

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

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2011

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

FOR THE YEAR ENDED 31 DECEMBER 2011

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SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 31 DECEMBER 2011

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. They are also regarded as Trustees for the purposes of charity law. The names of those who served as directors during the year, and up to the date the financial statements were approved, are set out below. No director had any beneficial interest in the company during 2010 or 2011. Trustee indemnity insurance was in place throughout the year and at 31 December, at a cost of £4,883 plus an errors and omissions policy at £2,379 (2010 £4,837 and £2,474 respectively).

Membership of the board and principal committees

Chairman Mr John Kempself *

Vice Chairman Mr Brian Warnes * # to 22/3/11
Mr Ian Akhurst* from 12/7/11

Ex Officio Members The Lord Bishop of Southwark (Rt Revd Christopher Chessun) from 6/3/11
The Archdeacon of Croydon (Ven Tony Davies) # to 17/7/11
Acting Archdeacon of Croydon (Revdr Dr Barry Goodwin) # from 15/9/11
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) to 21/3/12
Acting Archdeacons of Southwark* (Revdr Canon Dianna Gwilliams) from 27/4/12
The Archdeacon of Wandsworth* (Ven Stephen Roberts)

Elected members
26 Laity by Deanery Synod

Plumstead	Mr David Plummer	Battersea	Vacant
Charlton	Mr David Thompson	Tooting	Vacant
Eltham & Mottingham	Mr Bob Love	Wandsworth	Mr Andrew Simon #
East Lewisham	Mr Bill Bishop	Richmond & Barnes	Mr Philip Bladen *
West Lewisham	Mr Andrew McMurtrie #	Kingston	Mr Chris Gretton
Deptford	Mr Nicholas Taylor* to 15/4/11 Mr Kirk Siderman-Walter 24/2/12	Croydon North	Mrs Eleanor Lewis
Bermondsey	Mr Nicholas Herbert from 21/6/11	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	Mr Alistair Read	Sutton	Mr Ian Akhurst*
Lambeth North	Mr Roger Hird	Caterham	Mr Christopher Clement #
Lambeth South	Mr Colin Hart	Godstone	Mr Michael Lawrence to 27/1/11 Mr Robin Hickson * from 1/1/12
Merton	Mr Brian K Wilson* to 31/12/11	Reigate	Mr Timothy Neale+

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

12 Clergy by Archdeaconry

Lewisham	Revd Stephen Cook		
	Vacancy		
Southwark	Revd Mark Steadman to 20/1/11		
	Vacancy		
Lambeth	Revd Peter Milligan* to 31/12/11	then	Revd John Hayward from 1/1/12
	Revd Mary Bide to 31/12/11	then	Revd Andrew Wakefield from 1/1/12
Wandsworth	Revd Barry Nichols #		
	Vacant		
Croydon	Revd Derek Brice		
	Revd Vickie Sims		
Reigate	Revd William Campen*		
	Revd Jeremy Garton		
Bishop's Nominees	Mr John Kempzell		
	Mr Roger Squire #		
	Revd Dr John Thewlis *		
	Revd Jane Kustner *		
	Mr John Henson *		

Executive & Glebe Committee (as at 31 December 2011)

As marked by * above, Chair, Mr John Kempzell

Audit Committee (as at 31 December 2011)

As marked by + above, Chair, Mr Ian Harley Mr James Cross and Mr Jeremy Kean also members

Investment Committee (as at 31 December 2011)

As marked by # above, Chair, Revd Barry Nichols

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 Eric Greber, MRICS
Deputy Diocesan Secretary	Mr Andrew Lane
Director of Communications & Resources	Ms Wendy Robins
Financial Controller	Mr Robert Dallimore MSc ACMA
Statutory 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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

Bankers (cont)	Barclays Bank Plc 1 Churchill Place London, E14 5HP
Solicitors	Winckworth Sherwood Minerva House 5 Montague Close London SE1 9BB
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 Charities Property Fund, Cordea Savills Lansdowne House, 57 Berkeley Square London W1J 6ER J O Hambro Capital Management Ltd Ryder Court, 14 Ryder Street London SW1Y 6QB M&G Securities Ltd The M&G Group Laurence Poultny Hill London EC4R OHH Royal London Asset Management 55 Gracechurch Street London EC3V 0UF 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.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

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

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.

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 pensions 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,

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

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

- 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

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 2009 are excepted from registration with the Charity Commission. The Charities Act 2011 allows PCCs to be registered with the Charity Commission, with a phased implementation process starting with PCCs with income over £100,000 registering from 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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

- The Executive & Glebe, which manages the development, retention or disposal of glebe and board properties. It also reviews the Fairer Shares parish apportionment formula and processes which ensure the fair evaluation and regular collection of parish contributions. The committee also has an overview of financial management including rental arrears, general debt control and management.
- A separate Investment Committee reports to the Board of Finance. It reviews investment strategy, proposed alternative investment managers, monitors investment performance and makes recommendations to the Board of Finance.

Committee structure

- 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 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.
- The Policy & Resources Committee was formed in early 2010. It has continued to review the interface between the Bishop's Council as the policy making body of the Diocese and the Board of Finance. It developed guidelines and recommendations for submissions to the Stipend & Budget Committee.
- The Stipend & Budget Committee reviews the budget submissions covering income, spending department 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.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

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 2006. 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 2011, which from mid 2012, will be 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.

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.

Connected charities:

Diocesan Board of Education

The Diocesan Board of Education is a separate registered charity (Registered Number 313001) that supports 106 Church of England schools, 91 primary, 15 secondary of which 5 are academies. The Board of Education supports the provision, effectiveness and development 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 main grant from the Diocese in 2011 was £240,900 (2010 £238,477). Additional grants of £33,397 are reflected in 2011. The Board of Education also supports the provision and development of education chaplaincy in higher and further education institutions.

