- ◆ 36% in diocesan secondary schools achieved the Ebacc at grade 4 or above and 26% at grade 5 or above, compared to national figures of 16% and 24% respectively;
- ◆ 58 schools undertook significant building works (not including expansions/bulges);
- ◆ 4 school expansion initiatives were undertaken;
- ◆ The forum for 'Outstanding' schools was continued;
- ◆ The Annual Head/ Deputies conference held at Canterbury was attended by more than 100 delegates;
- ◆ The number of Diocesan foundation governor vacancies was 13;
- ◆ 6 schools completed the Bishop's Certificate in Church School Governance;
- ◆ The Further Education framework was embedded;
- ◆ Our property rental portfolio was reviewed further to achieve a better income;
- ◆ 3 new members joined our staff team; and
- ◆ The SDBE Multi-Academy Trust expanded to include 8 schools.

## **Trustees' report Year to 31 December 2018**

### **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 2019:

- ◆ Monitor the implementation of the 2019-2021 Organisation Development Plan;
- ◆ To take further 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 implement the Growth and Sustainability plan;
- ◆ To consider a further range of additional 'bought-back' /commissioned services for our schools;
- ◆ To further embed the Chaplaincy frameworks in the various institutions;
- ◆ To review Secondary Religious Education support;
- ◆ To monitor the implementation of the new SIAMS Evaluation Schedule;
- ◆ To draft guidance on dealing with traumatic situations; and
- ◆ To continue to promote the RE Quality Mark.

### **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 SDBE 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;

## **Trustees' report Year to 31 December 2018**

### **Public benefit (continued)**

- ◆ Analysis of the outcomes of school inspection by the 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 2018**

### **Trustee membership**

#### **TRUSTEES:**

Bishop of the Diocese (President)  
Chair (the Bishop's appointee)

The Rt Revd Christopher Chessun  
The Rt Revd Jonathan Clark

#### **Members appointed by the Bishop**

Mr Martin Brecknell  
The Ven Dr Jane Steen  
The Revd Canon Stephen Coulson

### **CROYDON EPISCOPAL AREA**

#### **Croydon Archdeaconry**

Member of Diocesan Synod  
Clerk in Holy Orders  
Lay Member

Mr Ekundayo Olomu  
Vacancy  
Mrs Penny Smith-Orr

#### **Reigate Archdeaconry**

Member of Diocesan Synod  
Clerk in Holy Orders  
Lay Member

Dr Catharina Stibe Hickson  
Vacancy  
Mrs Virginia Eaton

### **KINGSTON EPISCOPAL AREA**

#### **Lambeth Archdeaconry**

Member of Diocesan Synod  
Clerk in Holy Orders  
Lay Member

Vacancy  
The Revd Erica Wooff  
Miss Maria McBean

#### **Wandsworth Archdeaconry**

Member of Diocesan Synod  
Clerk in Holy Orders  
Lay Member

Mrs Jane Marwood  
The Revd Annie Kurk  
Mrs Pam Davies

### **WOOLWICH EPISCOPAL AREA**

#### **Lewisham & Greenwich Archdeaconry**

Member of Diocesan Synod  
Clerk in Holy Orders  
Lay Member

Mr Robert Love MBE  
The Revd Ariadne van den Hof  
Dr Nicholas Shepherd

#### **Southwark Archdeaconry**

Member of Diocesan Synod  
Clerk in Holy Orders  
Lay Member

The Revd Canon Gary Jenkins  
The Revd Dr Sharon Moughtin-Mumby  
Mrs Alison Venn  
Mrs Emma Hart Dyke

#### **Chair of the Southwark Diocesan Head Teachers Association**

#### **The Head of Whiteland's College**

The Revd Dr Mark Garner

#### **Chairs of Committees**

Policy & Strategy Committee  
Schools Committee  
Finance & Development Committee  
Further & Higher Education Committee

The Rt Revd Jonathan Clark  
The Ven Dr Jane Steen  
Mr Malcolm Edwards CBE  
The Revd Andrew Williams

#### **Co-opted Members**

Mr Malcolm Edwards  
Mr Niall Gallagher  
The Revd Peter Organ  
Mrs Riana Gouws

#### **Members Elected from FE/HE Committee**

The Revd Andrew Williams

#### **Audit Committee (non-Trustee) appointed by the Board**

Ms Sarah Ironmonger (Chair)  
Revd Annie Kurk  
Rev Derek Holbird  
Mr David Wada

## **Trustees' report Year to 31 December 2018**

### **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 page 1. No other member(s) served on the Board during the year. Attendance at Board Meetings was 63%.

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).

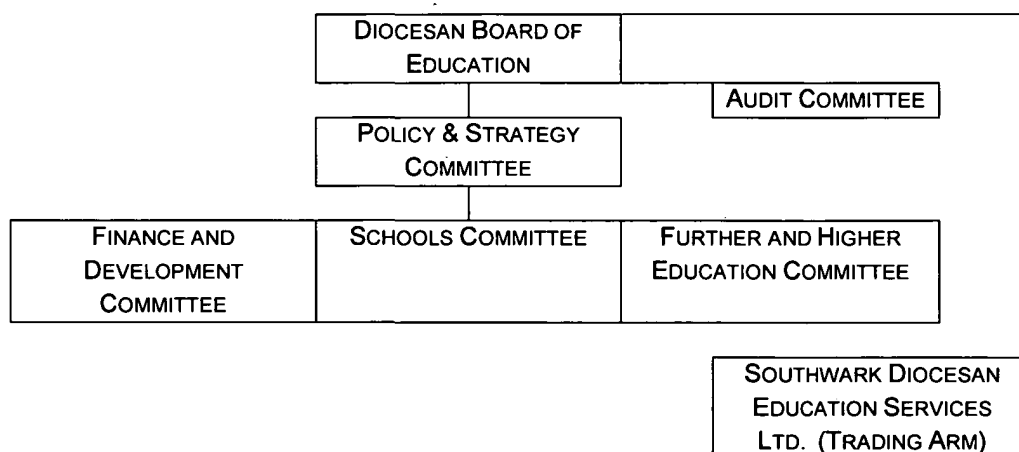
The Board has a membership representing a wide range of experience and interest, including representatives from the Diocese of Southwark, the Southwark Diocesan Head Teachers' Association, Roehampton University and appointees from each of the Board's Committees as well as the Chairs of the Committees.

