

**SOUTH LONDON CHURCH FUND AND  
SOUTHWARK DIOCESAN BOARD OF FINANCE  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2008**

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**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE  
REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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# **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

## **REPORT OF THE TRUSTEES**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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### **REFERENCE AND ADMINISTRATIVE DETAILS OF THE DIOCESE, ITS TRUSTEES AND ADVISORS**

#### **Legal and administrative details**

##### **Directors**

Under the Memorandum and Articles of Association all members of the board are legally regarded as directors. Members are also regarded as Trustees for the purposes of charity law. The names of those who served as directors during the year are set out below. No director had any beneficial interest in the company during 2007 or 2008. Trustee indemnity insurance was in place throughout the year and at 31 December, at a cost of £7,278 (2007:£7,132).

##### **Membership of the board and principal committees**

Chairman Mr John Kempell \* from 12/02/2008 (Vacancy from 1/10/2007)  
Vice Chairman Mr Brian Warnes\*

Ex Officio Members The Lord Bishop of Southwark (Rt Rev Tom Butler)  
The Archdeacon of Croydon (Ven Tony Davies)  
The Archdeacon of Lambeth (Ven Christopher Skilton)  
The Archdeacon of Lewisham & Greenwich (Ven Christine Hardman)  
The Archdeacon of Reigate\* (Ven Daniel Kajumba)  
The Archdeacon of Southwark\* (Ven Michael Ipgrave)  
The Archdeacon of Wandsworth\* (Ven Stephen Roberts)

Elected members  
28 Laity by Deanery Synod

Plumstead	Mr David Plummer	Battersea	Vacant
Charlton	Vacancy from 5/12/07	Tooting	Vacant
	Mr David Thompson from 6/07/08		
Eltham & Mottingham	Linda Chilton	Wandsworth	Mr Andrew Simon
East Lewisham	Mr Brian Warnes*	Richmond & Barnes	Mr Philip Bladen
West Lewisham	Mr Andrew McMurtrie*	Kingston	Mr John Henson MBE*
Deptford	Mr David Sagi* to 14/02/08	Croydon North	Mrs Eleanor Lewis
	Mr Nicholas Taylor* from 14/02/08		
Bermondsey	Mrs Frances Hill	Croydon Addington	Mr Ian Harley+
Southwark & Newington	Mr Christian Hansen+	Croydon Central	Mr Stephen Willmer+
Camberwell	Miss Cleo Sones	Croydon South	Mr Martin Day
Dulwich	Mrs Jill Sandham to 4/06/08	Sutton	Mr Ian Akhurst*
	Mr Alistair Read from 23/06/08		
Lambeth North	Mr Roger Hird	Caterham	Mr Christopher Clementi
Lambeth South	Mr Colin Hart	Godstone	Mr Michael Lawrence
Merton	Mr Chamberlain Eke to 31/12/08	Reigate	Mr Timothy Neale+
	Mr Brian K Wilson from 1/01/09		

# **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

## **REPORT OF THE TRUSTEES (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **12 Clergy by Archdeaconry**

Lewisham	Rev Dr Nicholas Cranfield Rev Stephen Cook	
Southwark	Rev Raymond Andrews (Vacant)	
Lambeth	Rev Jane Kustner until 29/04/08 Rev Andrew Wakefield until 31/12/08	Rev Peter Milligan* from 1/01/09 Rev Mary Bide from 1/01/09
Wandsworth	Vacant Rev Peter Milligan to 31/12/08	
Croydon	Rev Derek Brice Rev Vickie Sims	
Reigate	Rev William Campen* Rev Jeremy Garton	
Bishop's Nominees	Mr John Kempself from 12/02/08 Mr Daniel Fenuga Rev Dr John Thewlis Rev Jane Kustner from 30/04/08	

#### **Executive & Glebe Committee (as at 31 December 2008)**

As marked by \* above, plus Rev Barry Nichols and Mr Roger Squire. Chair, Mr John Kempself.

#### **Audit Committee (as at 31 December 2008)**

As marked by + above, plus Mr James Cross and Mr Jeremy Kean. Chair, Mr Ian Harley from 7/02/08.

#### *Senior staff and principal advisors*

Diocesan Secretary to the Board:

Mr Simon J B Parton

Registered Address:

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

Diocesan Surveyor:

Mr Roger Pickett, FRICS to 30/09/08  
Mr Eric Greber, MRICS from 1/10/08

Deputy Diocesan Secretary:

Mr Andrew Lane

Director of Communications & Resources:

Ms Wendy Robins

Financial Controller:

Mr Robert Dallimore, MSc. ACMA

Auditors:

haysmacintyre  
Fairfax House  
15 Fulwood Place  
London WC1V 6AY

Bankers:

National Westminster Bank PLC  
(Lambeth North Branch)  
91 Westminster Bridge Road  
London SE1 7HW

AIB Group (UK) plc  
Allied Irish Bank (GB) (Mayfair Branch)  
10 Berkeley Square  
London W1J 6AA

Solicitors:

Winckworth Sherwood  
The Old Deanery  
Dean's Court  
London EC4V 5AA

## **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

### **REPORT OF THE TRUSTEES (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2008**

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Investment Fund Managers:      Black Rock Investment Management (UK) Ltd  
33 King William Street  
London EC4R 9AS

Cazenove Capital Management Ltd  
12 Moorgate  
London EC2 6DA

CCLA Investment Management Ltd  
80 Cheapside  
London ECV 6DV

J P Morgan Asset Management  
Finsbury Dials, 20 Finsbury Street  
London EC2Y 9AQ

M&G Securities Ltd  
The M&G Group  
Laurence Poultny Hill  
London EC4R 0HH

UBS Global Asset Management (UK) Ltd  
21 Lombard Street  
London EC3V 9AH

#### **SUMMARY INFORMATION ABOUT THE STRUCTURE OF THE CHURCH OF ENGLAND**

The following information about General Synod, the three National Church Institutions and Southwark Cathedral is included as background only. The financial transactions of these bodies do not form part of these financial statements.

The Church of England is organised as two provinces; each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses of which there are 43 in England.

Each diocese in England is divided into parishes. Each parish is overseen by a parish priest (usually called a vicar or rector). From ancient times through to today, they and their bishop are responsible for the 'cure of souls' in their parish. Her Majesty the Queen, who is the Supreme Governor of the Church of England, appoints archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The two archbishops and 24 senior bishops sit in the House of Lords.

The Church of England is episcopally led (there are 108 bishops, including Diocesan Bishops and Assistant and Suffragan Bishops). It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the Church.

#### **The three National Church Institutions**

The Archbishops' Council, the Church Commissioners and the Church of England Pensions Board are sometimes referred to as the three National Church Institutions.

The Archbishops' Council was established in 1999 *to co-ordinate, promote, aid and further the mission of the Church of England*. Its task is to give a clear sense of direction to the Church nationally and support the Church locally by acting as a policy discussion forum.

## **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

### **REPORT OF THE TRUSTEES (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **SUMMARY INFORMATION ABOUT THE STRUCTURE OF THE CHURCH OF ENGLAND (continued)**

The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. The costs of episcopal administration through the diocesan and suffragan bishops are met by the Church Commissioners.

The Church of England Pensions Board was established by the Church Assembly in 1926 as the Church of England's pension's authority and to administer the pension scheme for the clergy. Subsequently it has been given wider powers, in respect of discretionary benefits and accommodation both for those retired from stipendiary ministry and for widow(er)s of those who have served in that ministry, and to administer pension schemes for lay employees of Church organisations. The Board, which reports to the General Synod, is trustee of a number of pension funds and charitable funds. Whilst the Church has drawn together under the Board its central responsibilities for retirement welfare, the Board works in close cooperation both with the Archbishops' Council and with the Church Commissioners.

#### **The Cathedral**

The cathedral is the mother church of the diocese and legally is constituted as a separate charity currently excepted from Charity Commission registration. Copies of the Chapter's report and financial statements may be obtained from the Cathedral Office, Southwark Cathedral, London Bridge, London, SE1 9DA

#### **THE DIOCESE**

##### **Diocesan Synod**

The diocesan synod is elected with representation across the diocese with broadly equal numbers of clergy and lay people meeting together in Diocesan Synod with the diocesan bishops and archdeacons. Its role is to:

- consider matters affecting the Church of England in the diocese;
- act as a forum for debate of Christian opinion on matters of religious or public interest;
- advise the bishop where requested;
- deal with matters referred by General Synod;
- consider, through the Bishop's Council, the strategic budget for the Diocese, including the overall level of parish Fairer Share contributions.

