

**THE SOUTH LONDON CHURCH FUND &
SOUTHWARK DIOCESAN BOARD OF FINANCE**

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

THURSDAY



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COMPANIES HOUSE



**Hearts
on Fire**

The Diocese of Southwark

Loving God
Walking with Jesus
Led by the Spirit

Luke 24:13-35

Company registration number 236594
Registered charity number 249678

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

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Our Vision

To serve our communities,
share our faith, with great joy and gladness;
be the Church; a people with hearts on fire,
loving God, walking with Jesus and led by
the Spirit.

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

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The Trustees, who are also Directors for the purposes of company law, present their Annual Report, together with the audited financial statements, for the year ended 31 December 2016.

The Directors/Trustees are one and the same and in signing as Trustees they are also signing the strategic report sections in their capacity as Directors.

This combined report satisfies the legal requirements for:

- a Directors' Report of a charitable company
- a Strategic Report under the Companies Act 2006 and
- a Trustees' Annual Report under the Charities Act 2011.

LEGAL OBJECTS

The Diocese of Southwark covers most of Greater London South of the River Thames and part of East Surrey. Within the Diocesan boundaries are the Royal Borough of Greenwich, the London Boroughs of Croydon, Lambeth, Lewisham, Merton, Southwark, Sutton and Wandsworth plus part of the London Boroughs of Richmond upon Thames, Bromley and Bexley and the Royal Borough of Kingston Upon Thames. In Surrey, it also includes parts of the Borough of Reigate and Banstead, Tandridge District Council and Mole Valley District Council.

The South London Church Fund and Southwark Diocesan Board of Finance's (SDBF) principal objective is to promote, aid and further the objects, work and purposes of the Church of England in the Diocese of Southwark (the Diocese).

The SDBF has the following statutory responsibilities:

- i. the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976
- ii. managing the repair of benefice houses on behalf of the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972
- iii. acting as custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils (PCCs) as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

It is empowered to act as a committee of the Diocesan Synod, responsible for the corporate governance of the Diocese and also for raising and disbursing money and employing staff. Members of the Board are both Directors and Trustees. Since November 2015 the standing committee of the Diocesan Synod has been The Diocesan Council of Trustees (DCT) of which the Diocesan Board of Finance (SDBF) is part, with membership coterminous with the Bishops Council, the Diocesan Mission and Pastoral Committee and a new Diocesan Parsonages Board.

The strategic priorities of the Diocese are established by the Diocesan Synod, and its standing committee the DCT, in consultation with Deanery Synods, PCCs, and the Bishop of Southwark (in respect of his responsibility for the provision of the cure of souls). The DCT, acting as Bishop's Council, its Policy and Finance Committee, the Minority Ethnic Anglican Concerns Committee and a range of advisory groups of the Diocese fulfil their objectives within this framework. To this end, significant time and effort is committed to

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communication between and with these bodies, as well as with the Church nationally; including consultation on specific matters relating to the priorities for the forthcoming year, taking into account the commitments arising from the Diocesan Budget.

STRATEGIC AIMS

The main role of the Board is to identify and manage the resources, particularly the financial aspects of the provision of ministry, within the Diocese so as to lead, enable and serve the Diocesan Synod, Deaneries, parishes and communities of the Diocese, in furthering mission and ministry.

Since November 2015, a major focus has been the implementation of Strategy for Ministry, this will continue initially through to 2018. This led the SDBF to prioritise the means by which goals could be achieved, that is the structures, resources, relationships needed as a crucial step towards the '*Hearts on Fire*' vision which Bishop Christopher articulated for the Diocese. This vision followed Bishop Christopher's identification of three areas of priority from the charge given to him by the Archbishop of Canterbury in 2011:

- valuing and empowering the laity
- vocational renewal
- breathing new life into Deaneries.

During 2016 Diocesan Synod also approved a new focus on the Five Marks of Mission, and five Strategic Objectives for the Diocese:

- to grow our average weekly attendance by 5% by 2025 partly through having each church develop a high-quality Mission Action Plan (MAP) which includes a course for evangelism and discipleship
- by 2025, to increase the number of worshipping communities with a primary focus on areas of population growth, through investment in Fresh Expressions (fxC) in the areas where the data suggests the existing congregations are increasingly unrepresentative of the resident community and therefore unlikely to be successful in reaching them without intentional intervention
- to grow a financial resource base that allows investment in growth for the future. Key measurable objectives include: maintaining an annual financial surplus, building working financial reserves equivalent to 6 months' operating costs by 2020, and with 1% of Diocesan turnover annually being dedicated to major Diocesan ministry and mission projects beginning in 2016, rising to 2% by 2020
- to grow the number of ordained and lay vocations by 50% by 2020 by enabling and discerning ordained ministers; by expanding opportunities for licensed and commissioned lay leadership; by affirming and growing other forms of lay ministry (e.g. worship leaders, family & youth leaders, spiritual directors); to offer relevant and enriching training, and create networks of support and celebration which reflect the diversity of the Diocese, our commitment to evangelism and discipleship; and to deliver fully integrated and pioneering church growth and fresh expressions
- by 2025, to grow leadership and representation that reflects the rich diversity of our Diocese and especially focusing where the data suggests groups are

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currently under-represented: through ethnicity, age (especially 18-40), educational opportunities, material well being, tradition.

Together with Strategy for Ministry, these form the critical strategic context, position, aims and vision for the Diocese.

OBJECTIVES FOR THE YEAR

Underpinned by the Board's (SDBF) statutory duties, the overriding objectives were:

- to provide sufficient ministerial resources to ensure a Christian presence in every parish, including appropriate housing; also including support for communities across the Diocese through School, University, Hospital and Prison Chaplaincies
- to provide resources for people of all ages and at all stages of their spiritual journey to grow in understanding of the Christian faith
- to support and enable the work of the Southwark Diocesan Board of Education (SDBE), establishing and maintaining contacts with Universities, Colleges and Schools
- to engage actively in local debate and ensure that Christian voices are heard in all areas of public life, to support and strengthen the Church's work for the common good, including resources and support for God's bias for the poor, through care for creation and through interfaith dialogue. This includes direct financial support for Welcare, a charity aimed at families needing support (and Together Southwark, which is sponsored with and through the Church Urban Fund to alleviate poverty through developmental projects)

Secondly following the changes in governance structures approved by synod in 2015, and the continued focus on building sound financial management and infrastructure to support mission and ministry in 2016 specifically, objectives included:

- implementation of the new the pledge based '*Parish Support Fund*', which is based on generous giving by parishes rather than an assessment by the Diocese of what each parish is required to give (the former Fairer Shares Scheme)
- implementation of the new governance structures of the Diocese, establishing the first full year of the Diocesan Council of Trustees as the standing committee of Synod, bringing policy making and resource allocation together so that the SDBF, Bishop's Council, Diocesan Mission and Pastoral Committee, and Parsonages Board have coterminous membership and meet concurrently. The implementation of governance changes also included a reduction in the number of committees, the introduction of specific advisory groups particularly to support Strategy for Ministry
- the continued implementation of '*Lead, Enable, Serve*', an initiative fully integrated with the governance changes and Diocesan funding changes, to empower and develop the professional staff of the Diocese, including restructuring the administrative and management structures, especially through enhanced accountabilities to and through the Diocesan Secretary. Part of this included the restructuring of some posts, further infrastructure resourcing, and also the introduction of formal performance appraisal based explicitly on the core values of *Lead, Enable, Serve* namely 'Effective stewardship of resources, respect for all, collaborative team working, and transparent accountability'. A new Public Policy Department, the Department of Justice, Peace and the Integrity of Creation was also established
- achievement of a balanced operational budget outcome, enabling the Diocese to continue to build a sound financial resource base and also to provide for explicit

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Diocesan investment in mission projects, notably in the significant area of regeneration at Vauxhall, Nine Elms and Battersea (VNEB)

- implementation of the priorities agreed by the DCT for *Strategy for Ministry*, including a priority to enable Deaneries to become viable centres for mission and ministry.

Through carrying out these objectives and in promoting the whole mission of the Church (pastoral, evangelistic, social and ecumenical) the Trustees are confident (having had regard to Charity Commission guidance) that the SDBF delivers public benefit through community engagement, resourcing education and supporting those in need both spiritually and physically.

ACTIVITIES AND ACHIEVEMENTS IN THE YEAR

The major achievements of the year were the successful launch of the *Parish Support Fund*; 2016 was its first year, together with the successful transition from the previous governance structures to the new structures. Together these form the necessary foundation for all of the other activities, aspirations and objectives. In addition the Diocese was awarded strategic development funding from the Church Commissioners (£1m over 5 years) for the growth of new worshipping communities in VNEB, and new expressions of church (Fresh Expressions). The vision of the Diocese is to serve our communities, share our faith, with great joy and gladness; be the church; a people with hearts of fire, loving God, walking with Jesus and led by the Spirit.

The Christian Presence

Southwark is a Diocese of rich variety, diversity and liveliness. Our priorities are to release gifts, renew vocations and deepen discipleship for the whole people of God. Clergy and other licensed and authorised ministers form a central part in the life of churches in the Diocese of Southwark and carry out important roles in communities. As well as engaging in a wide variety of community and church projects, including, providing support for a wide variety of organisations, from Sea Cadets to multinational workplaces, ministers carried out 3,710 baptisms, 980 weddings and 4,480 funerals during year. Many serve as Governors in schools and as Trustees on community development projects working with local authorities and business organisations.

Through its Department of Justice, Peace and the Integrity of Creation, established in January 2016, the Diocese developed policies and materials to resource and advise parishes dealing with issues of poverty, housing justice including homelessness, refugees and prisons. In addition, the Diocese pledged up to four properties for use by refugees or asylum seekers; three asylum seeker families were placed in Diocesan housing by the end of December 2016 and a house was prepared for the imminent arrival of a Syrian refugee family.