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 headteachers 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 meets 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.

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.

**Structure, governance and management (continued)**



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.

The staffing structure and team for the reporting year comprises:

Director	Mr Colin Powell
Assistant Director	Mr Mike McKeaveney (until 31 <sup>st</sup> December 2018)
6 Educational Advisers (4.2 FTE)	Mrs Roz Cordner Mr Marcus Cooper Mr Craig Morrison Mr Shaun Burns Mrs Pamela Draycott Miss Fiona Foreman

## Trustees' report Year to 31 December 2018

### Structure, governance and management (continued)

Chaplaincy Development Officer (0.4 FTE)	Ms Siriol Davies
Buildings and Capital Programmes Manager	Mr Paul Forrest
Human Resources Adviser (0.5 FTE)	Mrs Atia Williams
Governance, Admissions and Development Adviser	Mr Leo Morrell
Financial Controller	Mr David Coyle
Office Manager	Mrs Sheila Talbott
3 Administrators	Mrs Cheryl Kuit Miss Jorden Thomas (until January 2018) Mrs Alison Kemp (from April 2018)
Caretaker (0.2 FTE)	Mr Gyorgy Szabo

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

Together with the Trustees, 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.

The SDBE works closely with the Southwark Diocesan Board of Finance and the SDBE Multi-Academy Trust. Further details of the relationship with these parties are given in the notes to the accounts.

### **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**

Church of England Primary and Secondary Schools throughout the Diocese of Southwark are responsible for more than 37,000 children and more than 1,000 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. The Board 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.

The Trustees 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



## Trustees' report Year to 31 December 2018

### Risk management (continued)

- ◆ 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.

The Board's three investment portfolios all outperformed their respective benchmarks over the year:

<b>Low Risk Portfolio</b>	<b>-1.66%</b>
WMA Income/Base Rates	-1.99% (benchmark)
<b>Low to Medium Risk Portfolio</b>	<b>-2.58%</b>
WMA Income	-7.21% (benchmark)
<b>Medium to High Risk Portfolio</b>	<b>-5.78%</b>
WMA Growth	-7.93% (benchmark)

Volatility increased during the final quarter of the year, as worries about slowing global growth were added to concerns about the monetary policy backdrop shifting towards quantitative tightening. The pressure on asset prices was broad based, with the vast majority of equity markets ending the year with losses for the first time since 2011. However, the sell-off has left valuations at more attractive levels, particularly given the fact that corporate earnings growth was robust throughout 2018. The Board's investment managers note that some of December's losses were likely exaggerated by low liquidity over the holiday season.

The market sell-off began immediately at the start of October, after Federal Reserve (Fed) Chair Jerome Powell suggested that US interest rates might have to rise further and more quickly than expected. US policymakers softened their rhetoric around the prospects for tighter monetary policy in November, helping markets find some stability. However, the sell-off resumed in December after various economic data, such as leading indicators and certain housing market data, showed signs that the US economic cycle may be beginning to turn after almost a decade of expansion. A government shutdown added further fuel to the fire, as did ongoing concerns over trade protectionism, despite President Trump and Chinese Premier Xi agreeing to a temporary ceasefire in their escalating trade war. Political events outside the US were also detrimental, with Brexit uncertainty increasing, Italy's government remaining at loggerheads with the EU over its budget spending and Angela Merkel coming under pressure after losses suffered by her coalition in a number of regional elections.

**Investment policy and performance (continued)**

Against this backdrop, the US market experienced some of the greatest losses. The region was weighed by the underperformance of its large technology sector, which gave up some of its gains from recent years. Japanese equities also suffered amid concerns over the adverse effects that slower global growth will have on its large export sector. In the UK, sterling weakened and domestically-oriented stocks underperformed UK-based multinationals as fears of a no-deal Brexit increased. Emerging market equities performed slightly better than their developed world counterparts after underperforming earlier in the year, as China began to act to support its economy, but they still lost ground in absolute terms.

Fixed income markets fared better, with some of the major sovereign bond markets making gains in absolute terms as demand for safe-haven assets increased. Investors have been watching the treasury yield curve closely to see if it 'inverts' (the yields on longer-dated issues move below those of their shorter-dated counterparts); historically, such a development has been a reliable predictor of US recessions. Lower growth projections and expectations of higher interest rates have caused some parts of the curve to invert temporarily, but the curve is yet to invert fully and given the strength of the consumer sector of the US economy we believe a US recession is still some time away. Elsewhere within fixed income, corporate bond markets generally weakened as investors worried about the effects that slower growth would have on areas of the market where leverage is high and valuations have been elevated by central bank policy. Indeed, more risky high yield bonds generally underperformed their investment grade counterparts. The trend towards defensive assets was also reflected within equity markets, with utilities, telecoms and consumer staples outperforming. Stocks linked to our healthcare theme also did relatively well, with the global healthcare sector ending the year with gains in absolute terms.

**Financial review**

***Finance and resources***

The SDBE is established as a statutory body to fulfil a range of duties and responsibilities. Total income of £2,619,313 (2017: £2,136,226) during the year was derived from the following sources:

- Schools (Service agreements and related income): £444,849 – 21% (2017: £433,897 – 20%)
- Maintenance scheme subscriptions: £548,207 – 25% (2017: £609,800 – 29%)
- Diocesan Grants: £287,120 – 13% (2017: £271,957 – 13%)
- Lettings and Investments: £644,139 – 30% (2017: £568,578 – 27%)
- Other income: £234,998 – 11% (2017: £251,994 – 12%)

**Finance review (continued)**

***Finance and resources (continued)***

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 £287,120 (2017: £271,957) for the year, comprising £252,144 (2017: £247,200) core grant, and £34,976 (2017: £24,757) 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.

The charity's operational activities are represented by its unrestricted general fund. The operational income of the charity exceeded its operational expenditure, resulting in a surplus of £106,129 (2017: £306,232) before taking account of net losses on listed investments of £137,795 (2017: net gains of £176,755) and transfers. Transfers in and out of the unrestricted general fund included a transfer in of £60,000 from the external periodic maintenance restricted fund representing the costs of administering the fund (2017: £60,000), a transfer to the property fund representing additions to tangible fixed assets of £310,563 (2017: £653,667) and other transfers into the fund totalling £1,125 (2017: £9,792). This gives, read together with realised and unrealised losses on the value of investments of £137,795 (2017: gains of £176,755), a net decrease in the unrestricted (operational) funds of the charity for the year of £281,104 (2017: deficit of £297,227).