##### **Deanery Synods**

Each Deanery Synod has two houses, laity and clergy, and its role is to:

- respond to requests from General Synod;
- give effect to the decisions made by the Diocesan Synod;
- consider matters affecting the Church of England by drawing together the views of the parishes within the deanery;
- act as a channel of communication to express the views of parishes to Diocesan Synod and thence to General Synod;
- raise with Diocesan Synod such matters as it considers appropriate; and
- elect a lay member of the Diocesan Board of Finance

##### **The Bishop's Council**

The Bishop's Council has the following functions:

- To initiate proposals for action by the Synod; and
- To carry out such functions as the Synod may delegate to it.

## **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

### **REPORT OF THE TRUSTEES (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **SUMMARY INFORMATION ABOUT THE STRUCTURE OF THE CHURCH OF ENGLAND (continued)**

##### **Parochial Church Council (PCC)**

The PCC is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. The PCC is made up of the incumbent as chair, the churchwardens and a number of elected and ex officio members. Each PCC is a charity, which prior to September 2008 are excepted from registration with the Charity Commission. The Charities Act 2006 allows PCCs to be registered with the Charity Commission, with a phased implementation process starting with PCCs with income over £100,000 expected to be registered by September 2009. Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

##### **Parishes**

A benefice is a parish or group of parishes served by an incumbent who typically receives a stipend and the benefit of free occupation and use of a parsonage house from the diocese for carrying out spiritual duties.

A deanery is a group of parishes over which an area dean has oversight and an archdeaconry is a group of deaneries for which an archdeacon is responsible.

The diocese is then the principal pastoral and in turn financial and administrative resource of the Church of England, encompassing the various archdeaconries under the spiritual leadership of the Diocesan Bishop.

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

##### **Constitution**

The South London Church Fund and Southwark Diocesan Board of Finance ("The Board") is a company limited by guarantee and a registered charity. It exists to provide financial and administrative support to the activities of the Church of England in the Diocese of Southwark. It carries out its charitable objects through the principal activities described below.

Company Registration Number: 236594

Registered Charity Number: 249678

Governing Document: Memorandum & Articles of Association

The South London Church Fund and Southwark Diocesan Board of Finance (The Board) is governed by its Memorandum and Articles of Association, incorporated 22 January 1929 and amended by subsequent special resolutions.

##### **Committee structure**

The Board meets quarterly to carry out its responsibilities and review the work of a number of sub-committees. The scope of subcommittees includes:

- The Executive & Glebe, which manages the development, retention or disposal of glebe and board properties. This committee also has an overview of financial management and investment. Additionally the committee reviews the investment of the stipendiary trust funds. An Investment Sub-committee also meets to monitor investment performance and make recommendations to the Executive & Glebe committee.
- The Parsonages and Property Maintenance Committee, gives direction to the repair of parsonage, glebe and board properties. The committee also monitors the possible replacement of parsonages.
- The Fairer Shares Committee manages the parish apportionment formula. The committee liaises with parishes to ensure the fair evaluation and regular collection of parish contributions.
- The Audit Committee liaises with the Auditors and reports to the Board on matters of internal control, financial accounting and governance.
- The Communications & Resources Committee has the responsibility of looking after press, publicity, publications and communication as well as overseeing the central gift aid scheme and provides stewardship support to parishes.

## **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

### **REPORT OF THE TRUSTEES (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

- The Stipend & Budget Committee generally meets during the early summer, to review the budget strategy, departmental budgets and their consolidation into the annual budget submission.

The Board reviews activities against the agreed budget, and considers reports on key performance indicators including clergy deployment and Fairer Shares income. Further issues such as the risk register, the agreement of the investment strategy and policy continue to be considered by the Board. The full terms of reference of the committees are available from the registered office.

#### **Appointment of Trustees**

Trustees are appointed on the basis of elections held at the Deanery Synod. The appointments are for a period of three years. To ensure that the views of the parishes are represented, two clergy are appointed from each Archdeaconry and one lay person from each Deanery every three years. Elections are held in two of the six Archdeacons every year, in consequence one third of the elected members may change in any one year. Additionally the Board includes: The President (The Bishop of Southwark), The Chairman, Six Archdeacons and Five Bishop's Nominees.

Induction training is provided for trustees, when they are first appointed and they may receive ongoing training, as appropriate. Some senior staff have job titles incorporating the title 'Director' but they are not directors of the company for the purposes of company law.

#### **Trustees' responsibilities**

Company law requires the trustees, who are the directors, 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 of the income and expenditure of the charitable company for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 also confirm that, so far as each of the Trustees is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charitable company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts have been prepared in accordance with company law and Statement of Recommended Practice Accounting and reporting by Charities (the Charities SORP). This trustees report contains all the information that is necessary to meet statutory requirements. Further details of Diocesan activities are given in the Diocese of Southwark Annual Review 2008, which is available from the Communications and Resources Department, Trinity House.

#### **Related parties**

##### **General Synod, Church Commissioners and Archbishops' Council**

The Board has to comply with Measures passed by the General Synod of the Church of England and is expected to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The stipends of the Diocesan and Area Bishops are borne by the Church Commissioners. The Diocesan Board of Finance provides support to Bishops', including but, not limited to, the provision of secretarial and office support services. A contribution toward these costs is provided by the Church Commissioners and this is reflected within grant funding receipts.



## **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

### **REPORT OF THE TRUSTEES (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

##### **Parochial Church Councils (PCCs)**

The Board is required by Measure to be custodian trustee in relation to PCC property, but the Company has no control over PCCs, which are independent charities. The accounts of PCCs and deaneries do not form part of these financial statements. PCCs are able to influence the decision-making within The Board and at diocesan synod level through representations to those bodies and through the input of their Deanery Synods.

##### **Southwark DBF Trading Ltd**

The Board operates a subsidiary company being Southwark DBF Trading Ltd. This subsidiary currently holds the cost of two properties developed on former parsonage land. Additionally some trading in the form of rental income and book sales are reflected through this subsidiary. Turnover in the year to December 2008 was £25,400 (2007 £29,300).

##### **Connected charities:**

###### **Diocesan Board of Education**

The Diocesan Board of Education is a separate registered charity (Registered Number 313001) that supports 106 schools; 91 primary, 12 secondary and 3 Church of England academies. The Board of Education supports the provision and improvement of education in all Church of England schools within the Diocese of Southwark. It specifically seeks to develop the Christian ethos and distinctiveness of church schools; to promote religious education and collective worship; to advise school governors and trustees and support the maintenance and improvement of school buildings and facilities. The Board of Education also supports the provision and development of education chaplaincy in higher and further education institutions. The main grant from the Diocese in 2008 was £243,667 (2007: £221,570). A further £100,000 was provided in 2008 and 2007 to reflect a three year commitment toward a Capital and Programmes officer.

###### **Southwark Diocesan Welfare Service Trust**

Southwark Diocesan Welfare is a separate registered charity (Registered Number 1107859) that provides services for parents & children with the objective of promoting the Christian faith as expressed in the social mission of the church in the Anglican Diocese of Southwark. The independently registered charity operates in various locations of the Diocese. The charity is supported by a grant in the year to December 2008 of £191,023 (2007 £170,465). Two trustees of Welfare are also trustees of the Board.

###### **Southwark & London Diocesan Housing Association**

Southwark & London Diocesan Housing Association is a charity that is exempt from registration but it is a Tenant Services Authority registered Number LH 3934. The Bishop of Southwark and the Bishop of London are joint presidents of Southwark & London Diocesan Housing Association (SLDHA). The Ven. Michael Igrave is Vice Chair of SLDHA and a trustee of the Board of Finance. During the year the Board received a contribution toward shared costs from the association of £32,000 (2007: £24,000). The staff of SLDHA are located in Trinity House. The Association owns and manages 205 high quality affordable homes.

#### **OBJECTIVES AND ACTIVITIES**

##### **Aims and objectives**

The Board aims to support the parishes and the clergy of the Diocese in their mission and to control the use of cash and capital resources toward the fulfilment of that task. The Diocesan Annual Review gives further details of the activities of the Diocese including the key objectives of working groups. The Annual Review is produced by Communications and Resources for the Southwark Diocesan Board of Finance and available from Trinity House.