There are a significant number of parishes across the Diocese with high levels of deprivation. There are also high levels of crime in some areas; many citizens feel marginalised and many clergy and laity find life stressful. With a population of nearly 2.8 million and growing, Southwark is the third most populous Diocese in England. The 2011 census showed that 35% of the population is non-white. There are many major social institutions in the Diocese, including five prisons, as well as a wide variety of health and educational institutions, which accounts for the large number of licensed chaplains. During 2016 the Diocese cancelled the remaining debt to the SDBF of one of the poorer parishes in the Diocese in order to enable resources to be released for mission amongst young people

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in that parish. The parish had raised more than 90% of the cost of building a new church itself. The Diocese also undertook a comprehensive survey of lay leadership especially aimed at seeking ways of encouraging Black and Minority Ethnic (BAME) participation in the structures of the Diocese.

Whilst the SDBF is responsible for funding of clergy stipend costs, the national clergy payroll is administered by the Archbishops' Council, a charity which the SDBF reimburses regularly for the costs of stipendiary clergy deployed in the Diocese. Caring for the 298 trained stipendiary clergy and 40 training curates in the Diocese, including their housing, is a priority of the SDBF and represents by far its largest financial commitment. Although the SDBF does not employ the parish clergy, it is responsible for training them, paying them, housing them and paying into their pension fund. In 2011, Common Tenure, the new terms of service, was introduced and all new clergy are now appointed on this basis. The new package gives greater clarity concerning the rights and obligations of clergy and requires that they participate in a process of Continual Professional Development and Ministerial Development Review.

For many, the clergy house represents the domestic heart of the parish, serving not only as a home but also as a base for parish ministry. The SDBF recognises the importance of a safe, secure and well maintained house and it strives to continue to maintain clergy houses as well as carrying out programmed refurbishments and improvements. There is a capital plan to replace clergy houses where the clergy house is no longer fit for purpose, either because of its condition or its position in the parish and how it works in relation to the wider community it seeks to serve in mission. A new capital planning process was introduced to enable priorities to be established in the property portfolio, including replacement of clergy housing. During 2016, the first stage of a review of property was undertaken which revealed a significant number of properties were in poor condition. Their value as an asset could be enhanced through further work and enables clergy to devote their time to mission and ministry knowing that their home is in good condition. During 2016 the first stage of a review of Diocesan property strategy was undertaken, for the Parsonages Board, identifying key principles for the use of Diocesan property, including innovative approaches to using assets to provide more than one residential unit. That is where an existing over-large vicarage may be converted to more than one unit rather than sold especially in an area where rental costs are prohibitively high for school, hospice or prison chaplains and lay workers. During 2016 two properties were earmarked in this way, furthering the public mission of the Diocese for the wider communities it serves. During 2016 major restructuring of the Property Department, its core policies, processes and systems began.

Over the year the average vacancy rate was 31 posts. During all interregnums, Archdeacons and Area Deans worked closely with the churchwardens of the relevant parishes to ensure that in every case, services and activities within the community continued. This was largely made possible by the pool of retired and self-supporting ministers and licensed lay ministers (Readers) who are selected, trained, licensed and deployed in the Diocese. In addition, the Diocese of Southwark selects, trains and authorises its own lay pastoral auxiliaries (SPAs) and these provide a wide range of services in their parishes and wider communities, from pre-school playgroups to visiting and supporting the sick, elderly and isolated.

The SDBF also funds vital work to identify and support potential candidates for ordained and lay ministry, so ensuring that the needs of parishes and communities will be met in the years ahead. Great effort is made to ensure that this work reflects the diversity of the

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Diocese, and vocations events aimed at Black and other Minority Anglican groups, including young BAME people, are part of the Diocese's focus.

Provision of Resources

Besides the resourcing of the public policy work of the Diocese, an appointment was made to strengthen the implementation of the governance changes, and to lead on strategic projects, particularly in the light of changes in funding from the Church Commissioners which have become project based. A major activity is provision for safeguarding; during 2016 a further Assistant Safeguarding Adviser was appointed and the Diocese had a very successful external audit of its safeguarding provision.

Some additional resourcing of posts has come from specific funding by Church Commissioners for strategic projects, notably fxC and VNEB regeneration and development.

Educational Establishments

The Diocese contributes financially to the work of the SDBE, which is responsible for 106 church schools across the Diocese including 15 secondary schools. In addition, parish clergy support and have personal contacts with most educational establishments in their parishes and church buildings are widely used to support school and university events. For some families in the community this provides the most tangible ongoing link to the Church. During 2016 Synod approved funding to underpin the development of a Multi Academy Trust and also pump primed funding bids for new schools in areas where there is population growth and insufficient schools capacity. The Diocese supports a number of school and Higher Education Chaplaincies and initiated a policy to develop housing at social and discounted rates to provide affordable housing.

Local Engagement and Working with others in the community

Londoners speak 300 languages and belong to at least 14 different faiths. Nine out of South London's 12 boroughs fall within the top 50 most religiously diverse local authorities and the Diocese resources inter-faith work assiduously. Relationships between church and civic authorities are fostered carefully. City Hall, the home of the Greater London Assembly, is situated in the Diocese. During 2016 new expressions of church in community included a new Spanish speaking church. In October the Diocesan Bishop, Bishop Christopher, initiated a Faith and Community Declaration, launched by him with the Mayor of London Mr Sadiq Khan, Citizens UK, and representatives of Baptist, Sikh, Muslim, Methodist, and Jewish faith leaders.

Whilst some extremely good examples of working together already exist, each Archdeaconry works at Deanery and Parish level to identify and endeavour to meet the specific needs of their local communities. The Deaneries Advisory Group developed a new vision for Deaneries, and this work continues. Deanery provision for young people's ministry and curates' housing are examples of initiatives underway to provide flexibly for local communities. In the Diocese of Southwark, specific groups also include Area Minority Ethnic Concerns Committees which undertook a range of activities and pilgrimages.

A refreshed web site was launched bringing greater opportunities to reach communities and parishes and for interaction with these. A review of data needs and databases began, together with a communications review all aimed at improving links and services with parishes, deaneries and the communities they serve.

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Related parties

These include:

- the Archbishops' Council to which the SDBF pays a donation based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, as well as General Synod
- the Church Commissioners from which the SDBF receives grants and which acts on behalf of clergy with HM Revenue and Customs. The Board pays for clergy stipends through the Church Commissioners
- the Church of England Pensions Board, to which the SDBF pays retirement benefit contributions for stipendiary clergy and employees. It also offers schemes to provide housing for clergy in retirement
- the SDBE is a separate registered charity (No. 313001) to which the SDBF makes grants. The SDBE supports 106 Church of England schools: 91 are Primary Schools and 15 are Secondary Schools of which one is an All Through School and five Academies. The SDBE supports the provision, effectiveness and development of education in all Church of England schools within the Diocese. It specifically seeks to develop the Christian ethos and distinctiveness of church schools; to promote religious education and collective worship; and to advise School Governors and Trustees and support the maintenance and improvement of school buildings and facilities. The SDBE also supports the provision of chaplaincy in higher and further education institutions. The SDBF makes a grant to SDBE; has pump-primed specific initiatives and is currently underpinning the funding development of the Multi Academy Trust
- Southwark Diocesan Welcare (Welcare) a separate registered charity (No. 1107859) to which the SDBF makes a grant. Welcare is a Christian charity working in South London and East Surrey with disadvantaged children and families, irrespective of faith, culture, abilities or life choices. By offering family support, mentoring services and group work with parents and children Welcare empowers families to rebuild their lives and family ties helping parents give their children happier more confident childhoods
- Southwark & London Diocesan Housing Association a charity exempt from registration with the Charity Commission to which the SDBF provided office space until its merger with Amicus Horizon, another provider registered with The Homes and Communities Agency (No. L4536) on 31 July 2016
- Southwark Cathedral, a charity exempt from registration with the Charity Commission to which the SDBF makes a grant. It is the seat of the Bishop of Southwark and services and special events are held at the Cathedral that are paid for by the SDBF.

Transactions with related parties are identified in appropriate places throughout the financial statements. Where materiality of the transactions merits more detailed disclosure this is given in note 27 to the financial statements.

Volunteers

The Board is dependent on the huge number of people involved in church activities, both locally and at Diocesan level. We believe that the number of active volunteers (or volunteer hours) given to the mission and ministry of the Church is a key indicator of the health of a church. The Board has invested further in developing its web-based services for parishes and parish officers who are mostly volunteers and is particularly grateful to more than 600 parish safeguarding officers, who undertake mandatory training and are actively involved in critical preventative work. Within this context, the Board greatly values the considerable time given by all the committee members across the Diocese.

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In addition, national surveys have indicated that some 70% of church members volunteer in their local communities including as School Governors, Street Pastors, at winter night shelters and foodbanks. The service provided to a community through church volunteering has a significant impact on people's relationships with the Church particularly at times of crisis. Enabling the Church to flourish enables volunteering to flourish.

FUTURE PLANS

In recent years much has been done to and achieved in ensuring that the Diocese works as one body for the mission of the Church. The *Strategy for Ministry* report (Nov 2015) and *Hearts on Fire for Mission* (March 2016) together serve to give direction and the strategic objectives and annual objectives are driven by these. During the next eight years, 2017-2025, we will be working alongside parishes and communities of faith to help them flourish, while ensuring we have our clergy where we most need them.

Specifically, we aim to:

- grow our financial resource base to allow investment in growth for the future
- grow our average weekly attendance, partly through having each church develop a high quality MAP which includes a course for evangelism and discipleship
- increase the number of worshipping communities, with a primary focus on areas of population growth through investment in fxC of church in the areas where the data suggests the existing congregations are increasingly unrepresentative of the resident community and therefore unlikely to be successful in reaching them without intentional intervention
- grow the number of ordained and lay vocations, by enabling and discerning licensed, ordained leadership, training and licensing of lay and pioneer ministers to work in Fresh Expressions, youth and family workers and developing other authorised lay leadership roles
- grow leadership and representation that reflects the rich diversity of our Diocese and especially focusing where the data suggests groups are currently under represented: through ethnicity, age (especially 18-40), educational opportunities, material well being or tradition.