Overall, there was a net increase in total funds of £2,261,057 (2017: net decrease of £6,731,042), after also accounting for a decrease in restricted funds of £90,507 (2017: decrease of £26,472), an increase in the property fund of £2,624,668 (2017: decrease of £6,415,343) and an increase of £8,000 in the value of endowment funds (2017: £8,000).

***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 £626,929 (2017: £635,696) and the company made an operating profit of £nil (2017: £nil) after making a donation of £389,551 by Gift Aid to the parent charity (2017: £414,702)

***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.

**Finance review (continued)**

***Reserves policy (continued)***

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.
- (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 equivalent to 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 the future development of Church of England education in the Diocese.

The current free reserves of the charity are £2.788m (2017: £3.069m). The charity's policy implies a minimum level of reserves of £4.375m (including £2.3m in liquid resources) (2017: £7m (including £2.2m in liquid resources)). Overall reserves are sufficient to meet requirements, with the liquid element being held as equities and invested cash deposits. The level of reserves is below the target range, having been reduced by successive deficits. The Trustees intend to invest further funds in the coming year with a view to bringing free reserves back to the desired level.

## **Trustees' report Year to 31 December 2018**

### **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);
- ◆ 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.

**Trustees' report Year to 31 December 2018**

**Statement of Trustees responsibilities (continued)**

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.

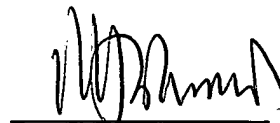
Signed on behalf of the Board of Trustees:



The Rt Revd Jonathan Clark

Trustee

Date: 4<sup>th</sup> July 2019



Mr Malcolm Edwards

Trustee

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

**Opinion**

We have audited the financial statements of Southwark Diocesan Board of Education Limited (the 'charitable parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the group statement of financial activities, the group and charitable parent company balance sheets, statement of consolidated cash flows, the principal accounting policies and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the group's and of the charitable parent company's affairs as at 31 December 2018 and of the group'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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 group's or the charitable parent 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.

## **Independent auditor's report 31 December 2018**

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- ◆ the information given in the Trustees' 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.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the charitable parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report.

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

- ◆ adequate accounting records have not been kept by the charitable parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the charitable parent 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;
- ◆ we have not received all the information and explanations we require for our audit; or
- ◆ the Trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the Trustees' report and from the requirement to prepare a strategic report.



**Responsibilities of Trustees**

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

This report is made solely to the 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.



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



# Consolidated statement of financial activities Year to 31 December 2018

		Unrestricted funds		Restricted funds £	Endowment funds £	Total 2018 £	Total 2017 £
Notes	General funds £	Property fund £					
<b>Income and endowments from:</b>							
Grants and donations	1	261,814	450,000	40,601	—	752,415	299,207
Charitable activities	2	82,003	—	548,207	—	630,210	666,501
Other trading activities	3	592,549	—	—	—	592,549	601,940
Investments	4	629,789	—	5,225	9,125	644,139	568,578
<b>Total income</b>		<b>1,566,155</b>	<b>450,000</b>	<b>594,033</b>	<b>9,125</b>	<b>2,619,313</b>	<b>2,136,226</b>
<b>Expenditure on:</b>							
Raising funds	5	119,370	—	—	—	119,370	141,739
Charitable activities	6	1,340,656	190,937	624,540	—	2,156,133	2,024,211
<b>Total expenditure</b>		<b>1,460,026</b>	<b>190,937</b>	<b>624,540</b>	<b>—</b>	<b>2,275,503</b>	<b>2,165,950</b>
<b>Net income (expenditure) before investment gains</b>		<b>106,129</b>	<b>259,063</b>	<b>(30,507)</b>	<b>9,125</b>	<b>343,810</b>	<b>(29,724)</b>
Unrealised gains (losses) on investment properties	11b	—	2,055,042	—	—	2,055,042	(6,878,073)
Net (losses) gains on listed investments	11a	(137,795)	—	—	—	(137,795)	176,755
<b>Net (expenditure) income before transfers</b>		<b>(31,666)</b>	<b>2,314,105</b>	<b>(30,507)</b>	<b>9,125</b>	<b>2,261,057</b>	<b>(6,731,042)</b>
Transfers between funds	15	(249,438)	310,563	(60,000)	(1,125)	—	—
<b>Net movement in funds</b>	8	<b>(281,104)</b>	<b>2,624,668</b>	<b>(90,507)</b>	<b>8,000</b>	<b>2,261,057</b>	<b>(6,731,042)</b>
<b>Reconciliation of funds:</b>							
Funds brought forward at 1 January 2018		3,069,470	12,101,935	2,170,002	252,848	17,594,255	24,325,297
<b>Funds carried forward at 31 December 2018</b>	15	<b>2,788,366</b>	<b>14,726,603</b>	<b>2,079,495</b>	<b>260,848</b>	<b>19,855,312</b>	<b>17,594,255</b>

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 statements 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 £1,125 (2017: £689).

# Consolidated statement of financial activities Year to 31 December 2017

		Unrestricted funds		Restricted funds	Endowment funds	Total 2017
	Notes	General funds £	Property fund £	£	£	£
<b>Income and endowments from:</b>						
Grants and donations	1	274,450	—	24,757	—	299,207
Charitable activities	2	56,701	—	609,800	—	666,501
Other trading activities	3	601,940	—	—	—	601,940
Investments	4	556,763	—	3,126	8,689	568,578
<b>Total income</b>		<b>1,489,854</b>	<b>—</b>	<b>637,683</b>	<b>8,689</b>	<b>2,136,226</b>
<b>Expenditure on:</b>						
Raising funds	5	141,739	—	—	—	141,739
Charitable activities	6	1,218,638	190,937	614,636	—	2,024,211
<b>Total expenditure</b>		<b>1,360,377</b>	<b>190,937</b>	<b>614,636</b>	<b>—</b>	<b>2,165,950</b>
<b>Net income (expenditure) before investment gains</b>						
		129,477	(190,937)	23,047	8,689	(29,724)
Unrealised losses on investment properties	11a	—	(6,878,073)	—	—	(6,878,073)
Net gains on listed investments	11b	176,755	—	—	—	176,755
<b>Net income (expenditure) before transfers</b>						
		306,232	(7,069,010)	23,047	8,689	(6,731,042)
Transfers between funds	15	(603,459)	653,667	(49,519)	(689)	—
<b>Net movement in funds</b>	8	<b>(297,227)</b>	<b>(6,415,343)</b>	<b>(26,472)</b>	<b>8,000</b>	<b>(6,731,042)</b>
<b>Reconciliation of funds:</b>						
Funds brought forward at 1 January 2017		3,366,697	18,517,278	2,196,474	244,848	24,325,297
<b>Funds carried forward at 31 December 2017</b>	15	<b>3,069,470</b>	<b>12,101,935</b>	<b>2,170,002</b>	<b>252,848</b>	<b>17,594,255</b>