The Board's strategy for achieving its mission is to maintain the sound financial structure needed to enable it to continue supporting the clergy through the payment of stipends, maintenance of parsonages and other ministerial housing. The Board also provides training, facilities and other resources to support the ministry of both clergy and lay people in parishes across the Diocese.

The key activities may be summarised as:

- Resourcing the Ministry and Mission by providing a priestly presence in every parish of the Diocese and enabling all clergy and lay members to be effective disciples.
- With the aid of key performance indicators, managing the number of clergy in post against budget and payment of Fairer Shares contributions against assessment.
- Providing clergy training, housing, stipends, pension and all other expenditure supporting parish based ministry
- Contributions for national church institutions (mainly by financial support which is assessed nationally)
- Education and social outreach funding

## **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

### **REPORT OF THE TRUSTEES (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **OBJECTIVES AND ACTIVITIES (continued)**

- Specific Diocesan Projects typically engaging with communities and people of God in the Diocese.
- Provision of Diocesan Retreat House

#### **Statutory functions**

The Board has responsibility for the management of glebe property and investments to generate income to support the cost of stipends.

The trustees are also custodian trustees in relation to PCC property and other trusts.

#### **Grant-making policy**

Payments are made to the National Church to cover a proportion of its central costs and also to cover the cost of training for ministry. Whilst these payments are referred to as grants the sums agreed are an allocation of a nationally agreed formula.

The grant to the Board of Education and the grant to Welcare are specifically agreed through the Board's approval of the annual budget.

The Diocese of Southwark has received funding £565,990 from the Church Commissioners. During 2008 £247,600 of this sum has been allocated to the "Mission" restricted fund, with the sum of £318,390 set aside to the Clergy Pension Fund being a designated fund to help pay for future clergy pension fund charges. The Mission Fund has enabled Area Mission Teams to extend their work in a number of ways, by providing grants. Further details of the Mission Fund are given in the Achievements and Performance section of this report.

The Isabella Gilmore Trust fund provides resources to encourage and enhance the development of women for licensed ministries in the diocese. Expenditure, including awards to individuals, is agreed by a sub-committee which reports to the Board.

#### **Going concern**

The Trustees are confident that The Board has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis. Additionally the Trustees are satisfied the activities of the trading company, Southwark DBF Trading Ltd, continue to be a viable investment.

### **ACHIEVEMENTS AND PERFORMANCE**

The Board of Finance reviewed financial performance throughout 2008 by monitoring the key performance indicators of Fairer Shares income against budget and clergy establishment. Rental income was regularly reviewed, whilst investment income forecasts were updated with information from investment fund managers. With the exception of the significant decline in market investment values, the final results for 2008 are broadly as envisaged and forecast within the budget set at the synod.

#### **Resourcing the Ministry & Mission in the parishes**

The 2008 budget envisaged 330 funded clergy posts to be available to minister to parishes and chaplaincies throughout the diocese. The average actual number of clergy staff in post through the year has been 328. The Board also pays the stipends of archdeacons and clergy employed in Area Mission Teams, and in Ministry & Training. The total number of clergy paid through the Board was an average of 342, plus 10 who are funded externally. The four bishops are paid by the Church Commissioners and hence not reflected in the Board's posts.

#### **Providing clergy training, housing, stipends pension and other expenditure**

The ability to maintain clergy is dependant on parishes making contributions to the Board using an apportionment formula called 'Fairer Shares'. This is based on congregation numbers and the potential relative wealth of each parish. The Board received 98.8% of the amount requested, with the remaining amounts to be paid in the following years. This enabled the Board to pay the stipends, National Insurance and Pensions of the clergy in full and on time during the year

## **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

### **REPORT OF THE TRUSTEES (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **ACHIEVEMENTS AND PERFORMANCE (continued)**

The Parsonages & Property Maintenance Committee has incurred expenditure of £3.6m which is within the year 2008 budget.

The Ministry & Training Committee has continued to provide training programmes to the clergy in accordance with the amount provided in the budget. The Board paid to the Archbishops' Council the full amount requested for the training of ordinands.

#### **Contributions for National Church Institutions**

The Board paid in full its apportionment towards the administration cost of the Archbishops' Council, Ordination Training and CHARM (assisted housing for retired clergy) and Mission Agency Clergy Pensions. The contribution to the National Church is £553,231 (2007: £542,947).

#### **Education & Social Outreach**

The Board paid across to the Board of Education the amount provided in the budget to assist with the administration of church schools. In 2007 and 2008 a further sum has been provided to pay for a Capital & Programmes officer, which will enable the Board of Education to fund this position through to the end of 2009. The Southwark Diocesan Welfare also received its agreed grant in full to assist with central core funding.

#### **Mission Grants**

Mission funds have been applied as follows:

- In the *Croydon Area* 41 projects were awarded grants in 2008. The grants are allocated by a panel drawn from the Croydon Area Mission Team.
- The *Kingston Area* has supported 16 parishes and the grants are decided by a panel drawn from the Area Forum.
- In the *Woolwich Area* grants are allocated three times a year, accessed through an application process and reviewed by a panel of 5 people from the Area Forum. Grants are given to parishes to enable them to enhance their mission. Grants usually range between £500-£2,000 and provide a valuable source of funding to parishes. In 2008 35 grants have been allocated with further sum spent on resources.
- Three Working Groups being: *The Mission, Evangelism Spiritual Formation and Church Growth Group* (MESFG) which has funded, for example, the employment of a one day a week Inter Faiths Links Officer and a one day a week Ecumenical Relations Officer. *The Children and Youth Development Group* (CYDG) has underwritten training opportunities for those working with children and young people, helped fund partner organisation and supported Godly Play in the Diocese. *The Social Responsibility and Regeneration Group* (SR&R); has supported a major project with London Diocese to map regeneration throughout London, the development of chaplaincy to the Olympics and has underwritten an Environment Conference.
- A further sum of £14,743 (2007: £44,600) has gone towards additional staff to support *Clergy Training*.

All grants are monitored through a budget and expenditure process

#### **Specific Diocesan Projects**

The Board continued to fund the Groups and Committees established by the diocesan synod which look at mission, social responsibility and work with children and young people, as well as Minority Ethnic Anglican Concerns. These working groups and committees report to the Bishop's Council. The three Area Forums also report to the Bishop's Council on their activities, including the use of the Church Commissioners Mission Fund monies which were allocated during the year.

#### **Provision of a Diocesan Retreat House (Wychcroft)**

The Board has a long lease on the house near Bletchingly which is run by the Wychcroft Management Committee. The committee sets the charges and manages the day to day running of the house on a break-even basis.

## **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

### **REPORT OF THE TRUSTEES (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2008**

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Long term major repair and improvements are funded by grants from St Mark's Foundation from whom the property is leased and occasionally from the Board's property budget..

#### **FINANCIAL REVIEW**

##### **Financial Overview**

Income before revaluation adjustments totalled £21.4m, (2007 £21.1m), whilst expenditure amounted to £24.3m (2007: £21.3m). A significant element of the net £2.9m reduction in resources is a £0.9m payment to clear a lay staff pension deficit. Additionally property depreciation equivalent to 2% of the value of properties is recognised within out-going resources. The depreciation is £1.9m (2007: £1.6m) but is compensated by a matching revaluation within the £40m gain due to revaluations of properties.

The main source of income to the Diocese is the Fairer Shares contributions from parishes. We are most grateful to the parishes that have maintained the regular and full contributions, to the Parish Fairer Shares System, which amounted to £14.6m (2007: £14.2m)

The Diocese also receives donations from the City Parochial Foundation, the Church Commissioners, and other organisations. These donations are listed in note 2b to the financial statements under the heading of other voluntary income and amount to £2.0m (2007 £1.4m). Within this sum £565,000 was received as "Mission Money" from the Church Commissioners, of this £318,390 has been set-aside to fund future clergy pensions liabilities

Clergy in Southwark were awarded a 3% increase in stipend in January 2008. The overall cost of 328 parochial ministry staff is £10.2m. The archdeacons, and ministry training staff cost a further £0.5m, and a further 10 staff are funded directly by other grants. Further details of stipend and pension costs are reflected within note 12. The cost of all clergy pensions amounted to £2.7m (2007: £2.5m). Clergy pensions are currently linked to the nationally agreed minimum stipend. The latest formal actuarial review of the clergy pension scheme was completed as at 31st December 2006, with the impact that the Employer's contribution rate for clergy pension was increased to 39.8% in April 2007. An interim report indicates however that the clergy pension scheme will be in deficit and will require additional funding. The Pensions Board is consulting with dioceses as to how this anticipated deficit will be managed. The results of the next actuarial review are expected in 2010. In 2008 £240,000 has been drawn from the pension fund, with a further £318,390 added. The net movement in the pension fund, increases the fund to £789,000 as at 31<sup>st</sup> December 2008, which is reflected in note 19 (c).