This is to provide resources for people of all ages and at all stages of their spiritual journey and to reflect the rich diversity of our Diocese. There is specific investment of Diocesan finances for emerging, new communities along the South Bank of the Thames, from Battersea to the Thames Barrier, prioritising regeneration and renewal with existing, older communities, many of which are poor and deprived.

In 2017-2018, the Diocese will be implementing the next stage of *Strategy for Ministry*, focusing on priorities identified by the Diocesan Council of Trustees (which includes the SDBF). Areas of focus are developing Deaneries, deployment of clergy, training, and vocations, and developing Lay leadership and Lay Ministry.

In addition as part of its commitment to diversity, significant training and development in 'Unconscious Bias' will be rolled out across the Diocese.

As part of its work with parishes and the communities the Diocese serves, the new website will be further enhanced and a strategic communications review continued with parallel

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integrated work on databases and IT for which budget provision will be made over the next five years. In addition, the Diocese will be further investing in its safeguarding resources across the Diocese.

The Diocese will be implementing a revised property strategy to ensure provision for major refurbishment of properties, and ensure that assets are retained and made suitable for flexible ministry and mission. The resources for this work will be reviewed and further electronic systems introduced to support it and aid decision making.

By 2025 to house curates where the placement is most effective irrespective of whether a parish has a house itself. This is in support of the strategic growth objective for ordained ministry and represents a major new policy.

In addition, we will be developing flexible property to offer discounted/social rents to other church workers including lay and ordained chaplains, lay workers such as youth workers. This will be essential to achieve the growth objectives of the Diocese, as rent is prohibitively high across much of the Diocese.

FINANCIAL REVIEW

Financial Performance

A surplus of £5,127,000 (2015: £4,755,000) on the Statement of Financial Accounts (SoFA), before gains on revaluation, was generated for the year. The surplus will be used to rebuild reserves in line with the stated objective of the Diocese following seven consecutive years of deficits that ended in 2015.

There are a number of elements behind the result, most notably the continued generosity of our Parishes with contributions to the Parish Support Fund (PSF) increasing by £183,000 to £16,166,000 (2015: £15,983,000). This is especially gratifying as 2016 was the first year of the PSF, a generosity pledge based scheme that replaced Fairer Shares, and the result exceeded our own expectations as well as the experience of other Dioceses that have adopted similar schemes. The collection rate on PSF was in excess of 99% of the budgeted amount compared to 92% under the last year of Fairer Shares and is testament to the generosity of our parishes.

Parochial fees have fallen back to £520,000 (2015: £632,000) following the successful collection of fees, in 2015, from earlier years which resulted in significant one off receipts for that year. Investment income of £2,541,000 (2015: £2,586,000) was £45,000 lower due to the sale of investments to fund the purchase of a Board property. The increase in distributions from the remaining financial investments coupled with an increase in income from property, following from the decision taken last year to rent properties commercially during an interregnum rather than installing caretakers, helped to mitigate the decline.

The increase in costs is principally the result of budgeted increases in spending on vocations, training, mission and safeguarding. The increase in administration costs is due to a number of one-off restructuring costs. In addition, administration costs are now shown gross whereas in previous years a proportion of these costs have been apportioned to (i.e. including in) the Resourcing of Ministry and Mission. As part of the move towards working collaboratively as one organisation as envisaged in *Lead, Enable, Serve* it was decided that from the start of 2016 the practice of apportionment would end and that the gross cost of administration and support including one-off expenditure would be shown so that

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transparent accountability in increased. The amount spent on administration as a proportion of the total expenditure of the SDBF amount to 8%. This is in line with other Dioceses in particular, and of other charities in general, of a comparable size. To aid comparability, the costs for the previous year disclosure in Note 11 to the accounts have been restated on this basis.

Work on reviewing the property maintenance costs is on going. A review undertaken during the year to assess the property portfolio and identify a property management system to be introduced during 2017 will lead to long term savings.

The capital value of properties increased by £6,956,000 (2015: £47,178,000). The substantial increase in property values in 2015 was the result of the implementation of the Statement of Recommended Practice for Charities (SORP 2015) that requires property to be subject to a policy of revaluation, other than property designated as benefice houses (parsonages) under the Clergy Stipend Measure, to be valued at fair value. For 2016 the Trustees have determined that revaluation of property other than benefice houses will be undertaken on a five yearly cycle and that the average increase in the value of the properties revalued in each year will be applied to the remainder of the portfolio, rather than all properties being revalued annually, meaning that one fifth (20%) of the portfolio will be subject to revaluation each year by the SDBF's appointed firm of Chartered Surveyors.

Although the value of investments fell by £1,954,000 (2015: £3,675,000) this was the result of net sales of investments of £3,391,000 (2015: £4,128,000) to fund the purchase of a board property and the creation of the Multi Academy Trust discretionary fund rather than investment performance. Further analysis of investments can be found in the investment policy section below.

Overall the increase in funds on the balance sheet was £12,083,000 (2015: £51,933,000).

Significant property transactions

Three properties, one board property and two benefice houses, were purchased during the year at a cost of £4,022,000 (2015: four properties, £5,923,000) while a further £2,512,000 (2015: £849,000) was spent on new parsonage development. One benefice house, two parcels of land and overage income from two sites where the SDBF shares in sale proceeds above a pre-agreed value with the developer were sold for £3,285,000 (2015: one property and land, £2,963,000) to part fund the acquisitions. Our policy continues to be:

- to accommodate the changing geographical deployment of clergy within the Diocese
- to realise the development/refurbishment potential in some properties to enable more effective use of funds for the ministry of the Church
- to replace unsuitable properties.

Under the Mission and Pastoral Measure 2011 the Diocesan Pastoral Fund is available for the purchase of benefice houses and improvement of benefice property. Although the Measure allows funds to be used for any general purpose of the SDBF, the agreed SDBF policy is not to use this fund for routine property maintenance. However, the SDBF continues to reserve the right to use this fund for expenditure of an exceptional nature should it arise during the year and for which there is a clear need or benefit.

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Balance sheet position

The Trustees consider that the balance sheet, together with details in note 21, show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. The net assets at the balance sheet date totalled £280.9m (2015: £268.8m). Included in this total are properties, mostly in use for ministry, whose value amounted to £265.8m (2015: £252.7m).

Reserves policy

Free reserves

Free reserves are the total of the unrestricted general fund. Having considered financial risk, liquidity requirement and the timing of cash flows throughout the year, the Trustees' policy is to gradually grow working financial reserves in the General Fund such that it is equivalent to six months budgeted unrestricted expenditure by 2020. At 31 December 2016 the amount required under this policy totalled £10.6m (2015: £10.6m). Actual free reserves as at 31 December totalled £6.5m (2015: £3.7m). The Trustees have made significant progress towards the policy level of free reserves during the year and continue to work towards fully meeting the requirement by 2020.

Reserves invested in fixed assets

The General Fund comprises net assets amounting to £53.9m (2015: £46.1m) of which £44.1m (2015: £43.0m) is invested in tangible fixed assets, principally freehold and leasehold property.

Designated funds

The Trustees may, with the approval of the SDBF, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve, together with the intended use of the reserve is set out in note 22. At 31 December 2016 total designated reserves were £47.3m (2015: £42.4m). The policy of the Trustees is gradually to return as many of these funds as possible to the General Fund.

Restricted and endowment funds

As set out in note 21, the SDBF holds and administers a number of restricted and endowment funds. As at 31 December 2016 restricted funds totalled £3.1m (2015: £4.9m) and endowment funds totalled £223.9m (2015: £217.9m). Neither are available for the general purposes of the SDBF.

Grant making policy

The Memorandum of Association of the SDBF explicitly permits the SDBF to make grants in pursuance of its objects, and the nature of grants made in the current and previous year are disclosed in note 12. All grants are made from budgets set aside for specific purposes and are subject to authorisation policies and criteria.

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

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For the year ended 31 December 2016

Investment policy

The SDBF is empowered by its Memorandum of Association to invest monies not immediately required for its purposes. In addition, the SDBF acts as Trustee to a number of trust funds, which must be invested in accordance with the related trusts. The SDBF's policy is regularly to review the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles. Note 21 provides details of the assets of each fund, together with the related purposes, and note 16 summarises the movements in investments during the year.

The Trustees' investment policy is to hold investments in equity and property funds with a variety of managers. The objective for the Diocesan Stipendiary Fund is to maximise the growth of capital in the longer term, while maintaining the inflation adjusted value of the capital. Board investments are held to maximise total return (capital and income) in the longer term. The objective for the Ministry Fund is to maximise the growth of income in the longer term while maintaining the inflation adjusted value of capital. The SDBF is committed to following the ethical and climate change investment guidelines laid down by the Ethical Advisory Group of the National Investing Bodies of the Church of England. The investments held and their return during the year are set out in the following table:

	Funds at 31 December 2016 £'000s	Proportion of portfolio	Income yield in year	Total Return in year
M&G Managed Charifund	8,588	31.0%	5.0%	+12.6%
Cazenove Managed Equity Income Trust for Charities	6,814	24.5%	5.1%	+9.6%
JO Hambro Managed UK Equity Fund	4,264	15.4%	4.9%	+12.2%
Other managed equity funds	2,880	10.4%	4.1%	+16.7%
Savills Managed Charities Property Fund	2,005	7.2%	4.9%	+6.2%
Hermes Managed Property Unit Trust	1,797	6.5%	4.2%	+6.4%
Other managed property funds	1,387	5.0%	4.7%	+5.7%
	<u>27,735</u>	<u>100.0%</u>		

The performance of the equity funds during the year was significantly stronger than that of the property funds after several years of strong performance by the property funds. The impact of the Brexit vote has taken longer to work through in the property sector with property funds recovering to their pre-Brexit vote levels by the year end. Only the M&G, Hambro and other managed equity funds beat the benchmark of the FTSE All Share Index although all equity funds performed better than their property peers. The Investment Committee regularly reviews the performance of the funds and makes recommendations to the Trustees on investments.