The Ven Chris Skilton is a Trustee of the Board of Finance and the Board of Education. Mr Bob Love was a Board of Education Trustee to July 2011. Canon Dianna Gwilliams is a member of the Board of Education and Finance & Development Committee. She was appointed Acting Archdeacon of Southwark on 27 April 2012.

Southwark Diocesan Welcare

Southwark Diocesan Welcare is a separate registered charity (Registered Number 1107859) that provides services for parents and 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 2011 of £178,550 (2010 £176,750). Two Trustees of Welcare are also Trustees of the Board. The Ven Daniel Kajumba and Mr Andrew Simon both Trustees of the Board of Finance and Southwark Diocesan Welcare.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Southwark & London Diocesan Housing Association

Southwark and London Diocesan Housing Association (SLDHA) is a charity although it is exempt from registration with the Charity Commission. Like most Housing Associations, it is registered instead with its funder and regulator, The Homes and Communities Agency (number LH 3934). The Bishop of Southwark and the Bishop of London are joint Presidents of the Association and, until recently, the Archdeacon of Southwark was the Chair of the SLDHA's Board – as well as being a Trustee of the Diocesan Board of Finance. The new Chair of SLDHA's Board is the Ven Stephan Welch, the Archdeacon of Middlesex.

The staff of SLDHA are located in Trinity House. During the year, the Board received a contribution towards shared costs, from the Association, of £38,850 (2010: £33,000). The Association owns and manages 249 high quality homes, let at affordable rents. It has two new schemes under construction and by late summer 2012 it will have added a further 28 homes to its total portfolio.

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 is available from Trinity House or website.

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,
- specific Diocesan Projects typically engaging with communities and people of God in the Diocese
- provision of a Diocesan Retreat House

Public Benefit

The Trustees are aware of the Charity Commission's guidance on public benefit in *The Advancement of Religion for the Public Benefit* and have had regard to it in their administration of the DBF. The Trustees believe that, by promoting the work of the Church of England within the Diocese of Southwark, it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the Diocese as a whole and in its individual parishes, and that in doing so it provides a benefit to the public by

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers, and
- promoting Christian values, and service by members of the Church in and to their communities, to the benefit of individuals and society as a whole

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.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

OBJECTIVES AND ACTIVITIES (continued)

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 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.

The Diocese of Southwark receives funding from the Church Commissioners. During 2011 this sum was £0.265m (2010 £0.441m) and has been budgeted to support mission initiatives in 2012. From the amount received in 2010 £0.173m was set aside to the Clergy Pension Fund being a designated fund to help pay for future clergy pension fund charges. The Mission Fund has also 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.

Trading Company

Having completed the sale of the properties developed by the trading company in July 2011, the company is currently inactive. However the Trustees intend to retain the company for potential future trading opportunities.

Going concern

The Trustees are confident that The Board has adequate reserves to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

ACHIEVEMENTS AND PERFORMANCE

The Board of Finance reviewed financial performance throughout 2011 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.

The Fairer Shares collections in 2011 amounted to £15.1m, falling short of the budgeted expectation by £700,000. This collection rate is about 95.6% of the income budgeted and is a significant concern. Prior to 2009 the collection rates were typically 99% of the budgeted receipts, but eased to 97.6% in 2009 and 95.7% in 2010.

Resourcing the Ministry & Mission in the parishes

The 2011 budget envisaged 321 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 was 324. The Board also pays the stipends of archdeacons and clergy in Area Mission Teams, and in Ministry & Training. 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 the apportionment formula 'Fairer Shares'. This is based on congregation numbers and the potential relative wealth of each parish. As indicated above the Board received 95.6% of the amount requested (2010 95.7%). The Board continues 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 2011

ACHIEVEMENTS AND PERFORMANCE (continued)

The Parsonages & Property Maintenance Committee has incurred expenditure of £4.1m (2010 £3.9m) which is marginally above the 2011 budget at £4.0m. Three new houses for clergy were completed in the year, and further work-in-progress on one parsonage. The capital cost of these developments together with some preliminary design work for further developments amounted to £1.2m.

The Ministry & Training Committee has continued to provide training programmes to the clergy, which in total amounted to £2.0m as provided in the budget. This amount includes £0.6m requested for the training of ordinands and a refund of £0.06m, which the Archbishops' Council has also pledged as a contribution to past ordinand training.

Contributions for National Church Institutions

The Board paid in full its apportionment towards the administration cost of the Archbishops' Council, CHARM (assisted housing for retired clergy) and Mission Agency Clergy Pensions. This contribution to the National Church is £0.58m (2010 £0.58m).

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. 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* 49 projects were awarded grants in 2011. The grants are allocated by a panel drawn from the Croydon Area Mission Team.
- The *Kingston Area* has distributed 22 grants which are decided by a panel drawn from the Area Forum.
- In the *Woolwich Area* 35 grants have been awarded following an application process and review by a panel from Area Forum.
- *Working Groups* have awarded 11 grants during the year which in total have amounted to £33,500.

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, public policy 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 Mission Grants referred to above.

Provision of a Diocesan Retreat House (Wychcroft)

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

Long term major repair and improvements are funded by grants from St Mark's Foundation from whom the property is leased. (The most recent grant from St Mark's, was £10,000 in 2010). Some maintenance of the house is absorbed with the Board's property budget. In 2011 this amounted to £48,700 including plumbing, changes to the oil tanks and the continuing upgrade of fire protection systems. In 2010 the Board contributed £43,500 mainly to upgrade fire detection and prevention systems.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL REVIEW

Financial Overview

Income before revaluation adjustments totalled £19.9m, (2010 £24.6m), whilst expenditure amounted to £24.8m including depreciation (2010 £23.3m). The deficit for the year at £4.9m includes depreciation of £1.9m and the realised loss on property sales of £0.3m.