##### **Investment policy and performance**

The Board pursues an ethical investment approach focusing on corporate governance and responsible investor conduct that takes into account the following constraints:

- It does not invest directly in the stock market, but through Common Investment Funds. In selecting such funds, consideration is given to their ethical policies.
- The judgment in the Bishop of Oxford's case which emphasises the obligation on the Trustees to seek the best economic return, consistent with commercial prudence.

In researching the placement of funds with managers the Board seeks to obtain the best economic return in accordance with the investment strategy. The investment policy continues to be reviewed and set by Trustees. The Board has set the Investment Policy as: -

- I. Seek the best possible overall return on investments, but at a moderate level of investment risk.
- II. The Diocesan Stipend Fund aims to maximise the growth of income in the longer term and the Board of Finance Funds aim to maximise the growth overall in the longer term.

Investments, other than property, are held in the form of Common Investment Funds "CIFs" or Unit Trusts which are available to charities. These investments reduced in value during 2008 to £21.8m (2007: £31.4m). The reduction in value was in line with market indicators including the FTSE. Following consultation with all the investment managers during the year there were no strategic changes to the mix of CIF's held by the Board. The unrealised loss of £9.6m is reflected in note 19. Income from these investments and before interest is £1.4m (2007: £1.3m) further detail including interest from deposits is shown within note 4.

## **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

### **REPORT OF THE TRUSTEES (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **FINANCIAL REVIEW (continued)**

##### **Rental Income**

Rental income from all forms of property totals £575,000 (2007: £517,000). The main rental income of £475,000 is derived from both Glebe and Board properties and is recognised as investment income. Rentals from letting vacant parsonages and redundant churches is recognised under the heading of "Activities for Generating Funds". Property is primarily for use by clergy, though some glebe land may be retained long-term as an asset which will generate a sustainable future income which in turn will continue funding clergy stipends.

##### **Designated Funds**

The trustees of the diocese have recognised for some years that pension costs will increase and in consequence they have set-aside a pension reserve from surpluses in prior years. During 2008, £240,000 was drawn from this Clergy Pension Reserve as planned in the annual budget. A further £318,390 was added to the fund being the additional grant made available from the Church Commissioners. Drawing on this fund both this year and in future years will limit the increases in parish Fairer Shares. The expectation is to continue to draw on this reserve over the next few years.

Transfers between Designated Funds are detailed in note 19 to the accounts. The Parsonages Capital Fund reflects the accumulated income from selling parsonages. Work-in-progress on new parsonages amounted to £526,000 during the year. Whilst no new parsonages were completed during 2008, four parsonages expect to be completed in 2009 together with one additional Glebe property for use by clergy. During 2008 a further £258,000 (2007: £240,000) has been drawn from the Parsonages Capital Fund toward the cost of maintaining parsonages and employing a clerk of works.

A transfer of £102,000 (2007: £92,000) to the clergy in-service training recognises the commitment to maintain post ordination training for clergy.

In 2006 and 2007 Trustees also set-aside £300,000 toward a fund for Larger Churches and a further £50,000 has been provided in 2008. Payments of £101,000 have been released from the fund during 2008 as part of a three year commitment.

##### **Equity Loans**

Equity loans are provided to clergy spouses or to PCCs for curates to enable them to purchase property on a shared equity basis. These loans are referred to as Value Linked Loans and they are advanced against specific properties. The equity interest is agreed at the commencement of the loan and as and when any capital repayments are made. The financial interest charged is varied annually and is linked to an RPI inflation factor. The value of these advances is £471,000 (2007: £471,000).

##### **External factors affecting performance**

The National Church considers the Diocese of Southwark to be relatively wealthy compared with some other dioceses. The Diocese is expected, therefore, to take a proportionately larger share of National Church costs than the less well-resourced dioceses. Areas within the Diocese of Southwark are ranked within indices of deprivation and yet are subject to some of the highest levels of cost within the UK. The Diocese continues to maintain a dialogue with the National Church to seek a fair allocation of costs which recognises the difficulty of assessing deprivation in an area where there is a high cost of living.

##### **Reserves policy**

The Board considers that free reserves should be maintained at a minimum amount equivalent to two months' worth of the current year's expenditure and up to a maximum of 6 months' expenditure. The Board considers that the minimum level is adequate to support the Board's current level of activity and to enable it to operate without recourse to bank borrowing. In arriving at the minimum amount consideration has been taken of the Board's well established and effective income raising and budgeting process. Most income is received in a steady stream throughout the year and performance against budget is monitored regularly and frequently.

These resources are maintained for the following purposes:

- I. To avoid bank borrowing if there is a temporary shortfall in income and/ or surge in expenditure.
- II. To provide for emergencies.
- III. To generate income therefore reducing parish Fairer Shares Contributions.

Free reserves of the Board as at 31 December 2008 were £5.5m (2007: £8.6m) representing almost 3 months of expenditure in 2008 (2007: 5 months).

## **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

### **REPORT OF THE TRUSTEES (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **FINANCIAL REVIEW (continued)**

##### **Risk assessment**

The risk register is formally reviewed by Trustees at least annually. The most recent review was in early 2009. The development and active review of the risk register is a three stage process. Departmental managers together with a trustee, evaluate risks and the strength of internal controls to mitigate the exposure to risk. The risk register is reviewed by the audit committee, primarily to ensure that the review process is suitably performed. The risk register is presented and reviewed by Trustees at Board meetings.

##### **Parsonage Houses**

Significant capital expenditure incurred by the Board is usually the purchase of new and replacement parsonage houses. Four new parsonages expect to be completed in 2009. The Parsonage housing stock is currently valued at 2008 at £141m. Additionally Glebe properties have been valued at £29m. These properties are shown at a combined value of £171m which is reflected in note 13. In early 2008 a recommendation was agreed to change the basis of house valuation from 80% of insured value to the full insured value of current year. The reason for the change in policy was because gains were frequently made against the book values when properties were sold. The accounting policies are outlined in note 1. The unrealised gain in house values is also reflected in note 13.

The Board considers that the cash generated from the regular sale of parts of the parsonages housing stock is sufficient to continue to fund the ongoing programme of parsonage replacements and upgrading the current stock of parsonage houses. The sales proceeds of parsonages sold are added to the Parsonage Capital Fund which is a designated fund. This designated fund is used to finance the development and building of new parsonages. A contribution is also drawn from the fund toward property development costs including the staff costs of surveyors and a clerk of works.

##### **PLANS FOR FUTURE PERIODS**

2008 has been a turbulent year for the world economy. An impact for the diocese in 2008 has been the loss in the capital values of investment, with the consequent expectation that investment income will be sharply reduced both in 2009 and future years. Pension costs are forecast to rise as investment income projections fall and revisions of longevity of pensioners will mean that the clergy pension fund will require further funding. In response to these issues and the same financial difficulties faced by PCCs a strategic review process has been started including consultations with PCCs being arranged in April 2009. The responses to the consultations will be incorporated into the management of the Diocesan budget process.

Income will primarily rely on the financial contributions from the parishes, collected via the Fairer Shares System. The expectation is that the individual parish assessment will continue to be based on the size of the regular congregation and the results of an anonymous income survey. Trustees will continue to carefully monitor investment income changes. They remain cognisant of the aim to maintain capital values. The expectation therefore is that the investment sub committee members will continue to meet and maintain a dialogue with the CIF managers with a view to optimising investment performance.

The Board has noted an upward trend in vocations to ordained ministry. They and the National Church recognise that, if that trend was maintained, without imposition of any financial constraint, the amount of money needed to train clergy would increase over the next few years. The projected additional resource recognises the number of ordinands recently selected for training and a fall in the average age: the effect of the latter was that a higher proportion entered residential training, and did so with family commitments that increased the maintenance costs to the Diocese.

These matters and emerging issues will be reviewed as part of the strategic and normal budgetary process within the Diocese.

**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**  
**REPORT OF THE TRUSTEES (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

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**FINANCIAL REVIEW (continued)**

**FUNDS HELD AS CUSTODIAN TRUSTEE FOR OTHERS**

The Board is custodian trustee for 465 trust funds. These trusts have investments with a market value at December 2008 of £8.4m (2007: £11.3m). Additionally these trusts have funds on deposit of £9.8m (2007: £7.6m). These deposit funds are mainly held with the Central Board of Finance of the Church of England.