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PRINCIPAL RISKS AND UNCERTAINTIES

The Senior Management Team considers, evaluates and records the major areas of risk to which the SDBF is exposed, assessing both the likelihood and impact of those risks crystallising, together with the measures in place to manage and mitigate such risks.

The process of identification and assessment of risk, the risks identified and the measures for mitigation are reviewed at least annually by the Audit & Governance Committee. Responsibility for delivery of the mitigation strategies identified by it is delegated to the Diocesan Secretary. The risk register is available for inspection by all Trustees.

The risk register identifies five areas where the risk of either failure to act or the impact of the events is considered 'high'. These areas and the associated mitigation strategies are:

1. Economic Uncertainty

The uncertain economic outcomes from Brexit may lead to less giving from parishes; the Diocese continues to monitor any impact on parish giving and through communication, careful cost control and its high level Investment Committee seeks to mitigate this risk which will be ongoing. In addition, its reserves policy and its property strategy help to underpin the resilience of the Diocese.

2. Parish Share

The risk that collection of Parish Share is considerably less than 100% and dependence on the generosity of more affluent parishes and these are specific mitigants:

- collection statistics are produced and circulated on a monthly basis to allow swift intervention where a parish is not meeting its pledged commitment
- the Diocese changed its funding to a pledge based system from 2016, research from other Dioceses has shown that collection rates are comparably higher longer term
- major investment in Communication strategy, including a wide variety of meetings between Diocesan leadership, Archdeacons, Area Deans and Lay Chairs, Deanery Synods and parishes.

3. Pace of Change

The risk is that the pace of change in the National Church and Diocese is too swift to enable detailed objectives to be met. Conscious culture change, staff and parish development, senior clergy and lay management focused on strategic issues with annual objectives will mitigate this:

- senior management and key personnel. There is a risk of overstretch leading to impeded delivery of objectives and loss of key staff; there are a number of fairly new staff appointments and strong deputies to key departments in place; the Diocese overhauled its administrative and management structures to review the workings of its committees, and to ensure senior professional staff are empowered with greater delegation, accompanied by strengthened paths of accountability
- for senior vacancies recruitment an executive search agency is now being used to widen the pool and create greater resilience

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For the year ended 31 December 2016

- implementation of changes in governance and administration accompanied by additional resourcing and recognition of a lengthy transition period.

4. Cash Flow and management

Limitation of funds to pay commitments, mitigants are:

- financial management and accounting policies reviewed in relation to expenses, capitalisation parameters and loans
- improved management reporting
- property management policies reviewed and overhauled
- capital planning process and new planning tool introduced.

5. Safeguarding

Where there might be one or more occurrence of abuse by someone working for or on behalf of the Church, with consequences for those affected and adverse media coverage, mitigants are:

- employment of two full time and one part time safeguarding advisers, supported by administrative staff and a designated senior staff member
- annual review of policies which are aligned with National Church guidance as it emerges
- legal advice is sought where necessary, particularly with regard to information sharing
- most parishes are now using online arrangements for Disclosure and Barring Service checks as part of the safe recruitment of those who work with children, young people and adults who may be at risk of harm
- a comprehensive training programme delivered to all relevant staff and volunteers with compulsory attendance for those in key roles
- formal reporting of safeguarding activity and key risks for scrutiny by the Diocesan Audit and Governance Committee
- safeguarding work is supported by proactive and sensitive PR and media strategy.

STRUCTURE AND GOVERNANCE

Summary Information about the structure of the Church of England

The Church of England is the established Church and HM The Queen is the Supreme Governor. It is organised into two provinces (Canterbury and York) and 42 dioceses. Each Diocese is a See under the care of a Bishop who is charged with the cure of souls of all the people within that geographical area. This charge is shared with priests within benefices and parishes which are sub-divisions of the Diocese.

The National Church has a General Synod comprising ex-officio and elected representatives from each Diocese and it agrees and lays before Parliament, Measures for the governance of the Church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a co-ordinating role for work authorised by the Synod; the Church Commissioners manage the historic assets of the Church of England; and the Church of England Pension Board administers the pension schemes for clergy and lay workers.

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For the year ended 31 December 2016

Within each Diocese, overall leadership lies with the Diocesan Bishop. The Diocese of Southwark is itself divided into 25 Deaneries, each with its own Synod, and within each parish there is a PCC. The PCC shares responsibility with the parish priest for the mission of the Church in that place, in a similar way to that in which the Bishop shares responsibilities with the Diocesan Synod. Whilst each Diocese is a separate legal entity, with a clear responsibility for a specific geographical area, being part of the Church of England requires and enables each Diocese to seek support from an application for partnership with neighbouring Dioceses.

Organisational structure

The South London Church Fund and Southwark Diocesan Board of Finance (SDBF) is a company limited by guarantee (No. 236594) and a registered charity (No. 249678) governed by its Memorandum and Articles of Association.

The company's principal activity is to promote, assist and advance the work of the Church of England within the Diocese of Southwark. The Diocese was established in its present form in 1929.

Governance and policy of the SDBF is the responsibility of the Trustees, who are also members of the company and Trustees for the purposes of Charity Law. Since November 2015, following the changes in governance approved in July 2015, a Diocesan Council of Trustees became the standing committee of Synod, and the DBF joined with the Bishop's Council, Diocesan Mission and Pastoral Committee (DMPC) and Parsonages Board to become coterminous members and Trustees. Under the revised governance, the SDBF comprises the Diocesan Bishop (President of the Diocesan Synod), Chair and Vice Chair of the Board of Finance (both laity), Area Bishops, Archdeacons, Chair of the Houses of Clergy and Laity, 6 clergy (2 from each area), 12 members of the laity elected by the House of Laity and up to 6 further lay members, with up to date financial or other relevant expertise.

The Diocesan Synod, the statutory governing body of the Diocese, is an elected body drawn from across the Diocese with responsibility for setting the vision and strategy of the Diocese. The Synod membership is elected every three years, the last elections having been in July 2015. The Synod elects from its members 12 of the lay Trustees of the SDBF and 6 of the clergy members. Whilst the SDBF is a separate legal entity, with clear responsibilities under both company and charity law, as well as a governing Memorandum and Articles of Association, the SDBF is subject to the direction of the Synod in all its activities, unless such direction is not in accordance with the governing documents or statutory regulations. Since the DBF developed coterminous membership with the Bishop's Council, DMPC and Parsonages Board, membership, trusteeship and directorship of the SDBF also includes membership of those other bodies, all part of the Diocesan Council of Trustees.

Decision making structure

Corporate priorities and the overall financial strategy for the Diocese in its primary object to promote, assist and advance the work of the Church of England within the Diocese of Southwark, are set by the Diocesan Synod and the Board. The responsibility for ensuring that these priorities and strategies are delivered is delegated to the Diocesan Secretary. The company meets once a year in General Meeting to receive and approve the Annual Report and Financial Statements and to appoint the auditors.

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

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For the year ended 31 December 2016

Each year the Diocesan Synod receives and agrees the annual budget, prepared and approved by the Board. The Trustees, hold five meetings each year including one all day meeting to formulate and coordinate policies on mission, ministry and finance by:

- initiating proposals for action by the Synod and advising it on matters of policy
- delegating, where appropriate, deliberation of policy and review of decisions to its Policy and Finance Committee, Audit and Governance Committee and its Investment Committee
- transacting the business of the Synod when it is not in session, subject to the directions of the Synod and in accordance with Synod Standing Orders
- acting as the Trustees of the Board
- the establishment of ad hoc review groups, their terms of reference and membership
- carrying out such other functions as the Synod delegates to it
- appointing members to Committees and representatives to external bodies, subject to the direction of the Synod.

The Trustees are assisted in their work by two committees:

Policy and Finance Committee which monitors management accounts and budget, the use of assets and investment policies and exercises the authority delegated to it by the Trustees in areas such as grants and loans. It also undertakes the Board's responsibilities under the Parsonages Measures 1938 and 1947; the Repair of Benefice Building Measure 1972; the Parochial Church Councils (Powers) Measure 1956, as amended, and the Incumbents and Churchwardens (Trusts) Measure 1964 (with respect to parochial property); the Endowment and Glebe Measure 1976 (with regard to property assets); and the Mission and Pastoral Measure 2011 (with regard to redundant churches). In addition, this Committee considers and initiates areas of strategic policy where proposals are at an early stage of development prior to submission to the Board. It meets five times a year including one all day meeting.

Audit and Governance Committee which scrutinises performance, oversees issues of financial probity, reviews the work of external and internal audit, prepares the response to the external auditors management letter, scrutinises the effectiveness of governance, reviews the risk register and major areas of risk. This meets four times a year.

In addition, the Board is advised by its Investment Sub-Committee, which provides advice to the Policy and Finance Committee and to the Diocesan Secretary on the SDBF's investments and funds available for investment. This meets five times a year including two all-day meetings.

Trustee recruitment, selection and induction

Trustees are members of the Bishop's Council, DMPC and Diocesan Parsonages Board and are selected as set out above. Trustees are given induction at the outset of the triennium and at other times as appropriate. They are also informed before seeking membership and, at all other relevant times, of the role and function of the Committee. Some staff hold the title of 'Director', but this relates to their function within the organisation and has no legal

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

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meaning within the terminology associated with the Companies Act. All Trustees are required to sign the Diocesan Declaration of Eligibility, Responsibility and Conflicts of Interest statement forms. The Trustees were provided with Trustee training during 2015.

Remuneration of key management personnel

From July 2015 remuneration of the Diocesan Secretary is determined annually by a Remuneration Committee, which also receives reports of the Diocesan Secretary's recommendations for members of the Senior Management Team. The Committee is a sub-committee of the Policy and Finance Committee, formally reporting through to the Board. It is chaired by the Bishop of Southwark and includes the Chair and Vice-Chair of the SDBF and any external consultants as they determine.