The main source of income to the Diocese is the Fairer Shares contributions from parishes. The Diocese set a budget at £15.8m in 2011 but Fairer Shares receipts raised £15.1m. The Fairer Shares shortfall of £0.7m has contributed to half of the reduction in General Reserves from £7.1m to £5.6m in the year. Despite the shortfall, the regular contributions of Fairer Share contributions through the year have enabled stipends, salaries and general expenses to be fully maintained.

Note 2b to the financial statements sets out the sums received from trusts outside the Diocese, including "Trust for London" (formerly known as City Parochial Foundation), and the Church Commissioners. Total Voluntary income was £1.6m (2010 £2.1m) the main reduction being the Church Commissioners' "Mission Money" donation of £0.26m (2010 £0.44m), and the Church Commissioners' contribution to past ordination costs £0.056m (2010 £0.26m).

Expenditure includes property related depreciation of £1.92m (2010 £1.92m) which is compensated by a matching revaluation within the net gain on revaluation of fixed assets. The operating activities of the Diocese, including the income of all designated and restricted investments, reflect a net loss of £4.9m (2010 gain of £1.27m).

Clergy in Southwark were awarded a stipend increase of 1.5% in January 2011. The overall cost of the 324 parochial ministry staff is £10.95m. The archdeacons, and ministry training staff cost a further £0.5m and a further 11 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 £2.5m (2010 £3.1m). The reduced cost of clergy pensions in 2011 reflects the change in the basis of future clergy pension arrangements to a scheme "contracted-in" to the state earnings related pension scheme. Conversely the employer's cost of National Insurance increased to £0.86m (2010 £0.46m).

The latest actuarial review of the clergy pension scheme was completed as at 31 December 2009. Following this valuation, changes have been made to benefits, and the contribution rate has been set at 38.2% of the national minimum stipend from 1st January 2011.

Investment policy and performance

The Investment Committee, established by the Board in May 2010, continues to meet. The Committee reviewed the Investment Policy in order to ensure compliance with Charity Commission guidance CC14. The policy restated the Board's policy of pursuing an ethical investment approach focusing on ethical corporate governance and responsible investor conduct, recognising that it does not invest directly in the stock market, but through collective investment vehicles such as Common Investment Funds and Property Unit Trusts.

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, which continues to be set and reviewed by Trustees, is to seek the best possible overall return on financial investments, having due regard to the preservation of capital. The Diocesan Stipend Fund and Ex Trust Funds aim 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 collective investment vehicles. The investment valuation as at December 2011 was £26.8m including an additional £1.0m invested in January 2011 (2010 £27.2m). Fund manager performance was reviewed regularly during 2011. An in-depth review of equity and property holdings was undertaken in October and November respectively. Investment income is analysed within note 4 and amounted to £1.84m (2010 £1.86m).

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL REVIEW (continued)

Rental Income

Rental income from all forms of property totalled £0.64m (2010 £0.69m). The majority of rental income of £0.51m is derived from Glebe and Board properties and is recognised as Investment Income. Rentals of £0.13m from letting vacant parsonages and redundant churches are 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 can be used to fund clergy stipends.

Designated Funds

The Diocesan Retreat house (Wychcroft) has been segregated and reflected as a designated fund. The Trustees have established a new designated fund in the year to reflect the insurance valuations on 25 houses, the main Trinity House office, plus part-equity interests in a further six properties. The movements on designated funds are detailed in note 19 and transfers between funds are detailed in note 27 to the accounts.

The Parsonages Capital Fund reflects the accumulated income from selling parsonages. In 2011 the proceeds of one parsonage generated £0.78m which was transferred to the fund. The drawing from the fund is £1.05m for parsonage development plus transfers as WIP and part payment of a parsonage property.

The Trustees of the Diocese recognised, in prior years, that clergy pension costs will increase and in consequence a pension reserve has been set aside from surpluses. During 2011 £0.33m was drawn from this Clergy Pension Reserve as planned in the annual budget. The intention is to draw on the remaining £0.22m of the fund in 2012.

A transfer of £0.11m (2010 £0.11m) to the clergy in-service training recognises the commitment to maintain post ordination training for clergy with £0.34m set aside for this purpose at December 2011.

Payments of £0.03m (2010 £0.1m) have been released from a fund for Growing Churches during 2011, leaving £0.06m to be available as grants in future.

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 when any capital repayments are made. The interest charged is varied annually and is linked to an RPI inflation factor. The value of these advances was £0.47m in both 2011 and 2010.

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 but also 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 six 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 account 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.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL REVIEW (continued)

Free reserves 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 to supplement parish Fairer Shares Contributions |

In segregating the Board Properties and Wychcroft as Designated Funds the General Funds of the Board of £5.68m (2010 £7.18m) are reflected on page 16 of these accounts. Interest free loans to parishes have been advanced mainly to spread the payment for insurance premiums on parish owned properties. Recognising a reserve of £0.45m to cover these interest free loans the Free Reserve is £5.7m as at 31 December 2011, representing 2.7 months of expenditure (2010 £7.1m representing 3.7 months).

Risk assessment

The risk register is formally reviewed by Trustees at least annually. The most recent Review was in early 2012. 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

The Parsonages and Property Maintenance Committee has an overview of the maintenance of housing stock used by clergy. In addition to maintaining clergy accommodation, there is a policy of replacing financially unsustainable houses with high quality, well insulated modern parsonages. The parsonage housing stock is currently valued at 2011 at £138m. Additionally Glebe properties have been valued at £32m. These properties are shown at a combined value of £170m which is reflected in note 13. Properties are valued at 100% of the full insured value in the current year. The insurance value of properties is re-evaluated periodically, typically when properties are rented, or when improvements are made during a vacancy.