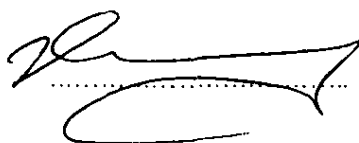
Statements of the movements on the accounts and the holdings as at 31<sup>st</sup> December 2008 were sent to parishes and other managing trustees of the respective charities in late January 2009. The Board also holds Parochial Church Council (PCC) property as custodian trustee. Each PCC is a separate charity. The assets are held separately from those of The Board.

**Auditors**

A resolution to re-appoint haysmacintyre as the Diocese's auditor will be put to the forthcoming Annual General Meeting.

Mr John Kempzell  
Chairman

Signed



12 May 2009

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

### SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

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We have audited the financial statements of South London Church Fund and Southwark Diocesan Board of Finance for the year ended 31 December 2008 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of trustees and auditors**

The trustees' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities. The Trustees are also the directors of South London Church Fund and Southwark Diocesan Board of Finance for the purposes of company law.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Trustees' Report is consistent with the financial statements. We also report to you if, in our opinion the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2008 and of its incoming resources and application of resources in the year then ended, including its income and expenditure;
- the financial statements have been properly prepared in accordance with the Companies Act; and
- the information given in the Trustees report is consistent with the financial statements.



Haysmacintyre  
Chartered Accountants  
Registered Auditors

12 May 2009

Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY



**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

**STATEMENT OF FINANCIAL ACTIVITIES**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2008 £'000	Total 2007 £'000
<b>INCOMING RESOURCES</b>							
<b>Income from generated funds</b>							
<b>Voluntary Income</b>							
Parish contribution	2a	14,634	-	-	-	14,634	14,177
Other voluntary income	2b	1,470	-	566	-	2,036	1,347
Activities for generating funds	3	100	-	-	-	100	137
Investment income	4	1,156	3	1,084	-	2,243	2,128
<b>Income from charitable activities</b>							
Statutory fees, chaplaincy & other income	5	859	-	-	-	859	900
Diocesan Retreat House		140	-	-	-	140	142
<b>Other incoming resources</b>	6	243	768	-	375	1,386	2,252
<b>Total incoming resources</b>		<u>18,602</u>	<u>771</u>	<u>1,650</u>	<u>375</u>	<u>21,398</u>	<u>21,084</u>
<b>RESOURCES EXPENDED</b>							
<b>Costs of generating funds</b>							
Investment management costs		-	-	-	77	77	56
<b>Charitable activities</b>							
Contributions to National Church		553	-	-	-	553	543
Resourcing ministry & mission	7	18,556	1,367	1,284	1,708	22,915	19,914
Education & social responsibility	8	535	-	-	-	535	557
Diocesan Retreat House		149	-	-	-	149	135
<b>Governance costs</b>	9	60	-	-	-	60	64
<b>Total resources expended</b>	10	<u>19,853</u>	<u>1,367</u>	<u>1,284</u>	<u>1,785</u>	<u>24,289</u>	<u>21,269</u>
<b>Net incoming/(outgoing) resources prior to transfers</b>		(1,251)	(596)	366	(1,410)	(2,891)	(185)
<b>Gross transfer between funds</b>		<u>(123)</u>	<u>2,163</u>	<u>(289)</u>	<u>(1,751)</u>	<u>-</u>	<u>-</u>
<b>Net outgoing resources before other other recognised gains and losses</b>		<u>(1,374)</u>	<u>1,567</u>	<u>77</u>	<u>(3,161)</u>	<u>(2,891)</u>	<u>(185)</u>
<b>Other recognised gains/(losses)</b>							
Gain on revaluation of fixed assets		4,312	-	-	36,559	40,871	10,436
(Loss)/gain on investment assets		(2,458)	(5)	(102)	(7,065)	(9,630)	(2,489)
<b>Net movement in funds</b>		<u>480</u>	<u>1,562</u>	<u>(25)</u>	<u>26,333</u>	<u>28,350</u>	<u>7,762</u>
<b>Total funds at 1 January</b>		<u>25,257</u>	<u>3,885</u>	<u>630</u>	<u>162,459</u>	<u>192,231</u>	<u>184,469</u>
<b>Total funds at 31 December</b>		<u><u>25,737</u></u>	<u><u>5,447</u></u>	<u><u>605</u></u>	<u><u>188,792</u></u>	<u><u>220,581</u></u>	<u><u>192,231</u></u>

The notes numbered 1 to 26 form part of these financial statements.

All amounts are arising from continuing activities. The movements on funds before transfers excluding the endowment constitute the income and expenditure account of the charitable company.

# SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

## BALANCE SHEET

AT 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Tangible assets	13	192,274	155,070
Investments	14	21,812	31,439
		<u>214,086</u>	<u>186,509</u>
<b>CURRENT ASSETS</b>			
Debtors	15	4,750	4,712
Short term deposits		5,793	3,961
Cash and bank		724	867
		<u>11,267</u>	<u>9,540</u>
<b>CREDITORS: amounts falling due within one year</b>	16a	(4,301)	(3,297)
<b>NET CURRENT ASSETS</b>		<u>6,966</u>	<u>6,243</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		221,052	192,752
<b>CREDITORS: amounts falling due after one year</b>	16b	(471)	(521)
<b>NET ASSETS</b>		<u>220,581</u>	<u>192,231</u>
<b>CAPITAL FUNDS</b>			
Endowment funds	17	188,792	162,459
<b>INCOME FUNDS</b>			
Restricted funds	18	605	630
Unrestricted funds			
Designated funds	19	5,447	3,885
Other unrestricted funds:			
Functional fixed assets - including revaluation reserve of £10.8m (2007: £10.4m)		20,919	16,483
Value Linked Loans to underwrite parish debt		471	521
Free reserves		4,347	8,253
		<u>220,581</u>	<u>192,231</u>

The financial statements were approved and authorised for issue by the Board on 12 May 2009 and were signed below on its behalf by:

Mr John Kempson  
Chairman

Mr John Henson  
Trustee

The notes numbered 1 to 26 form part of these financial statements.

**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £'000	2007 £'000
Net cash outflow from operating activities	23	(3,054)	(2,760)
<b>Returns on investments and servicing of finance</b>			
Investment income		2,243	2,128
		(811)	(632)
<b>Capital expenditure and financial Investment</b>			
Purchase of tangible fixed assets		(1,653)	(2,187)
Sale of tangible fixed assets		3,623	3,877
Purchase of investments		(16)	(9,566)
Sale of investments		13	8,701
Decrease/(increase) in parish loans		413	124
		2,380	949
<b>Cash inflow before financing</b>		1,569	317
<b>Financing</b>			
Increase in long term borrowings	24	60	10
		60	10
<b>Increase in cash and short term deposits</b>	24	1,629	327

The notes numbered 1 to 26 form part of these financial statements.

# **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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### **1. ACCOUNTING POLICIES**

#### **(a) Basis of accounting**

The accounts have been prepared under the historical cost convention, as amended for the revaluation of certain fixed assets, and in accordance with applicable accounting standards and the Statement of Recommended Practice: *Accounting and reporting by Charities* as revised in 2005 ("SORP 2005"). These financial statements do not consolidate the accounts of the subsidiary company on the basis of immateriality and therefore present information about the charitable company as an individual entity and not about its group.

They comply with the Companies Act 1985, the Charities Act 1993 and the Diocesan Annual Report and Financial Statements Guide.

#### **(b) Fixed assets - tangible assets and depreciation**

##### **Property valuations**

Properties not owned by the Board but from which the Board derives the benefits and incurs the obligations of ownership are included in the accounts at valuation. These assets are held in the following funds valued at the bases indicated below:

Parsonages	100% Insurance Value (2007: 80%)
Glebe (residential)	100% Insurance Value (2007: 80%)

Freehold and leasehold properties are shown at valuation. Properties for own use are valued by the Board by reference to insurance value, if available, or otherwise by other reliable indications of value.

Some properties, predominantly redundant churches, are vested in the Board in accordance with the provisions of Schemes under the Pastoral Measures 1968 and 1983. The Board considers that the residual proceeds (after taking into account the financial responsibility of the Board for the security and upkeep of the properties) is not material and therefore have valued these properties at nil.