Delegation of day to day delivery

The Trustees and the Committees which assist them in the fulfilment of their responsibilities, delegate management to the Diocesan Secretary who, with her Senior Management Team, delivers the activities of the company in accordance with the policies of the Trustees. The Diocesan Secretary is given specific and general delegated authority to deliver the business of the Board.

Funds held as Custodian Trustee

The Board is Custodian Trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956, as amended, and the Incumbents and Churchwardens (Trusts) Measure 1964 where the Managing Trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements as the SDBF does not control them, and they are segregated from the SDBF's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £16.6m at 31 December 2016 (2015: £13.9m), are available from the SDBF on request, and are summarised in note 29. Where properties are held as Custodian Trustee, the deeds are identified as such and held in safe custody by the SDBF's solicitor, Winckworth Sherwood LLP.

TRUSTEES' RESPONSIBILITIES

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

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

- select suitable accounting policies and apply them consistently
- observe methods and principles in the Charities SORP

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For the year ended 31 December 2016

- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

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

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included in the Diocesan website.

STATEMENT OF DISCLOSURE TO THE AUDITOR

So far as the Trustees are aware:

- a) there is no relevant audit information of which the charitable company's auditor is unaware, and
- b) we have taken all the steps that we ought to have taken as Trustees in order to make ourselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

APPOINTMENT OF AUDITOR

The re-appointment of haysmacintyre as auditor to the Board will be proposed at the Annual General Meeting.

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For the year ended 31 December 2016

ADMINISTRATIVE DETAILS

Trustees

No Trustee had any beneficial interest in the company during 2016. The following Trustees were in post during the period 1 January 2016 to 31 December 2016:

President: Bishop of Southwark - The Right Revd Christopher Chessun

Ex-officio: Bishop of Croydon - The Right Revd Jonathan Clark
Bishop of Kingston - The Right Revd Dr Richard Cheetham
Bishop of Woolwich - The Right Revd Dr Michael Ipgrave (to 19 June 2016)
Archdeacon of Croydon - The Venerable Christopher Skilton
Archdeacon of Lambeth - The Venerable Simon Gates
Archdeacon of Lewisham and Greenwich - The Venerable Alastair Cutting
Archdeacon of Reigate - The Venerable Daniel Kajumba (to 23 February 2016)
The Venerable Moira Astin (from 30 October 2016)
Archdeacon of Southwark - The Venerable Dr Jane Steen
Archdeacon of Wandsworth - The Venerable John Kiddle

Chair of the House of Clergy of Diocesan Synod - Revd Canon Dr Rosemarie Mallett

Chair of the House of Laity of Diocesan Synod - Mr Adrian Greenwood

Appointed by the Bishop of Southwark:

Chairman of the Board of Finance - Mr John Kempzell (to 10 May 2016)
Mr Gerald Allison (from 11 May 2016)
Vice Chairman of the Board of Finance - Mr Ian Akhurst (to 10 May 2016)
Mr Carl Hughes (from 11 May 2016)

Elected by Synod (House of Clergy): Revd Phil Andrew (to 5 December 2016)

Revd Canon Dr Susan Clarke
Revd Canon Kim Hitch
Revd Canon Ailsa Newby
Revd Jonathan Sedgwick
Revd Alison Way

Elected by Synod (House of Laity): Mr Gerald Allison (until 10 May 2016)*

Mr Bill Bishop
Dr Nicholas Burt
Ms Anne Coates
Mrs Jacqueline Dean
Mr Christopher Elliott
Mrs Lotwina Farodoye
Mr Michael Hartley
Mr Alex Helliwell
Mr Carl Hughes (until 10 May 2016)*
Dr David Keiller
Ms Elizabeth Simon
His Honour Stuart Sleeman (from 11 May 2016)
Mrs Sarah Swanson (from 11 May 2016)

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

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For the year ended 31 December 2016

* When Mr Gerald Allison and Mr Carl Hughes became Chair and Vice Chair of the DBF and therefore ex officio members of the DBF (DCT) their places as elected members of the House of Laity were taken on election by His Honour Stuart Sleeman and Mrs Sarah Swanson.

Lay persons nominated and elected as specialists:

Mr Neil Harvey (from 12 March 2016)
Mr Andrew McMurtrie (from 7 September 2016)
Revd Barry Nichols (to 6 September 2016)
Ms Joy Taylor (from 12 March 2016)
Mr Stephen Willmer

Bishop of Southwark's Nominees: Ms Anne Deering (from 5 January 2016)
Revd Roxanne Hunte (from 18 April 2016)

Senior staff

Diocesan Secretary	Ms Ruth Martin
Deputy Diocesan Secretary	Revd Canon Stephen Roberts
Director of Finance and Financial Assets	Mr Anthony Demby
Director of Property Management	Ms Fiona Hallard (from 6 June 2016)
Director of Human Resources	Mr David Loft
Director of Office Support Services	Mr Mark Charlton
Director of Communications & Resources	Revd Canon Wendy Robins

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

Advisers

Bankers: National Westminster Bank plc
91 Westminster Bridge Road, London, SE1 7HW

Barclays Bank plc
1 Churchill Place, London, E14 5HP

Independent Auditor: haysmacintyre
26 Red Lion Square, London, WC1R 4AG

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

Investment Fund Managers: Cazenove Capital Management Ltd
12 Moorgate, London, EC2R 6DA

CCLA Investment Management Ltd
Senator House, 85 Queen Victoria Street, London, EC4V 4ET

Hermes Investment Management Ltd
1 Portsoken Street, London, E1 8HZ

JO Hambro Capital Management Ltd
Ryder Court, 14 Ryder Street, London SW1Y 6QB

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

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For the year ended 31 December 2016

M&G Securities Ltd
Laurence Pountney Hill, London, EC4R 0HH

Mayfair Capital Investment Management Ltd
2 Cavendish Square, London, W1G 0PU

Savills Investment Management (UK) Ltd
33 Margaret Street, London, W1G 0JD

UBS Global Asset Management (UK) Ltd
5 Broadgate, London, EC2M 2PP

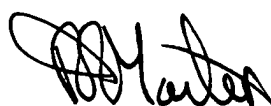
Insurers: Ecclesiastical Insurance Office plc
Beaufort House, Brunswick Road, Gloucester, GL1 1JZ

In approving this Trustees' Report, the Trustees are also approving the Strategic Report included on pages 5 - 17 in their capacity as company directors.

BY ORDER OF THE TRUSTEES



Gerald Allison
Chairman of the Board of Finance
11 May 2017



Ruth Martin
Secretary
11 May 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

We have audited the financial statements of the South London Church Fund and Southwark Diocesan Board of Finance for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Income and Expenditure Account, 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 Statement of Trustees' Responsibilities set out on page 20, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the charitable company as at 31 December 2016 and of its incoming resources and application of resources, including the 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 matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Annual Report, incorporating the Strategic Report for the financial year for which the financial statements are prepared is consistent with those financial statements and has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Annual Report, incorporating the Strategic Report.

Matters on which we are required to report by exception

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

- 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 and Statutory

Auditors

11 May 2017

26 Red Lion Square

London

WC1R 4AG

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2016

	Note	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
Income and endowments from							
Donations	3						
Parish contributions		16,166	-	-	-	16,166	15,983
Archbishops' Council		246	298	47	-	591	576
Other donations		1,221	-	-	-	1,221	1,212
Charitable activities	4	1,316	-	-	-	1,316	1,355
Other activities	5	122	-	-	-	122	118
Investments	6	998	-	1,543	-	2,541	2,586
Other	7	2,046	946	-	-	2,992	1,999
		<u>22,115</u>	<u>1,244</u>	<u>1,590</u>	<u>-</u>	<u>24,949</u>	<u>23,829</u>
Expenditure on							
Raising funds	8	42	-	-	-	42	27
Charitable activities	9	20,402	760	56	-	21,218	19,500
Total		<u>20,444</u>	<u>760</u>	<u>56</u>	<u>-</u>	<u>21,260</u>	<u>19,527</u>
Net income before investment gains		<u>1,671</u>	<u>484</u>	<u>1,534</u>	<u>-</u>	<u>3,689</u>	<u>4,302</u>
Net gains on investments	16	<u>232</u>	<u>-</u>	<u>201</u>	<u>1,005</u>	<u>1,438</u>	<u>453</u>
Net income		<u>1,903</u>	<u>484</u>	<u>1,735</u>	<u>1,005</u>	<u>5,127</u>	<u>4,755</u>
Transfers between funds	14	<u>973</u>	<u>1,753</u>	<u>(3,561)</u>	<u>835</u>	<u>-</u>	<u>-</u>
Other recognised gains							
Gains on revaluation of fixed assets	15	<u>-</u>	<u>2,740</u>	<u>-</u>	<u>4,216</u>	<u>6,956</u>	<u>47,178</u>
Net movement in funds		<u>2,876</u>	<u>4,977</u>	<u>(1,826)</u>	<u>6,056</u>	<u>12,083</u>	<u>51,933</u>
Total funds brought forward		<u>3,695</u>	<u>42,362</u>	<u>4,904</u>	<u>217,869</u>	<u>268,830</u>	<u>216,897</u>
Total funds carried forward	20	<u>6,571</u>	<u>47,339</u>	<u>3,078</u>	<u>223,925</u>	<u>280,913</u>	<u>268,830</u>

All activities derive from continuing activities. The notes on pages 31 to 59 form part of the financial statements

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE**INCOME AND EXPENDITURE ACCOUNT**
For the year ended 31 December 2016

	2016	2015
	£'000	£'000
Total Income	24,949	23,875
Total Expenditure	21,260	19,523
	<hr/>	<hr/>
Operating surplus for the year	3,689	4,352
Net gains on investments	432	147
	<hr/>	<hr/>
Net income for the year	4,121	4,499
Other comprehensive income:		
Revaluation of fixed assets	2,740	18,712
Net assets transferred to endowments	(835)	(1,462)
	<hr/>	<hr/>
Total comprehensive income	6,026	21,749
	<hr/>	<hr/>