The Board will monitor the cash generated from the regular sale of parts of the parsonages housing stock to confirm that there is sufficient to continue to fund the ongoing programme of parsonage replacements and upgrading the current stock of parsonage houses. A contribution is also drawn from the designated Parsonages Capital Fund to fund the general fund budget.

PLANS FOR FUTURE PERIODS

The Woolwich and Kingston Areas have undertaken an initiative to gather data from parishes on a range of subjects including ministry, mission, faith, stewardship and resourcing. The intention is to extend this "Signs of Growth" project to the Croydon Area. The data collected will help the Diocese and parishes to think, reflect and plan strategically.

Given the shortfall in Fairer Shares contributions from parishes and reduced investment income our prime expenditure on ministerial resources is being reviewed. The Board will liaise and work with The Bishop's Council which has established a group that is looking at a Strategy for Ministry. As at March 2012 the Strategy for Ministry group has met five times and is working on a report that will come to Synod in November 2012 following Archdeaconry consultation meetings which will explore the issues we face and the options for change. This will be a very thoroughgoing consultation which will seek to hold together our confidence in faith and mission whilst being realistic about the unavoidable need for immediate action and planning.

In the last two years, central diocesan expenditure has been kept to or held below budget, however income has fallen below the budgeted expectations. Costs will continue to be kept under review and reduced where possible, however if there continues to be a shortfall in income this may regrettably lead to a further reduction in the number of stipendiary clergy.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

PLANS FOR FUTURE PERIODS (continued)

Alongside these pressing financial needs the Diocese continues to be exposed to increasing pension liabilities. The pension funds are managed by the pension fund managers as explained in note 21. The increased liabilities have been driven by changes in actuarial assumptions on investment and the longevity of pensioners. Three years ago there was a deficit of £950,000 on the lay staff scheme and a cash payment was made from reserves to clear it. The recent actuarial review has shown a similar deficit of £980,000. The Board of Finance has decided this time to repay approx £250,000 per year for five years to clear this deficit, taken from reserves rather than making a charge on the Diocesan Budget. At the same time a review is being undertaken on the future of the scheme, which is a non-contributory Defined Benefit Scheme.

As well as consulting across the Diocese, in the coming months, there will be a thoroughgoing review of the diocesan offices. The aim is to ensure that we offer the best value for money for the resources we deploy at Trinity House and ensure that we are working efficiently and effectively and engaging with best practice.

The Board will continue to

- provide investment income, under the direction of the Investment Committee,
- expect to receive grants from major donors,
- receive the clergy portion of assigned parochial fees,
- manage property not required for housing to provide rental income,
- receive contributions from parishes through the Fairer Shares scheme

FUNDS HELD AS CUSTODIAN TRUSTEE FOR OTHERS

The Board is Custodian Trustee for 398 trust funds. No new accounts were opened during the year but 25 were closed. These trusts have investments with a market value at December 2011 of £5.6m (2010 £9.1m). Additionally these trusts have funds on deposit of £8.7m (2010 £10.3m). 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 31st December 2011 were sent to parishes and other Managing Trustees of the respective charities in late January 2012. 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 and do not form part of these financial statements.

Auditors

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

Mr John Kempson
Chairman

Signed 

1 May 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

We have audited the financial statements of South London Church Fund and Southwark Diocesan Board of Finance for the year ended 31 December 2011 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 6, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

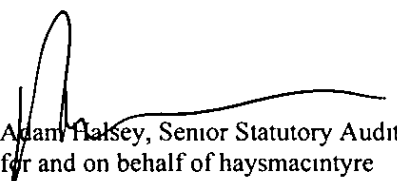
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Adam Halsey, Senior Statutory Auditor
for and on behalf of Haysmacintyre
Chartered Accountants
Statutory Auditors
1 May 2012

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 2011

	Notes	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2011 £'000	Total 2010 £'000
INCOMING RESOURCES							
Income from generated funds							
Voluntary Income							
Parish contribution	2a	15,097	-	-	-	15,097	14,959
Other voluntary income	2b	1,425	7	265	-	1,697	2,137
Activities for generating funds	3	127	-	-	-	127	137
Investment income	4	569	3	1,272	-	1,844	1,861
Income from charitable activities							
Statutory fees, chaplaincy & other income	5	831	-	-	-	831	895
Diocesan Retreat House		-	135	-	-	135	133
Other incoming resources	6	113	84	-	-	197	4,449
Total incoming resources		<u>18,162</u>	<u>229</u>	<u>1,537</u>	<u>-</u>	<u>19,928</u>	<u>24,571</u>
RESOURCES EXPENDED							
Costs of generating funds							
Lettings management costs		-	-	-	72	72	69
Charitable activities							
Contributions to National Church		577	-	-	-	577	582
Resourcing ministry & mission	7	18,471	1,559	1,501	2,030	23,561	22,044
Education & Welfare	8	453	-	-	-	453	415
Diocesan Retreat House		-	144	-	-	144	148
Governance costs	9	39	-	-	-	39	43
Total resources expended	10	<u>19,540</u>	<u>1,703</u>	<u>1,501</u>	<u>2,102</u>	<u>24,846</u>	<u>23,294</u>
Net incoming resources prior to transfers		<u>(1,378)</u>	<u>(1,474)</u>	<u>36</u>	<u>(2,102)</u>	<u>(4,918)</u>	<u>1,277</u>
Gross transfers between funds		<u>(20,793)</u>	<u>21,297</u>	<u>-</u>	<u>(504)</u>	<u>-</u>	<u>-</u>
Net (outgoing)/incoming resources before other recognised gains and losses		<u>(22,171)</u>	<u>19,823</u>	<u>36</u>	<u>(2,606)</u>	<u>(4,918)</u>	<u>1,277</u>
Other recognised (losses)/gains							
Gain on revaluation of fixed assets		196	15	-	1,351	1,562	1,250
(Loss)/gain on investment assets		(346)	-	(126)	(860)	(1,332)	1,991
Net movement in funds		<u>(22,321)</u>	<u>19,838</u>	<u>(90)</u>	<u>(2,115)</u>	<u>(4,688)</u>	<u>4,518</u>
Total funds at 1 January		<u>28,003</u>	<u>4,401</u>	<u>2,598</u>	<u>192,058</u>	<u>227,060</u>	<u>222,542</u>
Total funds at 31 December		<u>5,682</u>	<u>24,239</u>	<u>2,508</u>	<u>189,943</u>	<u>222,372</u>	<u>227,060</u>