##### **Gains and losses in the Parsonage and Glebe portfolios**

The release of surpluses from property sales not reinvested into property and the reinvestment of the Board's unrestricted funds in the capital value of parsonages are shown as transfers from and to the Parsonage Capital Fund respectively. Gains and losses arising on assets held as part of these funds are attributed to the relevant fund in the statement of financial activities.

##### **Depreciation**

Depreciation of tangible assets is charged at varying annual rates (see below) by reference to the expected useful lives of the assets.

Freehold board property	1%
Parsonage and Glebe property	1%
Furniture, equipment and motor vehicles	10% - 25%

#### **(c) Investments**

Investments are shown at market value in the balance sheet. Any realised and unrealised gains and losses arising on an investment are attributed to the fund for which the investment is held in the statement of financial activities.

Cash and deposits held in endowment funds are included within investments as, due to the nature of the funds, these are held to be reinvested in property and investments or held in the long term to generate income. Housing loans made directly to parishes are treated as investments, short term loans and loans which are matched by borrowings from third parties are shown as debtors.

# **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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### **1. ACCOUNTING POLICIES (continued)**

#### **(d) Income**

Parish contributions include amounts due in the financial year and received up to 31 January following the year end. Income received net of tax is shown gross of any tax recoverable. Legacies are included on an accruals basis where receipt of funds is reasonably certain and the entitled amount can be quantified. All other amounts, including rental income, are shown when receivable.

#### **(e) Expenditure**

Expenditure is recognised on an accruals basis and analysed over the activities undertaken by the Board. Support costs, which are those costs which are necessary for the delivery of the charitable objectives of the Diocese but which do not directly deliver its outputs, are allocated to the most appropriate activity on an actual basis. Further information is provided in notes 10 and 11.

The statutory costs of charitable status such as audit and trustee costs are allocated to governance costs.

#### **(f) Funds**

##### **Endowment funds**

These represent the assets and liabilities of the Parsonages, Diocesan Stipendiary and other Ministry funds. Whilst not owned by the Board, these are shown in the accounts as the Board takes on the risks, rewards and obligations which would arise from ownership. Under the relevant statutes, these funds can not generally be applied as income except for certain surpluses from sales of Parsonages which may only be released with the consent of the Church Commissioners. These funds are shown as endowment funds in the accounts.

##### **Restricted funds**

These are funds where there is restriction on utilisation by the donor or where statutory requirements limit use. Restricted funds include grants received from the Church Commissioners for Ministry Mission, and trust funds where the income must be spent on the support of clergy.

##### **Designated funds**

These are funds set aside for specific future purposes by the Board. Where the need for such funds ceases, the Board may, at their discretion, release the funds for general use. These funds are shown within unrestricted funds.

##### **Unrestricted funds**

These are funds free from any restrictions imposed by the donor.

##### **Transfers between funds**

These are included to reflect the movement of a property in its ownership or status or to reflect specific cash and accounting designation or un-designation of funds.

#### **(g) Pensions costs**

The Board participates in the Church Workers Pension Fund and a Pension Scheme for those in Stipendiary Ministry. Both are defined benefit pension schemes administered by the Church of England Pension Board. The assets of the schemes are held separately from those of the Board. Contributions to the Board's defined benefit pension schemes are charged to the statement of financial activities in accordance with Financial Reporting Standard 17: *Retirement benefits (FRS 17)*. Both schemes constitute collective defined benefit schemes under FRS17 and have therefore been accounted for as if they were defined contribution schemes.

#### **(g) Custodian Trusts**

Trusts where the Board acts as custodian Trustee but has no control over the management or use of the funds are not included in the balance sheet or Statement of Financial Activities.

# **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>2a</b>	<b>VOLUNTARY INCOME; PARISH ASSESSMENTS</b>	<b>2008</b>	<b>2007</b>
		<b>£'000</b>	<b>£'000</b>
	Current year allocation	14,696	14,219
	Shortfall in contributions	(122)	(112)
	Arrears for prior years	60	70
		<u>14,634</u>	<u>14,177</u>
<b>2b</b>	<b>OTHER VOLUNTARY INCOME</b>	<b>2008</b>	<b>2007</b>
		<b>£'000</b>	<b>£'000</b>
	Church Commissioners Area Bishops	155	112
	City Parochial Fund	883	780
	Ecclesiastical Insurance Group	132	130
	Dartmouth House and Whitgift Foundation	62	64
	Other voluntary income	238	25
	Church Commissioners Mission income (restricted)	566	236
		<u>2,036</u>	<u>1,347</u>
<b>3.</b>	<b>ACTIVITIES FOR GENERATING FUNDS</b>	<b>2008</b>	<b>2007</b>
		<b>£'000</b>	<b>£'000</b>
	Parsonage rental income	52	66
	Redundant Church rental	48	71
		<u>100</u>	<u>137</u>
<b>4.</b>	<b>INVESTMENT INCOME</b>	<b>2008</b>	<b>2007</b>
		<b>£'000</b>	<b>£'000</b>
	Board investment income	801	723
	Board rental income	167	183
	Net recovery on interest bearing parish loans (designated)	3	4
	Diocesan stipend fund investment income (restricted)	1,067	871
	Gilmore fund investment income (restricted)	17	13
	Diocesan stipend fund rental income (restricted)	188	334
		<u>2,243</u>	<u>2,128</u>

# **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>5. STATUTORY FEES, CHAPLAINCY AND OTHER INCOME</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Parochial fees	597	564
Reimbursement of stipends	220	260
Guaranteed annuities	4	-
Other income from charitable activities	38	76
	<u>859</u>	<u>900</u>
<b>6. OTHER INCOMING RESOURCES</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Recoveries from WelCare & Board of Education and other unrestricted income	53	69
Gains on disposal of fixed assets - unrestricted and designated	958	1,343
- endowment	375	840
	<u>1,386</u>	<u>2,252</u>
<b>7. RESOURCING MINISTRY AND MISSION</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Grants awarded:</b>		
Mission Grants - 110 to Parishes (2007: 84 to Parishes)	206	206
Church sales fund grant - 9 to Parishes (2007: 7 to Parishes)	672	63
In service training grant - 235 to clergy (2007: 200 to clergy)	85	70
Parish grants - 32 (2007: 18)	210	113
Gilmore 23 grants for women's ministry (2007: 30)	11	13
	<u>1,184</u>	<u>465</u>
Sub total	1,184	465
Payment to Archbishops' council	474	451
Settling-in allowances	134	156
Married ordinands allowances	372	241
Single ordinands allowances	58	38
Ministry staff	7,920	7,643
Clergy pensions	2,488	2,470
Housing costs	4,187	3,634
Settling-in grants	203	201
Area Mission Teams	1,038	628
In service training general	28	20
Training	21	23
Term assurance	75	69
Communication and resources	314	288
Establishment and support	453	330
MEAC	67	114
Glebe investments income diversions	13	12
Group support	241	382
Other resourcing ministry and mission	107	270
Registrar and Chancellor	50	34
Sundry expenses and contingencies	44	7
Administrative staff costs	330	741
Other administrative costs	200	55
Depreciation	1,994	1,642
Pension deficit payment	920	-
	<u>22,915</u>	<u>19,914</u>

**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>8. EDUCATION AND SOCIAL RESPONSIBILITY</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Grants awarded – Board of Education	344	322
- Welcare	191	170
Allocation of support costs	-	65
	<u>535</u>	<u>557</u>

<b>9. GOVERNANCE COSTS</b>		
External audit - current year fees	29	31
Internal audit	14	12
Annual accounts	2	1
Committee costs	8	13
Trustee insurance	7	7
	<u>60</u>	<u>64</u>

<b>10. TOTAL RESOURCES EXPENDED</b>	<b>Activities Undertaken Directly £'000</b>	<b>Grant Funding of Activities £'000</b>	<b>Support Costs (note 11) £'000</b>	<b>Depreciation £'000</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Investment management	77	-	-	-	77	56
Contributions to National Church	-	553	-	-	553	543
Resourcing ministry & Mission	19,476	1,184	261	1,994	22,915	19,914
Education and social Responsibility	-	535	-	-	535	557
Diocesan Retreat House	149	-	-	-	149	135
Governance costs	60	-	-	-	60	64
	<u>19,762</u>	<u>2,272</u>	<u>261</u>	<u>1,994</u>	<u>24,289</u>	<u>21,269</u>

Support costs are allocated primarily to Resourcing Ministry and Mission as the largest area of activity. Amounts allocated to Education and Social Responsibility represent support for the Board of Education and Welcare.