## Balance sheets 31 December 2018

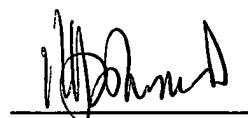
	Notes	Group 2018 £	Charity 2018 £	Group 2017 £	Charity 2017 £
<b>Fixed assets</b>					
Tangible assets	10	1,976,603	1,975,650	4,076,935	4,075,506
Investments	11	18,803,520	18,803,520	14,697,983	14,697,984
		<u>20,780,123</u>	<u>20,779,170</u>	<u>18,774,918</u>	<u>18,773,490</u>
<b>Current assets</b>					
Debtors	13	184,550	151,088	227,690	169,692
Cash at bank and in hand		501,617	463,927	358,039	303,474
		<u>686,167</u>	<u>615,015</u>	<u>585,729</u>	<u>473,166</u>
<b>Creditors:</b> amounts falling due within one year	14	(594,978)	(534,626)	(782,392)	(680,153)
<b>Net current assets (liabilities)</b>		<u>91,189</u>	<u>80,389</u>	<u>(196,663)</u>	<u>(206,987)</u>
<b>Debtors:</b> amounts receivable after more than one year		150,000	150,000	150,000	150,000
<b>Creditors:</b> amounts falling due after more than one year		(1,166,000)	(1,166,000)	(1,134,000)	(1,134,000)
<b>Net assets</b>		<u>19,855,312</u>	<u>19,843,559</u>	<u>17,594,255</u>	<u>17,582,503</u>
<b>The funds of the charity</b>					
Unrestricted funds					
General funds	15	2,788,366	2,776,613	3,069,470	3,057,718
Property funds	15	14,726,603	14,726,603	12,101,935	12,101,935
Restricted funds	15	2,079,495	2,079,495	2,170,002	2,170,002
Endowment funds	15	260,848	260,848	252,848	252,848
		<u>19,855,312</u>	<u>19,843,559</u>	<u>17,594,255</u>	<u>17,582,503</u>

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



The Rt Revd Jonathan Clark

Trustee



Mr Malcolm Edwards

Trustee

Date: 4<sup>th</sup> July 2019

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

The notes on pages 34 to 48 form part of the financial statements.

# Consolidated statement of cash flows Year to 31 December 2018

	Notes	2018 £	2017 £
<b>Cash flows from operating activities:</b>			
Net cash (used in) provided by operating activities	A	<u>(707,034)</u>	<u>607,677</u>
<b>Cash flows from investing activities:</b>			
Dividends, interest and rents from investments		644,139	568,578
Purchase of tangible fixed assets		(312,312)	(1,655,393)
Proceeds from the disposal of listed investments		398,168	561,600
Purchase of listed investments		<u>(308,240)</u>	<u>(838,033)</u>
Net cash provided by (used in) investing activities		<u>421,755</u>	<u>(1,363,248)</u>
<b>Change in cash and cash equivalents in the year</b>		<b>(285,279)</b>	<b>(755,571)</b>
<b>Cash and cash equivalents at 1 January 2018</b>	B	<b>2,429,367</b>	<b>3,184,938</b>
<b>Cash and cash equivalents at 31 December 2018</b>	B	<b><u>2,144,088</u></b>	<b><u>2,429,367</u></b>

## Notes to the cash flow statement for the year to 31 December 2018.

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

	2018 £	2017 £
<b>Net movement in funds (as per the statement of financial activities)</b>	<b>2,261,057</b>	<b>(6,731,042)</b>
<b>Adjustments for:</b>		
Depreciation charge	192,685	192,663
Donated assets	(450,000)	—
Losses (gains) on listed investments	137,795	(176,755)
(Gains) losses on investment properties	(2,055,042)	6,878,073
Dividends, interest and rents from investments	(644,139)	(568,578)
Amortisation of lease premium	(8,000)	(8,000)
Decrease (increase) in debtors	43,140	(248,366)
(Decrease) increase in creditors	<u>(184,530)</u>	<u>1,269,682</u>
Net cash (used in) provided by operating activities	<b><u>(707,034)</u></b>	<b><u>607,677</u></b>

### B Analysis of cash and cash equivalents

	2018 £	2017 £
Cash at bank	501,617	358,039
Bank overdraft facility	(60,800)	(23,683)
Cash held by investment managers	<u>1,703,271</u>	<u>2,095,011</u>
<b>Total cash and cash equivalents</b>	<b><u>2,144,088</u></b>	<b><u>2,429,367</u></b>

## **Principal accounting policies Year to 31 December 2018**

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 2018.

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 annual depreciation charge;
- ◆ determining the basis for allocating support costs across expenditure categories; and
- ◆ determining the 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 2018**

### **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 2019, the most significant areas that will affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment and property markets (please see the investment policy and the risk management sections of the Trustees' report for more information).

### **Income Recognition**

Income is recognised in the period in which the charity has entitlement to the income, 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 schools, 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, when it is probable that the funds will be received.

Dividends are recognised when they have been earned and credited to the investment portfolio.

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 2018

### Income (continued)

Other 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 16.

### 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



## **Principal accounting policies Year to 31 December 2018**

### **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.

Investment properties are included in the financial statements at the estimated current market value of the properties based on open market value. The valuation has been determined by the Trustees after consultation with professional property advisers.

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.

### **Former School Sites**

In the course of administering a capital scheme under the Education Acts 1944 to 1973, the charity acts as Trustee to a number of former schools, 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.