The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

BALANCE SHEET

As at 31 December 2016

Company Number 236594

	Note	2016 £'000	2015 £'000
FIXED ASSETS			
Tangible assets	15	265,768	252,739
Investments	16	27,735	29,689
		<u>293,503</u>	<u>282,428</u>
CURRENT ASSETS			
Debtors	17	1,719	1,400
Cash on deposit		1,148	778
Cash at bank and in hand		602	1,939
		<u>3,469</u>	<u>4,117</u>
CREDITORS: amounts falling due within one year	18	<u>(2,214)</u>	<u>(3,545)</u>
NET CURRENT ASSETS		<u>1,255</u>	<u>572</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>294,758</u>	<u>283,000</u>
CREDITORS: amounts falling due after more than one year			
Pension scheme liabilities	19	(7,315)	(9,660)
Other creditors	19	(6,530)	(4,510)
NET ASSETS		<u>280,913</u>	<u>268,830</u>
FUNDS			
Endowment funds		223,925	217,869
Restricted income funds		3,078	4,904
Unrestricted income funds:			
General fund		6,571	3,695
Designated funds		47,339	42,362
TOTAL FUNDS	21	<u>280,913</u>	<u>268,830</u>

The Statement of Financial Activities, Income and Expenditure Account, Statement of Cash Flows and the Notes form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 11 May 2017 and signed on behalf of the Board by:



Gerald Allison
Trustee and Chairman of the Board of Finance

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016	2015
	£'000	£'000
Net cash outflow from operating activities	(4,821)	(1,423)
Cash flows from investing activities		
Dividends, interest and rent from investments	2,540	2,586
Increase in cash held in investments	-	(719)
Proceeds from the sale of:		
Tangible fixed assets	3,503	2,937
Investments	5,380	5,507
Purchase of:		
Tangible fixed assets	(6,599)	(5,971)
Fixed asset investments	(1,989)	(660)
Net cash provided by investing activities	2,835	3,680
Cash flows from financing activities		
Loans received/(repaid)	1,020	(1,500)
Net cash provided/(used in) by financing activities	1,020	(1,500)
Change in cash and cash equivalents in the reporting period	(966)	757
Cash and cash equivalents at 1 January	2,716	1,960
Cash and cash equivalents at 31 December	1,750	2,717
Reconciliation of net movements in funds to net cash flow from operating activities		
Net movement in funds for the year ended 31 December	3,689	4,302
Adjustments for:		
Depreciation charges	37	44
Dividends, interest and rent from investments	(2,540)	(2,586)
Movement in pension deficit recovery creditor less contributions paid	(1,345)	1,093
Other transitional non-cash movements	(25)	(319)
Profit on sale of fixed assets	(2,992)	(1,999)
Adjustment to carrying value of benefice houses	-	(736)
(Increase)/Decrease in debtors	(319)	666
Decrease in creditors	(1,326)	(1,888)
Net cash used in operating activities	(4,821)	(1,423)
Analysis of cash and cash equivalents		
Cash in hand	602	778
Notice deposits (less than 3 months)	1,148	1,939
	1,750	2,717

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. ACCOUNTING POLICIES

a) General information

The South London Church Fund and Southwark Diocesan Board of Finance (SDBF) is a charitable company limited by guarantee incorporated in England and Wales and registered with the Charity Commission. In the event of the charitable company being wound up the liability in respect of the guarantee is limited to £1.

The SDBF meets the definition of a public benefit entity under FRS 102.

b) Accounting convention and basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom (FRS 102), the Statement of Recommended Practice for Charities (SORP 2015) and with regard to the Diocesan Annual Report and Financial Statements Guide (5th edition, 2015).

The financial statements have been prepared on the historical cost basis with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in 1.f), and fixed asset investments, which are included at their fair value at the balance sheet date.

c) Going concern

The Directors/Trustees consider that there are no material uncertainties regarding the SDBF's ability to continue as a going concern.

d) Income

All income is included in the Statement of Financial Activities (SoFA) when the SDBF is legally entitled to it as income or capital respectively, ultimate receipt is probable and, the amount to be recognised can be quantified with reasonable accuracy.

- i) **Parish Share** is recognised as income of the year to which pledges have been made. Amounts not received are not recognised as debtors as parish share pledges represent a commitment that is not legally enforceable.
- ii) **Rent receivable** is recognised as income in the period to which it relates.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants received** that are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are not recognised in the SoFA and are included in creditors.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

d) Income (continued)

- v) **Parochial fees** are recognised as income when receivable.
- vi) **Donations other than grants** are recognised when receivable.
- vii) **Gains on disposal of fixed assets** are included within other income. Losses on disposal are included within other expenditure.
- viii) **Diocesan Stipendiary Fund income** is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and is restricted to the payment of clergy stipends. The income is fully expended within the year of receipt. The income and the related stipend expenditure are both included in the unrestricted column of the SoFA.

e) Expenditure

Expenditure is recognised on the accruals basis and is classified in the SoFA under headings that aggregate related costs.

- i) **Costs of raising funds** are costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** comprises expenditure on contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the Diocese and expenditure relating to the running of the Diocesan Retreat House.
- iii) **Grants payable** are charged in the year in which the grant is awarded. Where the grant is conditional on the recipient meeting performance or other discretionary requirements to the satisfaction of the SDBF it is recognised as expenditure when these have been met. Grants made subject to such conditions that have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- iv) **Support costs** comprise central management, administration and governance costs. The amount spent on raising funds and other activities is considered by the Trustees to be immaterial and all support costs are included within charitable activities. Costs charged directly to the activity to which they relate, but where this is not possible they are apportioned on the basis of staff time cost.
- v) **Pension contributions.** The SDBF participates in two defined benefit pension schemes (see note 26): the Church of England Funded Pensions Scheme for clergy and the Church Workers Pension Fund (CWPF) for SDBF lay staff. The SDBF closed the Defined Benefit Scheme section of the CWPF to new members in July 2013.

Deficit funding for the pension schemes in which the SDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

e) Expenditure (continued)

v) Pension contributions (continued)

The pension costs charged for the defined benefit schemes as resources expended represent the SDBF's contributions payable in respect of the accounting period, in accordance with FRS 102.

SDBF staff joining after July 2013 are members of the Pension Builder section of the CWPf. Contributions to this scheme paid by the SDBF are charged to the SoFA as resources expended on the accruals basis.

f) Tangible fixed assets and depreciation

Freehold properties

Freehold properties are initially recognised at cost and subsequently measured at Fair Value at each reporting date. The SDBF has appointed a firm of chartered surveyors to undertake a full valuation of its freehold properties on a rolling basis over a 5 year period. The results of these valuations are extrapolated across the remaining population to ensure that the carrying value of freehold properties approximate fair value. The revaluation gains or losses are reported within other recognised gains and losses in the SoFA.

Depreciation is not charged on buildings as the Trustees consider that any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and that their expected residual value is not materially less than their carrying value. The SDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value.

Properties subject to value linked loans

Properties that have been bought with the assistance of value-linked loans from the Church Commissioners are included in the financial statements as fixed assets and loan creditors. The properties are stated at fair value and are revalued at each reporting date. On disposal the agreed share of the net sale proceeds will be remitted to the Church Commissioners and the related loan liability extinguished.

Investment properties

Diocesan Stipendiary Fund and General Fund properties held for investment purposes are included at their fair value. Any gains and losses arising at each year-end are recognised in the SoFA.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

f) Tangible fixed assets and depreciation (continued)

Benefice houses

The SDBF has followed the requirements of FRS 102 in its accounting treatment of benefice houses (parsonages). FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The SDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to carry them at cost. For this purpose the SDBF has adopted the estimated Reinstatement Cost as at 1 January 2014 as deemed cost. Benefice houses are subject to annual impairment reviews and are not subject to depreciation on the grounds that the costs of repair and maintenance are greater than the annual depreciation charge.

Leasehold improvements

Improvements made to leasehold properties are amortised in the SoFA over the shorter of the remaining life of the lease or the first break period contained in the lease.

g) Other tangible fixed assets

Depreciation is charged to the SoFA over the expected useful economic life of the asset at the following rates:

Furniture, equipment and motor vehicles 10-25% per annum straight line basis

h) Other accounting policies

i) **Fixed asset investments** are included in the balance sheet at market value and the gain or loss taken to the SoFA.

ii) **Leases** - The SDBF has entered into operating lease arrangements for the use of certain property assets, the rental for which is charged in full as expenditure in the year to which it relates. Rent free periods given as part of an operating lease are amortised in the SoFA over the shorter of the term of the lease or first break period contained in the lease.

i) Financial instruments - assets and liabilities

Debtors

Debtors are recognised at the settlement amount due.

Cash and cash equivalents

Cash at bank and cash in hand includes cash held in short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

i) Financial instruments - assets and liabilities (continued)

Creditors and provisions

Creditors and provisions are recognised where the SDBF has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Value linked loans

The SDBF value linked loans for which the settlement proceeds are based on the value of the related properties. As this constitutes a non-basic financial instrument under FRS 102 these loans are recognised at fair value and are revalued at each reporting date to match the value of the related property.

j) Fund balances

Fund Balances are split between unrestricted (general and designated), restricted and endowment funds.

- **Unrestricted funds** are the SDBF's corporate funds and are freely available for any purpose within the SDBF's charitable objects at the discretion of the Trustees. There are two types of unrestricted funds:
 - **General funds** which the SDBF intends to use for the general purposes of the SDBF and
 - **Designated funds** set aside out of unrestricted funds by the SDBF for a purpose specified by the Trustees.
- **Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- **Endowment funds** are those held on trust and administered by the SDBF to be retained for the benefit of the charitable company as a capital fund. In the case of the Parsonage Capital Fund, there are discretionary powers to convert capital into income and this fund is classified as expendable endowment. The Ministry Fund and the Diocesan Stipendiary Fund are endowment funds where there is no provision for expenditure of capital and these are classified as permanent endowments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the SDBF's accounting policies and the reported assets, liabilities, income and expenditure and the disclosures made in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key area of estimation is the measurement of the SDBF's property assets at fair value. The Charity SORP requires entities who have adopted a policy of revaluation to undertake valuations on a regular basis to ensure that the carrying amount of the revalued assets does not differ materially from fair value at the end of the reporting period. The SDBF engages a firm of chartered surveyors for the valuation of its freehold properties, excluding benefice houses, on a rolling basis over a five year period. In order to ensure that the carrying value of the freehold properties excluding benefice houses approximates to fair value, the results of the proportion of the properties valued in the year are extrapolated across the remainder of the property portfolio excluding benefice houses to arrive at year end fair value.