<b>11. ANALYSIS OF SUPPORT COSTS</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Repairs and maintenance	33	37
Rent, rates and insurance	62	60
Cleaning	35	33
Heat and lighting	23	21
Printing, postage and stationery	46	53
Telecommunications	16	11
Equipment rentals and repairs	12	23
Computer costs	16	18
Other costs	18	32
	<u>261</u>	<u>288</u>



**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

**12. STAFF COSTS**

	<b>2008 No.</b>	<b>2007 No.</b>
Parochial Clergy (328) Archdeacons and Board clergy (15)		
Externally funded clergy (10)	353	355
	<b>£'000</b>	<b>£'000</b>
<b>Costs</b>		
Stipend	7,847	7,547
NICs	459	454
Pensions	2,655	2,578
<b>Total</b>	<b>10,961</b>	<b>10,579</b>
	<b>No.</b>	<b>No.</b>
<b>Board Staff</b>		
The average number of Board Staff was:	52	51
	<b>£'000</b>	<b>£'000</b>
<b>Costs</b>		
Salary	1,565	1,515
NICs	125	118
Pensions	529	415
<b>Total</b>	<b>2,219</b>	<b>2,048</b>

One employee received annual emoluments of between £60,000 and £69,999 (2007: 1). Board members do not receive emoluments in respect of their duties as trustees. Those Board members who are working clergy receive stipends in accordance with the Board's standard scales. Board members are reimbursed only in respect of out of pocket expenses incurred in the performance of their duties. Expenses reimbursed for out of pocket expenditure totalled £0 (2007: £50) and were reimbursed to 0 trustees (2007: one).

**13. TANGIBLE FIXED ASSETS**

	<b>Land and Buildings</b>			<b>Furniture &amp; Equipment</b>	<b>Total</b>
	<b>Endowment Glebe and Parsonages</b>	<b>Freehold</b>	<b>Leasehold</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		
At 1 January 2008	138,468	16,481	86	612	155,647
Additions	1,049	487	-	117	1,653
Disposals	(2,799)	(527)	-	(200)	(3,526)
Transfers	(124)	124	-	-	-
Revaluation	34,851	4,105	-	-	38,956
<b>At 31 December 2008</b>	<b>171,445</b>	<b>20,670</b>	<b>86</b>	<b>529</b>	<b>192,730</b>
<b>Depreciation</b>					
At 1 January 2008	-	-	68	509	577
Charge for the year	1,708	207	2	77	1,994
Disposals	-	-	-	(200)	(200)
Revaluation	(1,708)	(207)	-	-	(1,915)
<b>At 31 December 2008</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>386</b>	<b>456</b>
<b>Net book value</b>					
At 31 December 2008	171,445	20,670	16	143	192,274
At 31 December 2007	138,468	16,481	18	103	155,070

**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>14. INVESTMENTS</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
<b>UK Listed investments</b>		
Common Investment Funds	21,812	31,439
	<u>21,812</u>	<u>31,439</u>
	<b>2008 £'000</b>	<b>2007 £'000</b>
<b>Movements</b>		
Balance at 1 January 2008	31,439	33,063
Purchased during the year	16	9,566
Disposals	(13)	(8,701)
Revaluation of investments	(9,630)	(2,489)
	<u>21,812</u>	<u>31,439</u>
Balance at 31 December 2008	21,812	31,439

The historical cost of investments is not available.

The Board is beneficial owner of a subsidiary undertaking, Southwark DBF Trading Limited, which is registered in England and supplies property and administrative services to the Board. Its results for the year and assets and liabilities have not been consolidated into the Board's financial statements on the grounds of materiality. In 2008 the company had income, mainly in the form of rents of £29,053 (2007: £29,297) and a loss for the year of £32,037 (2007: £28,138). Balance sheet information is shown below.

	<b>2008 £'000</b>	<b>2007 £'000</b>
<b>Southwark DBF Trading</b>		
Cost of stock for resale	448	456
Debtors	7	-
Cash and bank	10	7
Loan from South London Church Fund and Southwark Diocesan Board of Finance	(657)	(618)
Other creditors	(3)	(7)
	<u>(195)</u>	<u>(162)</u>
Reserves	(195)	(162)

**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>15. DEBTORS</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
<b>Amounts falling due within one year</b>		
Parish assessments	32	27
Parish related loans	410	-
Other debtors	394	492
Amounts due from trading subsidiary	658	618
Prepayments and accrued income	469	326
	<u>1,963</u>	<u>1,463</u>
<b>Amounts falling due after more than one year</b>		
Loans to parishes - interest bearing	1,636	1,840
- interest free	260	418
Other loans	471	521
Other long term debtors	420	470
	<u>2,787</u>	<u>3,249</u>
<b>TOTAL DEBTORS</b>	<u><u>4,750</u></u>	<u><u>4,712</u></u>
<b>16. CREDITORS</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
<b>a) Amounts falling due within one year</b>		
Bank loan (unsecured) *	2,157	2,046
Trade creditors	268	395
Other creditors	1,099	395
Other taxes and social security	83	85
Accruals and deferred income	694	376
	<u>4,301</u>	<u>3,297</u>
<b>b) Amounts falling due after more than one year</b>		
Loans – Church Commissioners – Value Linked Loans	471	521
	<u>471</u>	<u>521</u>

\* The loan rate is 0.85% above bank base rate, and has been at this rate during 2008 & 2007. The rate at 31 December 2008 was 2.85% (2007: 6.35%)

# **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>17. ENDOWMENT FUNDS</b>	<b>Opening Balance £'000</b>	<b>Incoming Resources £'000</b>	<b>Outgoing Resources £'000</b>	<b>Transfers £'000</b>	<b>Gains &amp; (losses) £'000</b>	<b>Closing balance £'000</b>
<b>Permanent endowments</b>						
Ministry funds (a)	3,791	-	-	-	(1,178)	2,613
<b>Expendable endowment</b>						
Diocesan stipendiary fund (b)	43,426	375	(1,785)	493	1,696	44,205
Parsonage capital fund (c)	115,242	-	-	(2,244)	28,976	141,974
<b>Total endowment funds</b>	<b>162,459</b>	<b>375</b>	<b>(1,785)</b>	<b>(1,751)</b>	<b>29,494</b>	<b>188,792</b>

(a) These represent funds are held for the benefit of augmenting clergy stipends within the Diocese.

(b) This fund represents the Glebe assets of benefices from which the income arising and/or benefit of use has been passed to the Board under the Glebe and Endowments Measure.

(c) This fund represents the capital assets relating to Parsonages but which under the measures are maintained by the Diocese. Funds arising from sales of parsonages are only released to the Board's unrestricted funds under Church Commissioners' orders where either the cost of replacement is lower than the proceeds of sale or under a Pastoral Scheme where no replacement is to be made. This transfer is made at the time the property is vested in the Board of Finance. Any funds released are held in a designated fund for future building or improvement works to other parsonages.

<b>18. RESTRICTED FUNDS</b>	<b>Opening Balance £'000</b>	<b>Incoming Resources £'000</b>	<b>Outgoing Resources £'000</b>	<b>Transfers £'000</b>	<b>Gains &amp; (losses) £'000</b>	<b>Closing balance £'000</b>
DSF income fund (a)	-	1,067	(1,067)	-	-	-
Ministry mission (b)	304	566	(206)	(318)	-	346
Gilmore Fund (c)	326	17	(11)	29	(102)	259
	<b>630</b>	<b>1,650</b>	<b>(1,284)</b>	<b>(289)</b>	<b>(102)</b>	<b>605</b>

(a) This fund represents income received from endowed DSF capital funds where expenditure is restricted to purposes connected to stipends or parsonages.

(b) This fund represents grants received from the Church Commissioners for restricted purposes. The grant received is to fund the Mission programme and the closing balance represents the amount still to be spent.

(c) The terms of the Isabella Gilmore Fund requires the funds to be spent on the education and development of women clergy.