The notes numbered 1 to 27 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

Company No 00236594

AT 31 DECEMBER 2011

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Tangible assets	13	193,079	193,256
Investments	14	26,827	27,155
		<u>219,906</u>	<u>220,411</u>
CURRENT ASSETS			
Debtors	15	5,151	4,903
Short term deposits		1,418	4,255
Cash and bank		477	1,359
		<u>7,046</u>	<u>10,517</u>
CREDITORS: amounts falling due within one year	16a	(829)	(1,397)
NET CURRENT ASSETS		<u>6,217</u>	<u>9,120</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		226,113	229,531
CREDITORS: amounts falling due after one year	16b	(3,751)	(2,471)
NET ASSETS		<u>222,372</u>	<u>227,060</u>
CAPITAL FUNDS			
Endowment funds	17	189,943	192,058
INCOME FUNDS			
Restricted funds	18	2,508	2,598
Unrestricted funds			
Designated funds #	19	24,239	4,401
Other unrestricted funds			
Functional fixed assets #		28	20,858
Value Linked Loans to underwrite parish debt		-	471
Free reserves		5,654	6,674
		<u>222,372</u>	<u>227,060</u>

Designated funds include a revaluation gain of £0.2m in 2011, a £0.25m revaluation reduction in 2010 is in Functional fixed assets

The financial statements were approved and authorised for issue by the Board on 1 May 2012 and were signed below on its behalf by

Mr John Kempself
Chairman

Mr John Henson
Trustee

The notes numbered 1 to 27 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 2011

		2011		2010	
	Note	£'000	£'000	£'000	£'000
Net cash outflow from operating activities	23		(5,245)		(2,553)
Returns on investments and servicing of finance					
Investment income			1,844		1,861
			(3,401)		(692)
Capital expenditure and financial Investment					
Purchase of tangible fixed assets		(1,754)		(2,597)	
Sale of tangible fixed assets		1,186		6,959	
Purchase of investments		(3,835)		(1,000)	
Sale of investments		2,805		1,000	
			(1,598)		4,362
Cash inflow before financing			(4,999)		3,670
Financing					
Increase in long term borrowings	24	1,280		-	
			1,280		-
(Decrease)/increase in cash and short term deposits	24		(3,719)		3,670

The notes numbered 1 to 27 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 2011

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 2006, the Charities Act 2011 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	(2010 100%)
Glebe (residential)	100% Insurance Value	(2010 100%)

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 2011

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 2011

2a	VOLUNTARY INCOME; PARISH ASSESSMENTS	2011 £'000	2010 £'000
	Current year receipts from Parishes	15,008	14,971
	Discounts for direct debit	(121)	(122)
	Prior year receipts	209	110
		<u>15,097</u>	<u>14,959</u>
2b	OTHER VOLUNTARY INCOME	2011 £'000	2010 £'000
	Church Commissioners Area Bishops	56	245
	Trust for London	816	773
	Allchurches Trust	233	146
	Other voluntary income	327	346
	Church Commissioners Mission income (restricted)	265	441
	Southwark DBF Trading Limited	-	186
		<u>1,697</u>	<u>2,137</u>
3.	ACTIVITIES FOR GENERATING FUNDS	2011 £'000	2010 £'000
	Parsonage rental income	93	73
	Redundant Church rental	34	64
		<u>127</u>	<u>137</u>
4	INVESTMENT INCOME	2011 £'000	2010 £'000
	Board investment income	405	353
	Board rental income	164	170
	Net recovery on interest bearing parish loans (designated)	3	4
	Diocesan stipend fund investment income (restricted)	856	851
	Gilmore fund investment income (restricted)	12	13
	Diocesan stipend fund rental income (restricted)	315	380
	Dartmouth House (restricted)	89	90
		<u>1,844</u>	<u>1,861</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

5	STATUTORY FEES, CHAPLAINCY AND OTHER INCOME	2011 £'000	2010 £'000
	Parochial fees	555	576
	Reimbursement of stipends	256	300
	Guaranteed annuities	5	6
	Other income	15	13
		<u>831</u>	<u>895</u>
6	OTHER INCOMING RESOURCES	2011 £'000	2010 £'000
	Room Hire, Contributions from Board of Education and other unrestricted income	113	105
	Proceeds of disposal of fixed assets - designated	84	3,696
	- endowment	-	85
	- unrestricted	-	563
		<u>197</u>	<u>4,449</u>
7	RESOURCING MINISTRY AND MISSION	2011 £'000	2010 £'000
	Grants awarded		
	Mission Grants	229	233
	Church sales fund grant	34	77
	In service training grant	64	64
	Parish grants	163	181
	Gilmore	13	11
		<u>503</u>	<u>566</u>
	Ministry Stipends	11,005	10,973
	Housing and other ministry costs	7,521	5,998
	Training and ministry support	1,991	1,874
	Parish support	348	562
	Area mission teams	943	961
	Groups		
	MEAC	125	116
	PPG	65	84
	Mission group	74	68
	CYDG	60	59
	Communication and resources	216	232
	Administration	710	551
		<u>23,561</u>	<u>22,044</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