Those properties selected for valuation are taken across the SDBF's diverse property portfolio and the trustees consider this to be a reasonable basis for estimating the fair value of the SDBF's freehold properties at the balance sheet date. Any variances from actual fair value and the estimated fair value of the portfolio will affect the value of tangible fixed assets reported on the balance sheet, and other gains and losses reported in the SoFA. Income and expenditure is not impacted except in respect of profit or loss arising on the sale of a freehold property held at estimated fair value.

3. DONATIONS

Parish contributions

The majority of donations are collected from the parishes of the Diocese through the parish share system.

	2016 £'000	2015 £'000
Unrestricted general fund		
Current year receipts from Parishes	16,044	15,757
Previous year receipts from Parishes	122	226
	<hr/>	<hr/>
Total Income	16,166	15,983
	<hr/>	<hr/>

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

3. DONATIONS (continued)

Archbishops' Council

	Unrestricted funds		Restricted funds	Total funds	Total funds
	General	Designated	funds	2016	2015
	£'000	£'000	£'000	£'000	£'000
Parish Mission grant	-	298	-	298	297
Strategic Development grant	-	-	26	26	-
Area Bishops grant	246	-	-	246	262
Xtend grant	-	-	21	21	17
	<u>246</u>	<u>298</u>	<u>47</u>	<u>591</u>	<u>576</u>

The Parish Mission grant may be used either for specific parish mission and development projects or for clergy stipends. Funding ceased on 31 December 2016. The Area Bishops grant is used to support the administrative costs of the Area Bishops.

Two restricted grants were received from the Archbishops' Council: A strategic development grant towards the cost of resourcing mission in the Vauxhall, Nine Elms and Battersea area and through Fresh Expressions across the Diocese and; Xtend a grant to fund mission projects run for the Diocese by Springfield Church, Wallington and St Paul's Church, Brixton. Funding for this project ceased on 31 December 2016.

Other donations

	2016	2015
	£'000	£'000
Unrestricted General fund		
All Churches Trust grant	258	251
Trust for London grant	878	888
Other grants and donations	85	73
	<u>1,221</u>	<u>1,212</u>

4. CHARITABLE ACTIVITIES

	2016	2015
	£'000	£'000
Unrestricted General fund		
Statutory fees	520	632
Reimbursement of stipends	550	519
Other income	105	74
Diocesan Retreat House	141	130
	<u>1,316</u>	<u>1,355</u>

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

5. OTHER TRADING ACTIVITIES

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
Room hire and recharges	122	-	-	-	122	118
	<u>122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122</u>	<u>118</u>

6. INVESTMENT INCOME

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
Dividends receivable	370	-	943	-	1,313	1,460
Interest receivable	35	-	3	-	38	46
Rents receivable	593	-	597	-	1,190	1,080
	<u>998</u>	<u>-</u>	<u>1,543</u>	<u>-</u>	<u>2,541</u>	<u>2,586</u>

7. OTHER INCOME

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
Gain on sale of fixed assets	-	-	-	-	-	14
Gain/(Loss) on sale of properties	2,046	-	-	-	2,046	(46)
Gain on disposal of benefice houses	-	946	-	-	946	2,031
	<u>2,046</u>	<u>946</u>	<u>-</u>	<u>-</u>	<u>2,992</u>	<u>1,999</u>

8. FUND RAISING COSTS

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
Property rental costs	42	-	-	-	42	27
	<u>42</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42</u>	<u>27</u>

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

9. CHARITABLE ACTIVITIES

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
Contributions to						
Archbishops' Council						
Training for Ministry	744	-	-	-	744	658
National Church						
Responsibilities	596	-	-	-	596	581
Retired clergy housing costs	214	-	-	-	214	203
	<u>1,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,554</u>	<u>1,442</u>
Resourcing Ministry and Mission						
Parish Ministry						
Stipends and national insurance	9,545	-	-	-	9,545	9,114
Pension contributions	2,495	-	-	-	2,495	2,769
Defined benefit pension scheme movement	(1,345)	-	-	-	(1,345)	(2,126)
Housing costs	3,821	49	-	-	3,870	3,754
Removal and resettlement grants	518	-	-	-	518	556
Other expenses	-	1	-	-	1	110
	<u>15,034</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>15,084</u>	<u>14,177</u>
Support for parish ministry	3,645	710	56	-	4,411	3,702
Diocesan Retreat House	169	-	-	-	169	179
	<u>18,848</u>	<u>760</u>	<u>56</u>	<u>-</u>	<u>19,664</u>	<u>18,058</u>
	<u>20,402</u>	<u>760</u>	<u>56</u>	<u>-</u>	<u>21,218</u>	<u>19,500</u>

10. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

	Activities undertaken directly £'000	Grant funding of activities £'000	Support costs £'000	Total costs 2016 £'000	Total costs 2015 £'000
Charitable activities:					
Contributions to Archbishops' Council	-	1,554	-	1,554	1,442
Resourcing parish ministry	16,621	618	1,704	18,943	17,449
Education and Social Responsibility	-	552	-	552	430
Diocesan Retreat House	169	-	-	169	179
	<u>16,790</u>	<u>2,724</u>	<u>1,704</u>	<u>21,218</u>	<u>19,500</u>

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

11. ANALYSIS OF SUPPORT COSTS

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2016 £'000	Total funds 2015 £'000
Central administration	1,628			-	1,628	1,590
Governance:						
External audit	33	-	-	-	33	35
Registrar and Chancellor	26	-	-	-	26	46
Synodical costs	17	-	-	-	17	13
	<u>1,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,704</u>	<u>1,684</u>

12. ANALYSIS OF GRANTS MADE

	No.	Individuals £'000	Institutions £'000	2016 Total £'000	2015 Total £'000
From unrestricted funds for national Church responsibilities:					
Contributions to Archbishops' Council	6	-	1,554	1,554	1,442
From unrestricted funds:					
Southwark Diocesan Board of Education	2	-	356	356	258
Southwark Diocesan Welcare	1	-	196	196	172
Southwark Cathedral	1	-	29	29	29
Bishop of Southwark's Fund	1	-	44	44	44
Parishes for mission	-	-	-	-	255
Other institutions for mission	-	-	-	-	54
Parishes for fabric repairs	4	-	136	136	18
Clergy for settling in/first appointment	87	121	-	121	208
Clergy for study/sabbatical	5	5	-	5	21
Ordinands in training	45	271	-	271	251
	<u>146</u>	<u>397</u>	<u>761</u>	<u>1,158</u>	<u>1,310</u>
From restricted funds for various purposes within resourcing parish ministry:					
Education and development of women clergy (Gilmore fund)	22	12	-	12	18
Total	<u>22</u>	<u>12</u>	<u>-</u>	<u>12</u>	<u>18</u>
Total	<u>174</u>	<u>409</u>	<u>2,315</u>	<u>2,724</u>	<u>2,770</u>

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

13. STAFF COSTS	2016 £'000	2015 £'000
Employee costs during the year were as follows:		
Wages and salaries	1,902	1,857
National insurance contributions	165	165
Pension costs	231	299
Termination payments	67	-
	<u>2,365</u>	<u>2,321</u>

The average number of persons employed during the year:

	2016 Number	2015 Number
Administration and financial management	19	18
Property	8	8
Vocations, ministry, safeguarding & diocesan retreat house	15	12
Mission & public policy	28	23
	<u>70</u>	<u>61</u>

The average number of persons employed during the year based on full-time equivalents:

	2016 Number	2015 Number
Administration and financial management	18.7	17.4
Property	8.2	7.6
Vocations, ministry, safeguarding & diocesan retreat house	11.2	10.0
Mission & public policy	22.1	15.0
	<u>60.2</u>	<u>50.0</u>

The numbers of staff whose emoluments (including benefits in kind but excluding pension contributions) amounted to more than £60,000 were as follows:

	2016 Number	2015 Number
£60,001 - £70,000	2	1
£80,001 - £90,000	-	1
£90,001 - £100,000	1	-
	<u>3</u>	<u>2</u>

Pension payments of £22,000 (2015: £44,000) were made for these employees.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

13. STAFF COSTS (continued)

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the Diocese. During 2016 they were:

Diocesan Secretary and Company Secretary	Ms Ruth Martin (Lay Canon)
Deputy Diocesan Secretary	Revd Canon Stephen Roberts
Director of Finance and Financial Assets	Mr Anthony Demby
Director of Property Management	Ms Fiona Hallard (from June 2016)
Diocesan Surveyor	Mr Eric Greber (until December 2016)
Director of Human Resources	Mr David Loft
Director of Office Support Services	Mr Mark Charlton
Director of Communications and Resources	Revd Canon Wendy Robins

Remuneration, pensions and expenses for these 8 employees (2015: 8) was £543,000 (2015: £471,000).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £17,000 (2015: £13,000) in respect of General and Diocesan Synod duties, and other duties as Trustees.