## Principal accounting policies Year to 31 December 2018

### **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 would 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 current 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 designated property fund 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.

## Principal accounting policies Year to 31 December 2018

### **Funds (continued)**

#### ***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.

#### ***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 Local Authorities. The statutory legal agreement between the schools and the government departments grant no decision making authority to the charity which acts as administrative agent. 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 by the schemes 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.

Notes to the financial statements Year to 31 December 2018

**1 Grants and donations**

	Unrestricted funds		Restricted funds	Endowment funds	2018
	General funds	Property funds			
	£	£	£	£	£
Diocesan grant	252,144	—	34,976	—	287,120
Donated assets	—	450,000	—	—	450,000
Other grants	9,670	—	5,625	—	15,295
<b>2018 Total funds</b>	<b>261,814</b>	<b>450,000</b>	<b>40,601</b>	<b>—</b>	<b>752,415</b>

	Unrestricted funds		Restricted funds	Endowment funds	2017
	General funds	Property funds			
	£	£	£	£	£
Diocesan grant	247,200	—	24,757	—	271,957
Other grants	27,250	—	—	—	27,250
<b>2017 Total funds</b>	<b>274,450</b>	<b>—</b>	<b>24,757</b>	<b>—</b>	<b>299,207</b>

**2 Charitable activities**

	Unrestricted funds		Restricted funds	Endowment funds	2018
	General funds	Property funds			
	£	£	£	£	£
Maintenance subscriptions	—	—	548,207	—	548,207
Other educational income	—	—	—	—	—
. Advisory and consultancy fees	59,476	—	—	—	59,476
. Bishop's certificate in church school governance	5,280	—	—	—	5,280
. Other sundry income	17,247	—	—	—	17,247
<b>2018 Total funds</b>	<b>82,003</b>	<b>—</b>	<b>548,207</b>	<b>—</b>	<b>630,210</b>

	Unrestricted funds		Restricted funds	Endowment funds	2017
	General funds	Property funds			
	£	£	£	£	£
Maintenance subscriptions	—	—	609,800	—	609,800
Other educational income	—	—	—	—	—
. Advisory and consultancy fees	17,198	—	—	—	17,198
. Bishop's certificate in church school governance	2,760	—	—	—	2,760
. Other sundry income	36,743	—	—	—	36,743
<b>2017 Total funds</b>	<b>56,701</b>	<b>—</b>	<b>609,800</b>	<b>—</b>	<b>666,501</b>

Notes to the financial statements Year to 31 December 2018

**3 Other trading activities**

	Unrestricted funds		Restricted funds	Endowment funds	2018
	General funds	Property funds			
	£	£	£	£	£
Service Agreement Subscriptions	444,849	—	—	—	444,849
Management fees			—	—	
. Capital projects	14,642	—	—	—	14,642
. Maintenance projects	72,040	—	—	—	72,040
Training events	2,970	—	—	—	2,970
Additional advisor support	27,003	—	—	—	27,003
Sundry trading income	31,045	—	—	—	31,045
<b>2018 Total funds</b>	<b>592,549</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>592,549</b>

	Unrestricted funds		Restricted funds	Endowment funds	2017
	General funds	Property funds			
	£	£	£	£	£
Service Agreement Subscriptions	433,897	—	—	—	433,897
Management fees					
. Capital projects	15,076	—	—	—	15,076
. Maintenance projects	104,592	—	—	—	104,592
Training events	200	—	—	—	200
Additional advisor support	45,900	—	—	—	45,900
Sundry trading income	2,275	—	—	—	2,275
<b>2017 Total funds</b>	<b>601,940</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>601,940</b>

**4 Investment income**

	Unrestricted funds		Restricted funds	Endowment funds	2018
	General funds	Property funds			
	£	£	£	£	£
Listed and unlisted	74,171	—	5,225	9,125	88,521
Rental and letting	555,618	—	—	—	555,618
<b>2018 Total funds</b>	<b>629,789</b>	<b>—</b>	<b>5,225</b>	<b>9,125</b>	<b>644,139</b>

	Unrestricted funds		Restricted funds	Endowment funds	2017
	General funds	Property funds			
	£	£	£	£	£
Listed and unlisted	71,416	—	3,126	8,689	83,231
Rental and letting	485,347	—	—	—	485,347
<b>2017 Total funds</b>	<b>556,763</b>	<b>—</b>	<b>3,126</b>	<b>8,689</b>	<b>568,578</b>

## 5 Expenditure on raising funds

	Unrestricted funds		Restricted funds	Endowment funds	2018
	General funds	Property funds			
	£	£	£	£	£
Lettings expenses	85,138	—	—	—	85,138
Investment management fees	26,580	—	—	—	26,580
Bank charges	7,652	—	—	—	7,652
<b>2018 Total funds</b>	<b>119,370</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>119,370</b>

	Unrestricted funds		Restricted funds	Endowment funds	2017
	General funds	Property funds			
	£	£	£	£	£
Lettings expenses	110,051	—	—	—	110,051
Investment management fees	24,357	—	—	—	24,357
Bank charges	7,331	—	—	—	7,331
<b>2017 Total funds</b>	<b>141,739</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>141,739</b>

## 6 Expenditure on charitable activities

	Unrestricted funds		Restricted funds	Endowment funds	2018
	General funds	Property funds			
	£	£	£	£	£
School maintenance expenditure	—	—	443,476	—	443,476
Advice and guidance	792,791	112,987	25,003	—	930,781
Training and development	336,774	47,939	11,466	—	396,179
Project management	211,091	30,011	144,595	—	385,697
<b>2018 Total funds</b>	<b>1,340,656</b>	<b>190,937</b>	<b>624,540</b>	<b>—</b>	<b>2,156,133</b>

	Unrestricted funds		Restricted funds	Endowment funds	2017
	General funds	Property funds			
	£	£	£	£	£
School maintenance expenditure	—	—	553,373	—	553,373
Advice and guidance	739,682	115,894	24,757	—	880,333
Training and development	243,492	38,151	33,419	—	315,062
Project management	235,464	36,892	3,087	—	275,443
<b>2017 Total funds</b>	<b>1,218,638</b>	<b>190,937</b>	<b>614,636</b>	<b>—</b>	<b>2,024,211</b>