8. EDUCATION AND WELCARE	2011 £'000	2010 £'000
Grants awarded – Board of Education	274	238
– Welcare	179	177
	<u>453</u>	<u>415</u>

9 GOVERNANCE COSTS

External audit - current year fees	29	33
Annual accounts	2	2
Committee costs	1	1
Trustee insurance	7	7
	<u>39</u>	<u>43</u>

10. TOTAL RESOURCES EXPENDED

	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs (note 11) £'000	Depreciation £'000	2011 £'000	2010 £'000
Investment management	72	-	-	-	72	69
Contributions to National Church	577	-	-	-	577	582
Resourcing ministry & Mission	20,880	503	211	1,967	23,561	22,044
Education and social responsibility	453	-	-	-	453	415
Diocesan Retreat House	144	-	-	-	144	141
Governance cost	39	-	-	-	39	43
	<u>22,165</u>	<u>503</u>	<u>211</u>	<u>1,967</u>	<u>24,846</u>	<u>23,294</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.

11. ANALYSIS OF SUPPORT COSTS

	2011 £'000	2010 £'000
Repairs and maintenance	26	14
Rent rates and insurance	12	74
Cleaning	37	35
Heat and lighting	22	27
Printing, postage and stationery	48	49
Telecommunications	26	21
Equipment rentals and repairs	24	19
Computer costs	10	11
Other costs	6	13
	<u>211</u>	<u>258</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

12. STAFF COSTS	2011 No.	2010 No.
Parochial Clergy (326) Archdeacons and Board clergy (13)		
Externally funded clergy (11)	350	351
	£'000	£'000
Costs		
Stipend	8,388	7,956
NICs	692	462
Pensions	2,684	2,946
Total	<u>11,764</u>	<u>11,364</u>
	No.	No.
Board Staff		
The average number of Board Staff was	47	47
	£'000	£'000
Costs		
Salary	1,551	1,541
NICs	130	130
Pensions	451	460
Total	<u>2,132</u>	<u>2,131</u>

One employee received an annual emolument of between £70,000 and £79,999 (2010 None) 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 Of the stipendiary clergy who are Trustees, seven received an annual emolument between £26,000 and £34,000 (2010 seven received annual emoluments between £26,000 and £32,000), whilst nine received the standard stipend (2010 eight received the standard stipend)

Board members are reimbursed only in respect of out of pocket expenses incurred in the performance of their duties In 2011, twelve Trustees were reimbursed expenses totalling £20,199 (2010 eight Trustees were reimbursed expenses totalling £21,096)

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

13. TANGIBLE FIXED ASSETS	Land and buildings		Unrestricted		Furniture and Equipment £'000	Total £'000
	Endowment Glebe and Parsonages £'000	WIP £'000	Freehold £'000	Leasehold £'000		
Cost or valuation						
At 1 January 2011	171,115	1,282	20,785	86	375	193,643
Additions	-	741	1,003	-	10	1,754
Disposals	(1,511)	-	-	-	(10)	(1,521)
Transfers	1,161	(1,161)	-	-	-	-
Revaluation	(311)	(42)	(22)	-	-	(375)
At 31 December 2011	170,454	820	21,766	86	375	193,501
Depreciation						
At 1 January 2011	-	-	-	74	313	387
Charge for the year	1,704	-	218	1	44	1,967
Disposals	-	-	-	-	(10)	(10)
Revaluation	(1,704)	-	(218)	-	-	(1,922)
At 31 December 2011	-	-	-	75	347	422
Net book value						
At 31 December 2011	170,454	820	21,766	11	28	193,079
At 31 December 2010	171,115	1,282	20,785	12	62	193,256
14. INVESTMENTS					2011 £'000	2010 £'000
UK Listed investments						
Common Investment vehicles (Common Investment Funds / Unit Trusts)					26,827	27,153
Movements						
Balance at 1 January 2011					27,153	25,122
Purchased during the year					3,835	1,000
Disposals					(2,792)	(957)
Revaluation of investments					(1,369)	1,990
Balance at 31 December 2011					26,827	27,155

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. Having completed the sale of the properties developed by the trading company in July 2010, the company is currently inactive. In 2011 the company had no income (2010 £898,148) and a profit for the year of £Nil (2010 loss of £391,134). Balance sheet information is shown below

	£'000	£'000
Southwark DBF Trading		
Cost of stock for resale	-	-
Debtors	-	183
Cash and bank	-	3
Loan from South London Church Fund and Southwark Diocesan Board of Finance	-	-
Other creditors	-	(186)
Reserves	-	-

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

15	DEBTORS	2011 £'000	2010 £'000
	Amounts falling due within one year		
	Parish assessments (amounts received in January 2011)	29	24
	Parish related loans	158	560
	Other debtors	215	232
	Prepayments and accrued income	347	827
		<u>749</u>	<u>1,643</u>
	Amounts falling due after more than one year		
	Loans to parishes - interest bearing	3,660	1,809
	- interest free	271	269
	Other loans	471	1,182
		<u>4,402</u>	<u>3,260</u>
	TOTAL DEBTORS	<u><u>5,151</u></u>	<u><u>4,903</u></u>
16.	CREDITORS	2011 £'000	2010 £'000
a)	Amounts falling due within one year		
	Amounts due to trading subsidiary	-	183
	Trade creditors	403	352
	Other creditors	123	627
	Other taxes and social security	43	41
	Accruals and deferred income	260	194
		<u>829</u>	<u>1,397</u>
b)	Amounts falling due after more than one year		
	Loans – Church Commissioners – Value Linked Loans	471	471
	Loans – Church Commissioners – Other	480	-
	Bank loan (secured against the office property Trinity House) #	2,800	2,000
		<u>3,751</u>	<u>2,471</u>