# **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>19. UNRESTRICTED FUNDS</b>	<b>Opening Balance £'000</b>	<b>Incoming Resources £'000</b>	<b>Outgoing Resources £'000</b>	<b>Transfers £'000</b>	<b>Gains &amp; (losses) £'000</b>	<b>Closing balance £'000</b>
<b>Designated funds</b>						
Parish grant fund (a)	344	-	(108)	49	-	285
Parsonages capital fund (b)	1,148	92	(398)	1,853	-	2,695
Clergy pensions reserve						
Fund (c)	711	-	-	78	-	789
Church sales capital fund (d)	1,045	675	(672)	-	-	1,048
Urban priority (e)	45	-	-	-	-	45
In-service training (f)	145	4	(85)	103	-	167
Brixton Faith CUF (g)	2	-	(1)	-	-	1
Office maintenance fund (h)	60	-	-	-	-	60
Unfunded pensions (i)	20	-	(2)	-	(5)	13
Diocese conference 2009						
(j)	25	-	-	30	-	55
Computer fund (k)	40	-	-	-	-	40
Growing churches fund (l)	300	-	(101)	50	-	249
	<u>3,885</u>	<u>771</u>	<u>(1,367)</u>	<u>2,163</u>	<u>(5)</u>	<u>5,447</u>
<b>Other reserves</b>						
Functional fixed assets						
excluding endowment	16,483	-	-	124	4,312	20,919
Value linked loans	521	-	-	(50)	-	471
Free funds	8,253	18,602	(19,853)	(197)	(2,458)	4,347
<b>TOTAL</b>	<u>25,257</u>	<u>18,602</u>	<u>(19,853)</u>	<u>(123)</u>	<u>1,854</u>	<u>25,737</u>

- (a) This fund represents amounts set aside to fund grants to parishes in need of financial assistance for repairs to church buildings.
- (b) This fund represents capital receipts released following the sale of parsonages. These are set aside to fund contributions by the Board to develop new Parsonages which are not fully funded by corresponding sale proceeds and to make a contribution toward the property department staffing.
- (c) This fund was established in 1996. £240,000 has been applied in 2008 to defray the increased clergy pensions, which have been reflected in increased pension contributions whilst mission funds of £318,000 have been allocated to support future pension requirements.
- (d) This fund represents proceeds arising on the sale of redundant churches which are set aside to fund new building and capital works on other churches and other associated costs. In 2008 the net sale proceeds of Upper Norwood, St Margaret, and Peckham, St Andrew have been added to the fund.
- (e) This fund represents money set aside to assist with projects in Urban Priority Areas.
- (f) This fund represents money set aside to support ongoing Post Ordination Training. The obligation to fund clergy training means that the fund is both added to and drawn on in the year.
- (g) This fund reflects money provided through the Church Urban Fund and set aside for use by the former Brixton Challenge project.
- (h) This fund represents amounts set aside to fund future maintenance costs of Trinity House.

# **SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

### **19. UNRESTRICTED FUNDS (continued)**

- (i) This fund represents the money set aside for a previous member of staff's pension costs. The fund is matched by specific investments. The income and a modest capital drawing have been applied to fund the pension.
- (j) This fund is set aside to part fund the 2009 Diocesan Conference.
- (k) This fund is to assist in the implementation of IT software up-grades, including technical support. Upgrades were planned in 2008 but have been delayed to 2009.
- (l) This fund is now called the Larger Churches Fund and it is to provide support for the outreach and mission of rapidly growing churches. Funds have been distributed in early 2008 with a further commitment to funding in 2009 and 2010.

### **20. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	<b>General Funds £'000</b>	<b>Designated Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Endowment Funds £'000</b>	<b>Total £'000</b>
Fund balances at 31 December 2008 are represented by:					
Tangible fixed assets	20,668	-	-	171,606	192,274
Investments	5,614	14	230	15,954	21,812
Cash and deposits	-	5,285	-	1,232	6,517
Other net current assets	-	148	375	-	523
Long term liabilities	(545)	-	-	-	(545)
	<u>25,737</u>	<u>5,447</u>	<u>605</u>	<u>188,792</u>	<u>220,581</u>

### **21. PENSIONS ARRANGEMENTS**

The Board of Finance operates two defined benefit pension schemes. Both schemes constitute collective defined benefit schemes under FRS17: Retirement benefits, and have therefore been accounted for as if they were defined contribution schemes. The disclosures below comply with the requirements of FRS17.

#### **(i) Stipendiary ministry**

The Board participates in the Church of England Funded Pensions Scheme and employs 346 members of the scheme out of a total membership of approximately 10,000 active members. The Church of England Funded Pensions Scheme is a defined benefit scheme but the Board is unable to identify its share of the underlying assets and liabilities – each employer in that scheme pays a common contribution rate. A valuation of the scheme was carried out as at 31 December 2006. This revealed a shortfall of £141m with assets of £468m and a funding target of £609m, assessed using the following assumptions:

- An investment strategy of: a nil allocation to gilts for the next 10 years, increasing linearly to reach 30% after 20 years; and the balance of the assets in equities;
- Investment returns of 4.35% pa on gilts and 5.75% pa on equities;
- RPI inflation of 3.1% pa (and pension increases consistent with this);
- Increase in pensionable stipends 4.6% pa; and
- Post-retirement mortality in accordance with the PA00 tables, adjusted so that members are assumed to be two years younger than they actually are, with allowance for the future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1% for males and 0.5% for females.

# SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

### 21. PENSIONS ARRANGEMENTS

#### (i) *Stipendiary ministry (continued)*

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the Board to account for pension costs on the basis of contributions actually payable to the Scheme in the year,

From 1st January 2007 the Board's contribution rate increased from 33.8% to 39.8% of pensionable stipends. With effect from 1st April 2008 onwards the contribution rate was 39.7% of pensionable stipends.

Financial Reporting Standard 17: "Retirement Benefits", requires the Board to account for pension costs on the basis of contributions actually payable to the Scheme in the year. The total pension costs paid for all stipendiary staff amounted to £2.5m (2007: £2.6m). No outstanding contributions were payable at 31st December 2008 or 2007.

#### (ii) *Lay administration staff*

The Board participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund. The Southwark Diocesan Board of Finance is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. There was a valuation of the fund as at 31 December 2007, and Southwark Diocesan Board of Finance's contribution was revised to 30.2% from 1 January 2009 from 31.14%

At 31 December 2008 the Board had 51 active members and 31 deferred pensioner members in the Fund. The Board is unable to identify its share of the underlying assets and liabilities of the scheme. The cost of lay staff pensions in the year amounted to regular contributions of £0.53m (2007: £0.42m). In addition, following receipt of actuarial advice, a one off lumpsum contribution of £920,000 was made. There were no outstanding contributions as at 31 December 2008 or 2007.

### 22. RELATED PARTIES

#### **Southwark & London Diocesan Housing Association**

The Bishop of Southwark and the Bishop of London are joint presidents of Southwark & London Diocesan Housing Association (SLDHA). The Ven. Michael Ipgrave is Vice Chair of SLDHA and a trustee of the Board of Finance. During the year the Board received a contribution of £32,000 from the association to defray accommodation costs (2007: £24,000).

23. NOTES TO THE CASH FLOW STATEMENT: RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2008	2007
	Total £'000	Total £000
Net (outgoing) resources	(2,891)	(185)
Depreciation	1,994	1,642
(Increase)/decrease in debtors (2007 includes Gilmore non cash transfer)	(444)	(330)
Increase/(decrease) in creditors	826	424
Investment income	(2,243)	(2,128)
Gain on disposal of fixed assets	(296)	(2,183)
Net cash outflow from operating activities	<u>(3,054)</u>	<u>(2,760)</u>

**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

24.	RECONCILIATION OF NET CASH OUTFLOW TO CHANGE IN NET FUNDS	2008 £'000	2007 £'000	
	Increase/(decrease) in cash in the year	1,689	327	
	Cash outflow from decrease in debt	(60)	(10)	
		<hr/>	<hr/>	
	Change in net funds resulting from cash flows	1,629	317	
	Opening net funds	2,261	1,944	
		<hr/>	<hr/>	
	Closing net funds	3,890	2,261	
		<hr/>	<hr/>	
25.	ANALYSIS OF NET FUNDS	At 1 January 2008 £'000	Cash flow 2008 £'000	At 31 December 2008 £'000
	Cash in hand and at bank	4,828	1,689	6,517
	Debt due within 1 year	(2,046)	(110)	(2,156)
	Debt due after 1 year	(521)	50	(471)
		<hr/>	<hr/>	<hr/>
	Total	2,261	1,629	3,890
		<hr/>	<hr/>	<hr/>
26.	ASSETS HELD AS CUSTODIAN TRUSTEE	2008 £'000	2007 £'000	
	Investments	8,372	11,283	
	Cash at bank	9,823	7,625	
		<hr/>	<hr/>	
		18,195	18,908	
		<hr/>	<hr/>	