# Notes to the financial statements Year to 31 December 2018

## 7 Analysis of total expenditure

	Direct costs £	Other directly allocated costs £	Support costs £	2018 £
Raising funds (note 5)	119,169	201	—	119,370
Charitable activities (note 6)				
· School maintenance expenditure	443,476	—	—	443,476
· Advice and guidance	455,825	372,563	102,393	930,781
· Training and development	202,065	158,931	35,182	396,178
· Project management	34,500	236,913	114,285	385,698
	<b>1,255,035</b>	<b>768,608</b>	<b>251,860</b>	<b>2,275,503</b>
	Direct costs £	Other directly allocated costs £	Support costs £	2017 £
Raising funds (note 5)	141,536	203	—	141,739
Charitable activities (note 6)				
· School maintenance expenditure	553,373	—	—	553,373
· Advice and guidance	394,516	379,022	106,795	880,333
· Training and development	136,314	150,038	28,710	315,062
· Project management	34,593	115,860	124,990	275,443
	<b>1,260,332</b>	<b>645,123</b>	<b>260,495</b>	<b>2,165,950</b>

Analysis of support costs is as follows:

Expenditure on charitable activities				
	Advice and guidance £	Training and development £	Project management £	Total 2018 £
Finance and HR	40,072	3,615	47,002	90,689
Administration	27,543	16,408	57,531	101,482
Governance	34,778	15,159	9,752	59,689
<b>2018 Total funds</b>	<b>102,393</b>	<b>35,182</b>	<b>114,285</b>	<b>251,860</b>

Expenditure on charitable activities				
	Advice and guidance £	Training and development £	Project management £	Total 2017 £
Finance and HR	51,350	3,468	45,093	99,911
Administration	28,491	16,369	71,316	116,176
Governance	26,954	8,873	8,581	44,408
<b>2017 Total funds</b>	<b>106,795</b>	<b>28,710</b>	<b>124,990</b>	<b>260,495</b>

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

## 8 Net movement in funds

Net movement in funds is stated after charging:

	2018 £	2017 £
Staff costs (note 9)	1,020,621	935,257
Depreciation (note 10)	192,685	192,663
Auditor's remuneration (including VAT)		
. Audit work	23,265	21,833
. Other services	9,205	3,100
. Prior year	5,340	480
Bank charges and interest on bank loans and overdrafts	7,652	7,331

## 9 Employee and key management personnel remuneration

### (a) Staff costs

	2018 £	2017 £
Wages and salaries	718,620	631,122
Social security costs	81,135	71,503
Pension costs	154,079	148,733
	953,834	851,358
Consultancy costs	66,787	83,899
	1,020,621	935,257

### (b) Staff numbers

The number of employees during the year, calculated on an average headcount basis, was 16 (2017: 17).

### (c) Higher paid staff

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

	2018 number	2017 number
£70,001-£80,000	4	1
£90,001-£100,000	1	1

One 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 £63,820 (2017: £42,648). Details of the relevant defined benefit pension schemes are given in note 17.

### (d) Key management personnel

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



## 9 Employee and key management personnel remuneration (continued)

### (d) Key management personnel (continued)

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

	2018 £	2017 £
Remuneration, including employer's National Insurance contributions	308,034	300,514
Pension contributions	64,493	75,551
	<b>372,527</b>	<b>376,065</b>

The above figures do not include the value of staff time rechargeable to SDBE Multi-Academy Trust (note 19). None of the Trustees received any remuneration or reimbursed expenses in respect of their services during the year (2017: £nil).

## 10 Tangible fixed assets

	Charity				Group office and computer equipment	Group total
	Freehold land and buildings £	Property improvements £	Assets under construction £	Charity total £	£	£
<b>Cost</b>						
At 1 January 2018	2,864,050	67,012	1,908,919	<b>4,839,981</b>	40,980	<b>4,880,961</b>
Additions	—	—	311,040	<b>311,040</b>	1,272	<b>312,312</b>
Transfer to investment properties	—	—	(2,219,959)	<b>(2,219,959)</b>	—	<b>(2,219,959)</b>
At 31 December 2018	<b>2,864,050</b>	<b>67,012</b>	<b>—</b>	<b>2,931,062</b>	<b>42,252</b>	<b>2,973,314</b>
<b>Depreciation</b>						
At 1 January 2018	763,383	1,092	—	<b>764,475</b>	39,551	<b>804,026</b>
Charge for the year	190,573	364	—	<b>190,937</b>	1,748	<b>192,685</b>
At 31 December 2018	<b>953,956</b>	<b>1,456</b>	<b>—</b>	<b>955,412</b>	<b>41,299</b>	<b>996,711</b>
<b>Net book value</b>						
At 31 December 2018	<b>1,910,094</b>	<b>65,556</b>	<b>—</b>	<b>1,975,650</b>	<b>953</b>	<b>1,976,603</b>
At 31 December 2017	<b>2,100,667</b>	<b>65,920</b>	<b>1,908,919</b>	<b>4,075,506</b>	<b>1,429</b>	<b>4,076,935</b>

## 11 Investments

Group and charity		2018 £	2017 £
Listed investments	(a)	<b>5,053,520</b>	5,672,983
Investment properties	(b)	<b>13,750,000</b>	9,025,000
		<b>18,803,520</b>	<b>14,697,983</b>

## 11 Investments (continued)

### (a) Listed investments

Group and charity	2018 £	2017 £
Market value at 1 January 2018	3,577,972	3,124,784
Additions	308,240	838,033
Disposals at book value (proceeds: £398,168; realised losses: £175)	(398,343)	(552,011)
Unrealised (losses) gains on revaluation	(137,620)	167,166
Market value at 31 December 2018	3,350,249	3,577,972
Cash held by investment managers	1,703,271	2,095,011
	5,053,520	5,672,983
Cost of listed investments at 31 December 2018	4,766,137	5,226,586

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

### (b) Investment properties

Group and charity	Charity and Group freehold properties	
	2018 £	2017 £
Valuation at 1 January 2018	9,025,000	15,903,073
Transferred from assets under construction (note 10)	2,219,959	—
Addition	450,000	—
Revaluation in the year	2,055,041	(6,878,073)
Valuation at 31 December 2018	13,750,000	9,025,000
Historic cost at 31 December 2018	4,226,376	2,006,418

## 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 £626,929 (2017: £635,696), gross profit was £597,958 (2017: £601,621) and total administrative expenditure was £208,407 (2017: £186,919). The net profit after taxation was £nil (2017: £nil) after recognising amounts payable to the parent charity under Gift Aid of £389,551 (2017: £414,702).