The loan rate applied in 2011 was 2.5% over LIBOR

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

17. ENDOWMENT FUNDS	Opening Balance £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains & (losses) £'000	Closing balance £'000
Permanent endowments						
Ministry funds (a)	3,171	-	-	(4)	(221)	2,946
Expendable endowment						
Diocesan stipendiary fund (b)	48,992	-	(474)	403	(564)	48,357
Parsonage capital fund (c)	139,895	-	(1,628)	(903)	1,276	138,640
Total endowment funds	192,058	-	(2,102)	(504)	491	189,943

- (a) These 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.

18. RESTRICTED FUNDS	Opening Balance £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains & (losses) £'000	Closing balance £'000
DSF income fund (a)	-	1,170	(1,170)	-	-	-
Ministry mission (b)	402	266	(229)	-	-	439
Gilmore Fund (c)	271	12	(13)	-	(14)	256
Dartmouth House Fund (d)	1,925	89	(89)	-	(112)	1,813
	2,598	1,537	(1,501)	-	(126)	2,508

- (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
- (d) The Dartmouth House Fund requires the funds to be held for the purpose of facilitating clergy and lay training, retreats or conferences to assist and promote the work of the Church of England in the Diocese of Southwark and to use the monies to acquire any buildings which may be necessary to forward such purposes, subject always to the consent in writing of the Bishop for the time being of the Diocese of Southwark

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

19	UNRESTRICTED FUNDS	Opening Balance £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains & (losses) £'000	Closing balance £'000
	Designated funds						
	Parish grant fund (a)	123	-	(129)	60	-	54
	Parsonages capital fund (b)	2,219	-	(1,052)	(362)	15	820
	Clergy pensions reserve Fund (c)	549	-	-	(330)	-	219
	Church Building fund (d)	737	15	(34)	(60)	-	658
	In-service training (e)	300	9	(64)	96	-	341
	Office maintenance fund (f)	22	-	(22)	-	-	-
	Diocesan conference (g)	-	-	-	30	-	30
	Computer fund (h)	55	-	-	-	-	55
	Larger churches fund (i)	98	-	(34)	-	-	64
	Area Clergy Conference (j)	27	-	-	3	-	30
	Year 2011 Group (k)	21	-	-	10	-	31
	Land registry provision (l)	90	-	(47)	46	-	89
	Property fund (m)	100	-	(100)	-	-	-
	Web maintenance (n)	20	-	-	-	-	20
	Ministry legal and terms (o)	40	-	(8)	20	-	52
	Pension Fund LPFA (p)	-	69	(69)	-	-	-
	Diocesan Retreat House (q)	-	136	(144)	26	-	18
	Board property (r)	-	-	-	21,758	-	21,758
		<u>4,401</u>	<u>229</u>	<u>(1,703)</u>	<u>21,297</u>	<u>15</u>	<u>24,239</u>
	Other reserves						
	Functional fixed assets excluding endowment	20,858	-	-	(21,026)	196	28
	Value linked loans	471	-	-	(471)	-	-
	Free funds	6,674	18,162	(19,540)	704	(346)	5,654
	TOTAL	<u>28,003</u>	<u>18,162</u>	<u>(19,540)</u>	<u>(20,793)</u>	<u>(150)</u>	<u>5,682</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. £300,000 has been applied in 2011 to defray the increased clergy pensions, which have been reflected in increased pension contributions whilst mission funds of £173,000 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
- (e) 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
- (f) This fund represented amounts set aside to fund maintenance costs in Trinity House

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

19 UNRESTRICTED FUNDS (continued)

- (g) This fund has been created to set funds aside for a clergy conference which may be held in 2014
- (h) This fund is to assist in the implementation of IT software up-upgrades, including technical support Upgrades were planned in 2011 but have been delayed to 2012
- (i) This Larger Churches Fund is to provide support for the outreach and mission of rapidly growing churches Funds have been distributed quarterly during 2011 with a further commitment to funding in 2012
- (j) Area Mission Teams have each set aside £10,000 to fund clergy conferences in their respective area
- (k) This fund is expected to be applied to child and youth work in 2012
- (l) This fund is pay for legal work to register land previously not recorded with the Land Registry
- (m) This fund represents work on properties delayed from 2011 to 2012
- (n) This reflects work to improve and update the Diocesan Web Site, not started in 2011
- (o) This fund reflects the increased legal costs expected as a result of changes to clergy terms
- (p) This fund will reflect the receipt and transfer of funds to clear a pension payment
- (q) This fund reflects the assets, income and expense of the Diocesan Retreat House at Wychcroft
- (r) This fund reflects the value of Board Properties as at 2011, having been established by the Trustees at the end of the year

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Funds £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total £'000
Fund balances at 31 December 2011 are represented by					
Tangible fixed assets	28	21,777	-	171,274	193,079
Investments	4,211	2,487	2,508	17,621	26,827
Cash and deposits	847	-	-	1,048	1,895
Other net current assets	4,347	(25)	-	-	4,322
Long term liabilities	(3,751)	-	-	-	(3,751)
	<u>5,682</u>	<u>24,239</u>	<u>2,508</u>	<u>189,943</u>	<u>222,372</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 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 349 members of the scheme out of a total membership of approximately 9,000 active members

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

21 PENSIONS ARRANGEMENTS

(i) *Stipendiary ministry (continued)*

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 2009. This revealed a shortfall of £262m with assets of £605m and a funding target of £867m, assessed using the following assumptions:

- An investment strategy
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking assets and
 - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets
- Investment returns of 4.4% pa on gilts and 5.9% pa on equities,
- RPI inflation of 3.8% pa (and pension increases consistent with this),
- Increase in pensionable stipends of 3.8% pa, and
- Post-retirement mortality in accordance with 80% of the S1NA tables, with allowance made for improvements in mortality rates from 2003 according to the “medium cohort” projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females

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.

Following the results of the 2009 valuation, changes were made to benefits being built up in the Scheme from 1 January 2011 and the Board's contribution rate was set at 38.2% of pensionable stipends.

Contributions rates will be reviewed at the next valuation of the Scheme, due no later than as at 31 December 2012.

(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. A valuation of the fund was carried out as at December 2010, and Southwark Diocesan Board of Finance's contribution was revised to 36.5% from 1 April 2012 from 30.2%.

At 31 December 2011 the Board had 47 active members and 32 deferred pensioner members in the Fund. The cost of lay staff pensions in the year amounted to regular contributions of £0.42m (2010 £0.45m). There were no outstanding contributions as at 31 December 2011 or 2010.

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 £38,850 from the association to defray accommodation costs (2010 £33,000).

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

23.	NOTES TO THE CASH FLOW STATEMENT. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2011 Total £'000	2010 Total £000
	Net incoming resources	(4,918)	1,276
	Depreciation	1,967	1,979
	(Increase)/decrease in debtors	(248)	410
	Decrease in creditors	(528)	(81)
	Investment income	(1,844)	(1,861)
	Proceeds from disposal of fixed assets	-	(4,344)
	Loss on sale of property	326	68
	Net cash inflow/(outflow) from operating activities	<u>(5,245)</u>	<u>(2,553)</u>
24.	RECONCILIATION OF NET CASH OUTFLOW TO CHANGE IN NET FUNDS	2011 £'000	2010 £'000
	(Decrease)/increase in cash in the year	(3,719)	3,670
	Cash inflow from increase in debt	(1,280)	-
	Change in net (debt)/funds resulting from cash flows	<u>(4,999)</u>	<u>3,670</u>
	Opening net funds	3,143	(527)
	Closing net (debt)/funds	<u>(1,856)</u>	<u>3,143</u>
25.	ANALYSIS OF NET FUNDS/(DEBT)	At 1 January 2011 £'000	At 31 December 2011 £'000
	Cash in hand and at bank	5,614	1,895
	Debt due after 1 year	(2,471)	(3,751)
	Total	<u>3,143</u>	<u>(1,856)</u>
26	ASSETS HELD AS CUSTODIAN TRUSTEE	2011 £'000	2010 £'000
	Investments	5,595	9,132
	Cash at bank	8,734	10,346
		<u>14,329</u>	<u>19,478</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

27. ANALYSIS OF TRANSFERS BETWEEN FUNDS		General Funds £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000
Parsonages Sold	a	-	778	-	(778)
Parsonage Development / WIP	b	-	(285)	-	285
Drawing from Parsonage Fund per budget	c	360	(360)	-	-
Drawing from Pension Fund per budget	d	330	(330)	-	-
House Purchase from Parsonage fund	e	495	(495)	-	-
Planned provision re Post Ordination Training	f	(113)	113	-	-
Planned provision for Clergy Conferences	g	(16)	16	-	-
Funds available for CYDG	h	(10)	10	-	-
Funds set aside for Clergy Legal terms	i	(20)	20	-	-
Funds set aside for Land Registry Program	j	(46)	46	-	-
Wychcroft reserve as designated fund	k	(26)	26	-	-
Cost of Generating Fund as Endowment	l	(73)	-	-	73
Reduction in Glebe WIP	m	80	-	-	(80)
Investment receipt capitalised	n	4	-	-	(4)
Designation of Board Property	o	(21,758)	21,758	-	-
		<u>(20,793)</u>	<u>21,297</u>	<u>-</u>	<u>(504)</u>

The table above reflects the movement between funds. Reference should also be made to the fund analysis notes 17 to 19 above.

- a) Proceeds of sale of Bramley Hill property passed to Parsonage capital fund as formerly an Endowed property
- b) Deposit on new Putney parsonage and parsonage WIP increase reflecting increased investment in Endowed properties
- c) Drawing from the Parsonage capital fund as planned in the 2011 budget
- d) Drawing from the Pension fund as planned in the 2011 budget
- e) Purchase of 30 The Woodfield from the Parsonage capital fund
- f) Budgeted allocation in 2011 toward clergy post ordination training
- g) Funds set aside in 2011 for a clergy conference, likely to be in 2014
- h) Funds set aside for future use by the Children and Youth Development Group
- i) Funds set aside for possible legal costs associated with clergy terms, HR and CRB work
- j) Funds set aside for the Land Registry Programme
- k) The opening reserve of Wychcroft enabling this training centre to be reflected as a designated fund
- l) A transfer to match the reflection of the cost of generating funds as Endowed fund expenditure
- m) A reduction in Glebe WIP
- n) An "equalisation" payment received following the purchase of J O Hambro investments and reducing the endowment investment
- o) Designation of the net book value of Board Property as at 31 December 2011

During 2011, the following transfers have been made between designated funds

- £60,000 from the Church Building fund to the Parish Grants fund (Note 19 d and a above)
- £17,500 from In-service training to Diocesan conference fund (Note 19 e and g above)