## Notes to the financial statements Year to 31 December 2018

### 13 Debtors

Amounts falling due within one year:

	Group 2018 £	Charity 2018 £	Group 2017 £	Charity 2017 £
Amounts due from group under takings	—	59,464	—	—
Other debtors	140,928	81,124	146,895	128,474
Prepayments and accrued income	43,622	10,500	80,795	41,218
	<b>184,550</b>	<b>151,088</b>	<b>227,690</b>	<b>169,692</b>

Amounts falling due in more than one year:

	Group and Charity 2018 £	Group and Charity 2017 £
Amounts due from SDBE Multi-Academy Trust	<b>150,000</b>	150,000

Amounts receivable represent funds invested in the SDBE Multi-Academy Trust to fund its early development. Whilst there is an understanding between SDBE and the Trust that these funds are to be repaid, there is no obligation for this to take place within the next 12 months.

### 14 Creditors

Amounts falling due within one year:

	Group 2018 £	Charity 2018 £	Group 2017 £	Charity 2017 £
Bank overdraft	60,800	60,800	23,683	23,683
Trade creditors	67,748	126,552	282,346	269,718
Other creditors	73,961	73,252	38,039	36,854
Conduit creditor	190,000	190,000	215,000	215,000
Accruals and deferred income	194,469	76,022	218,181	93,342
Amounts due to group undertakings	—	—	—	41,556
VAT payable	—	—	5,143	—
Deferred lease premium (see below)	8,000	8,000	8,000	8,000
	<b>594,978</b>	<b>534,626</b>	<b>782,392</b>	<b>680,153</b>

Amounts falling due in more than one year:

	Group and Charity 2018 £	Group and Charity 2017 £
Amounts payable to Southwark Diocesan Board of Finance	<b>190,000</b>	150,000
Deferred Highshore lease premium	<b>976,000</b>	984,000
	<b>1,166,000</b>	<b>1,134,000</b>

Amounts payable to Southwark Diocesan Board of Finance represent the drawdown on a loan made available to SDBE to fund the early development of SDBE Multi-Academy Trust. There is no requirement for any or all of the balance to be repaid in the next 12 months and therefore the full amount has been presented as falling due in more than one year.

## Notes to the financial statements Year to 31 December 2018

### 14 Creditors (continued)

The deferred Highshore lease premium represents the remaining balance on a premium of £1million received by the charity during the year ended 31 December 2017 in respect of a 125 year lease of the Highshore School site to the Mayor and Burgess of the London Borough of Southwark. The premium is being released to the Statement of Financial Activities over the life of the lease. As such, £8,000 is included under accruals and deferred income falling due within one year, with the remainder falling due in more than one year.

The movements on deferred income are analysed below:

	2018 £	2017 £
Brought forward as at 1 January 2018	1,152,557	115,081
Released in the year	(138,557)	(115,081)
New deferrals in the year	111,822	1,152,557
Carried forward as at 31 December 2018	1,125,822	1,152,557

The deferred income balance represents: rent received in advance of £nil (2017: £21,174); service income relating to periods after 31 December 2018 of £111,822 (2017: £109,383); £30,000 received from the London Borough of Lewisham to assist the development of the new free school (2017: £30,000); and deferred lease premium income split between of £8,000 included in creditors falling due within less than one year (2017: £8,000) and £976,000 included in creditors falling due in more than one year (2017: £984,000).

### 15 Analysis of group net assets between funds

Fund balances at 31 December 2018 are represented by:

	General funds £	Designated property fund £	Restricted funds £	Endowment funds £	2018 Total funds £
Tangible fixed assets	—	1,976,603	—	—	1,976,603
Listed investments	3,762,472	—	1,046,200	244,848	5,053,520
Investment properties	—	12,750,000	—	1,000,000	13,750,000
Net current (liabilities) assets	(974,106)	—	1,073,295	(8,000)	91,189
Non-current assets	—	—	150,000	—	150,000
Non-current liabilities	—	—	(190,000)	(976,000)	(1,166,000)
	2,788,366	14,726,603	2,079,495	260,848	19,855,312

	General funds £	Designated property fund £	Restricted funds £	Endowment funds £	2017 Total funds £
Tangible fixed assets	—	4,076,935	—	—	4,076,935
Listed investments	3,060,318	—	2,367,817	244,848	5,672,983
Investment properties	—	8,025,000	—	1,000,000	9,025,000
Net current assets (liabilities)	9,152	—	(197,815)	(8,000)	(196,663)
Non-current assets	—	—	150,000	—	150,000
Non-current liabilities	—	—	(150,000)	(984,000)	(1,134,000)
	3,069,470	12,101,935	2,170,002	252,848	17,594,255

# 15 Analysis of group net assets between funds (continued)

## Reconciliation of funds

	Balance at 1 January 2018 £	Income £	Expenditure £	Gains/ (losses) £	Transfers £	Balance at 31 December 2018 £
<b>Endowment funds</b>	<b>252,848</b>	<b>9,125</b>	<b>—</b>	<b>—</b>	<b>(1,125)</b>	<b>260,848</b>
<b>Restricted funds</b>						
External maintenance scheme	91,229	548,207	(443,476)	—	(60,000)	135,960
Diocesan grants	—	34,976	(24,976)	—	—	10,000
Other restricted funds	2,078,773	10,850	(156,088)	—	—	1,933,535
	<b>2,170,002</b>	<b>594,033</b>	<b>(624,540)</b>	<b>—</b>	<b>(60,000)</b>	<b>2,079,495</b>
<b>Designated property fund</b>	<b>12,101,935</b>	<b>450,000</b>	<b>(190,937)</b>	<b>2,055,042</b>	<b>310,563</b>	<b>14,726,603</b>
<b>General funds</b>	<b>3,069,470</b>	<b>1,566,155</b>	<b>(1,460,026)</b>	<b>(137,795)</b>	<b>(249,438)</b>	<b>2,788,366</b>
	<b>17,594,255</b>	<b>2,619,313</b>	<b>(2,275,503)</b>	<b>1,917,247</b>	<b>—</b>	<b>19,855,312</b>

	Balance at 1 January 2017 £	Income £	Expenditure £	Gains/ (losses) £	Transfers £	Balance at 31 December 2017 £
<b>Endowment funds</b>	<b>244,848</b>	<b>8,689</b>	<b>—</b>	<b>—</b>	<b>(689)</b>	<b>252,848</b>
<b>Restricted funds</b>						
External maintenance scheme	94,802	609,800	(553,373)	—	(60,000)	91,229
Diocesan grant	—	24,757	(24,757)	—	—	—
Other restricted funds	2,101,672	3,126	(36,506)	—	10,481	2,078,773
	<b>2,196,474</b>	<b>637,683</b>	<b>(614,636)</b>	<b>—</b>	<b>(49,519)</b>	<b>2,170,002</b>
<b>Designated property fund</b>	<b>18,517,278</b>	<b>—</b>	<b>(190,937)</b>	<b>(6,878,073)</b>	<b>653,667</b>	<b>12,101,935</b>
<b>General funds (including trading funds of £11,752)</b>	<b>3,366,697</b>	<b>1,489,854</b>	<b>(1,360,377)</b>	<b>176,755</b>	<b>(603,459)</b>	<b>3,069,470</b>
	<b>24,325,297</b>	<b>2,136,226</b>	<b>(2,165,950)</b>	<b>(6,701,318)</b>	<b>—</b>	<b>17,594,255</b>

**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.

## 15 Analysis of group net assets between funds (continued)

### *Reconciliation of funds (continued)*

**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

	2018 £	2017 £
Income	7,447,177	8,750,454
Expenditure	(7,447,177)	(8,750,454)
	—	—

The income figure represents funds drawn down from the Education and Skills Funding Agency, Devolved Formula Capital from schools and Governor Contributions to building projects, while the expenditure figure represents supplier and contractor costs incurred in the year of £7.1m with further committed costs of £347,000 accrued during the year. The committed costs will be realised in the forthcoming financial year and represent timing differences in acquiring the funds with their related expenditure. The conduit fund which exists to channel funds sourced from government into capital and maintenance projects in schools posts no profit, and its net assets are zero. As at 31 December 2018 the charity owed £190,000 to the conduit fund (2017: £215,000). Amounts held on behalf of schools as part of the Devolved Formula Capital Scheme were £1.42m at 31 December 2018 (2017: £2.66m)

## 17 Pension and similar obligations

The Group's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Church of England Church Workers Pension Fund (CWPF), which are of the defined benefit type, the assets of the schemes being held in separate Trustee administered funds. Both the TPS and CWPF 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 £154,079 (2017: £148,733). Creditors falling due within one year include £nil (2017: £nil) in respect of employer's contributions.

### *Teachers' Pension Scheme*

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed 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.

**17 Pension and similar obligations (continued)**

***Teachers' Pension Scheme (continued)***

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.

***Valuation of the Teachers' Pension Scheme***

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);
- ♦ 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 16.48%, which was payable from September 2015. The next valuation of the TPS has been completed based on April 2016 data. The employer contribution rate is currently being reassessed. Initial indications suggest that the rate will increase to 23.68% from 1 September 2019.

The pension costs paid to the TPS in the year amounted to £72,405 (2017: £51,081).

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 out the information available on the scheme out above.

## 17 Pension and similar obligations (continued)

### ***Church of England Church Workers Pension Fund***

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

The Church Workers Pension Fund has three sections, known as: the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

The Defined Benefits Scheme (DBS) section of the Church Workers Pension Fund provides benefits for lay staff based on final pensionable salaries.

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

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

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year contributions are payable towards benefits and expenses accrued in that year (2018: £81,674, 2017: £97,652). There were no deficit contributions payable during either year.

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

A valuation of the Defined Benefit Scheme is carried out once every three years, the most recent having been carried out as at 31 December 2016. In the Defined Benefits Scheme, the target level of assets was: £404.9m while the assets held were: £378.7m leaving a shortfall of £26.2m



**17 Pension and similar obligations (continued)**

***Church of England Church Workers Pension Fund (continued)***

Notwithstanding, the BS's financial position improved by £11.7 million during 2016. This was mainly due to the investment returns achieved and deficit contributions being paid along with updates to the valuation assumptions (which reduces the target level of assets), offset by the impact of less favourable market conditions.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 32% of pensionable salary and expenses of £2,500 per year.

The next valuation of the scheme, due at 31 December 2019 is currently being carried out.

**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 £287,120 (2017: £271,957) in respect of the Diocesan Measure from the Southwark Diocesan Board of Finance and South London Church Fund, a related charity. 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. At the year end, the charity owed £190,000 (2017: £150,000) to the Diocesan Board of Finance in respect of a loan used partly to fund the early development of SDBE Multi-Academy Trust.

During the year the group received income of £8,750 (2017: £21,726), including VAT, from Bacon's Educational Foundation in respect of the provision of a service level agreement and additional consultancy and advisory work. No balance was owing at 31 December 2018 (2017: none). Bacon's Educational Foundation is a related party as a result of sharing a number of Trustees with the charity.

During the year the group received income of £124,944 (2017: £62,745) including VAT from the SDBE Multi-Academy Trust in respect of the provision of a service level agreement and additional advisory and consultancy work. As at 31 December 2018, £44,101 remained to be received (2017: £37,165).

During the year, the charity advanced £nil (2017: £150,000) to the SDBE Multi-Academy Trust in order to fund its early development. At the year end, £150,000 (2017: £150,000) was receivable in respect of this balance. Whilst there is an understanding between SDBE and the Multi - Academy Trust that these funds are to be repaid, there is no obligation for this to take place within the next 12 months, therefore this amount is presented as a debtor falling due in more than one year (note 13).

## **Notes to the financial statements Year to 31 December 2018**

### **19 Funds held as agent**

During the year, the charity acted as an agent, with interest receivable £402 (2017: £227) being paid into accounts held on behalf of various Schools under the aegis of the Diocese of Southwark. In the year, £15,515 (2017: £10,131) was paid over to these schools. At the year end, balances of £81,329 were held in designated bank accounts separate from the charity and trading subsidiary's designated bank accounts (2017: £80,927.) 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.