The following table gives details of the Trustees who were in receipt of a stipend and/or housing provided by the SDBF during the year:

	Stipend	Housing
The Right Revd Christopher Chessun	No	No
The Right Revd Dr Richard Cheetham	No	Yes
The Right Revd Jonathan Clarke	No	Yes
The Right Revd Dr Michael Ipgrave	No	Yes
The Venerable Moira Astin	Yes	Yes
The Venerable Alistair Cutting	Yes	Yes
The Venerable Simon Gates	Yes	Yes
The Venerable Daniel Kajumba	Yes	Yes
The Venerable John Kiddle	Yes	Yes
The Venerable Christopher Skilton	Yes	Yes
The Venerable Dr Jane Steen	Yes	Yes
The Revd Philip Andrew	Yes	Yes
The Revd Canon Kim Hitch	Yes	Yes
The Revd Canon Roxanne Hunte	Yes	Yes
The Revd Canon Dr Rosemarie Mallett	Yes	Yes
The Revd Canon Ailsa Newby	Yes	Yes
The Revd Jonathan Sedgwick	Yes	Yes
The Revd Alison Way	Yes	Yes

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

13. STAFF COSTS (continued)

Trustees' emoluments (continued)

The SDBF is responsible for funding, via the Church Commissioners, the stipends of licensed stipendiary clergy in the Diocese, other than Bishops and Cathedral staff. The SDBF is also responsible for the provision of housing for stipendiary clergy in the Diocese excluding the Diocesan Bishop and cathedral staff.

The SDBF paid an average of 298 (2015: 306) stipendiary clergy as office-holders holding parochial or diocesan appointments in the Diocese, and the costs were as follows:

	2016 £'000	2015 £'000
Stipends	8,992	8,446
National insurance contributions	553	668
Pension costs - current year	2,495	2,769
	<u>12,040</u>	<u>11,883</u>

The stipends of the Diocesan Bishop and Area Bishops are paid and funded by the Church Commissioners and are in the range £34,980 - £42,870 (2015 range: £34,460 - £42,240). The annual rate of stipend, funded by the SDBF, paid to Archdeacons in 2016 was in the range £34,180 - £35,250 (2015 range: £32,854 - £34,117) and other clergy who were Trustees were paid in the range £24,388 - £25,510 (2015 range: £23,910 - £25,000). The Archbishops' Council has estimated the value to the occupant, gross of income tax and national insurance, of church provided housing in the Diocese in 2016 at £28,559 (2015: £9,910).

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2016

14. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000
From Diocesan Pastoral Fund to General Fund for exceptional property costs	115	(115)	-	-
From Church Building Fund to Diocesan Pastoral Fund for transfer of the fund	-	-	-	-
From Diocesan Stipend Income Fund to General Fund for stipend costs	2,963	-	(2,963)	-
From General Fund to Diocesan Stipendiary Fund for reduction of CEFPS pensions deficit	(1,345)	-	-	1,345
From General Fund to Multi Academy Trust Fund for creation of the fund	(800)	800	-	-
From Restricted Mission Fund to Designated Mission Fund for reclassification of the fund	-	558	(558)	-
From Parsonage Capital Fund to Diocesan Pastoral Fund for the sale of a benefice house	-	510	-	(510)
From Dartmouth House Fund to General Fund for clergy training	40	-	(40)	-
	<u>973</u>	<u>1,753</u>	<u>(3,561)</u>	<u>835</u>

15. TANGIBLE FIXED ASSETS

	Freehold & Leasehold Properties £'000	Leasehold Improvements £'000	Furniture & Equipment £'000	Total £'000
Cost or valuation				
At 1 January 2016	252,667	90	459	253,216
Additions	6,534	17	48	6,599
Disposals	(510)	-	-	(510)
Reclassification	1	-	-	1
Revaluation	6,976	-	-	6,976
At 31 December 2016	<u>265,668</u>	<u>107</u>	<u>507</u>	<u>266,282</u>
Depreciation				
At 1 January 2016	-	80	397	477
Charge for the year	-	2	36	37
At 31 December 2016	<u>-</u>	<u>82</u>	<u>433</u>	<u>514</u>
Net Book Value				
At 31 December 2016	<u>265,668</u>	<u>26</u>	<u>74</u>	<u>265,768</u>
At 31 December 2015	<u>252,667</u>	<u>10</u>	<u>62</u>	<u>252,739</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

15. TANGIBLE FIXED ASSETS (continued)

Freehold and leasehold properties in the balance sheet are all vested in the SDBF, except for benefice houses which are vested in the incumbent. With the exception of benefice houses, which are stated at deemed cost, all properties in the current and prior year are stated at fair value. The carrying value of benefice houses held at deemed cost at the balance sheet date is £135,561,000 (2015: £136,162,000).

During the year the SDBF has aligned its historic records for benefice houses with its accounting records and in doing so has recognised a reduction in the deemed cost of benefice houses of £1,926,000. This has been included in the revaluation gains on fixed assets for the year in the SoFA.

All properties other than benefice houses were revalued to fair value at 31 December 2015 and are subject to revaluation on a five-year cycle. Properties with a fair value of £25,190,000 at 31 December 2016 were revalued. The revaluation was carried out by Rapleys LLP in accordance with Royal Institute of Chartered Surveyors professional standards and valuation practice statements and resulted in an increase in the value of the properties by £4,184,000 (2015: £49,472,000).

In order to maintain consistency with the SDBF's accounting policy of measuring properties other than benefice houses at fair value, the results of this valuation have been extrapolated across those assets not revalued at the balance sheet date. This has resulted in an additional revaluation gain in the year of £4,301,000.

The value of leasehold properties included above amounts to £3,200,000 (2015: £3,100,000).

Certain properties have been purchased with the help of value-linked loans from the Church Commissioners. The properties are revalued to fair value annually. On disposal the agreed share of the net sale proceeds will be remitted to the Church Commissioners and the related loan liability extinguished. The value of such properties included above amounts to £3,050,000 (2015: £3,030,000).

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

16. FIXED ASSETS INVESTMENTS

	At 1 January 2016 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	At 31 December 2016 £'000
Unrestricted funds						
Listed investments	6,702	1,216	(2,692)	(800)	232	4,658
Restricted funds						
Listed investments	2,802	-	(40)	-	201	2,963
Endowment funds						
Listed investments	19,465	773	(1,929)	800	1,005	20,114
Cash on deposit	719	-	(719)	-	-	-
	20,185	773	(2,648)	800	1,005	20,114
Total	29,689	1,989	(5,380)	-	1,438	27,735

17. DEBTORS

	2016 £'000	2015 £'000
Due within one year		
Current year Parish share	71	125
Loans to parishes	116	170
Loans to others	18	25
Other debtors and prepayments	1,111	451
	1,316	771
Due after more than one year		
Loans to parishes	391	586
Other debtors	12	43
	403	629
Total debtors	1,719	1,400

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

18. CREDITORS: amounts falling due within one year

	2016 £'000	2015 £'000
Bank loan repayment instalments due in one year	-	1,000
Other taxes and social security	31	76
Other creditors and accruals	1,183	2,469
Church of England Funded Pension Scheme	1,000	-
Total creditors: amounts falling due within one year	2,214	3,545

19. CREDITORS: amounts falling due after more than one year

	2016 £'000	2015 £'000
Loans repayable in instalments due after more than one year:		
Commercial loan	2,000	-
CBF other loan	1,000	1,000
Church Commissioners value-linked loans	3,050	3,030
Church Commissioners other loan	480	480
	6,530	4,510
Pension Scheme liabilities:		
Church of England Funded Pension Scheme	7,315	9,660
	7,315	9,660
Total creditors: amounts falling due after more than one year	13,845	14,170

	2016 £'000	2015 £'000
The maturity of the above loans may be analysed as follows:		
Between two and five years	2,480	480
In five years and more	4,050	4,030
	6,530	4,510

The commercial loan is a revolving credit facility with Barclays Bank plc repayable in 2018. Interest is charged at 2% per annum above Barclays Bank Rate. The loan is secured on certain SDBF properties.

The CBF other loan is a ten year loan repayable at the end of the term to assist with the purchase of properties. Interest is charged at 0.55% per annum above the CBF Church of England Deposit Fund Rate.

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

19. CREDITORS: amounts falling due after more than one year (continued)

The Church Commissioners other loan is a ten year interest free loan repayable at the end of the term to assist with the purchase a property.

Value-linked loans from the Church Commissioners are repayable on the sale of the property to which they relate. Interest is charged at 4% per annum. On disposal the agreed share of the net sale proceeds will be remitted to the Church Commissioners and the related loan liability extinguished.

20. SUMMARY OF FUND MOVEMENTS

	Balances at 1 January 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and Losses £'000	Balances at 31 December 2016 £'000
Unrestricted funds						
General	3,695	22,115	(20,444)	973	232	6,571
Designated funds						
Diocesan Pastoral Fund	588	946	(50)	645	-	2,129
Church Building Fund	386	-	(136)	(250)	-	-
Board Property Fund	41,388	-	-	-	2,740	44,128
Ministry Mission Fund	-	298	(574)	558	-	282
Multi Academy Trust Fund	-	-	-	800	-	800
	42,362	1,244	(760)	1,753	2,740	47,339
Restricted funds						
Ministry Mission Fund	550	26	(26)	(560)	10	-
Diocesan Stipend Income Fund	1,542	1,419	-	(2,961)	-	-
Xtend Project	(2)	21	(19)	-	-	-
Gilmore Fund	326	16	(11)	-	19	350
Dartmouth House Fund	2,488	108	-	(40)	172	2,728
	4,904	1,590	(56)	(3,561)	201	3,078
Endowment funds						
Ministry Fund	3,927	-	-	-	131	4,058
Diocesan Stipendiary Fund	79,341	-	-	1,345	7,016	87,702
Parsonage Capital Fund	134,601	-	-	(510)	(1,926)	132,165
	217,869	-	-	835	5,221	223,925
Total funds	268,830	24,949	(21,260)	-	8,394	280,913

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

21. SUMMARY OF ASSETS BY FUND

	Fixed assets Tangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General	3,150	4,658	6,464	(7,701)	6,571
Designated funds					
Diocesan Pastoral Fund	-	-	2,129	-	2,129
Board Property Fund	48,208	-	(4,080)	-	44,128
Ministry Mission Fund	-	-	282	-	282
Multi Academy Trust Fund	-	-	800	-	800
	48,208	-	(869)	-	47,339
Restricted					
Ministry Mission Fund	-	108	(108)	-	-
Gilmore Fund	-	343	7	-	350
Dartmouth House Fund	-	2,512	216	-	2,728
	-	2,963	115	-	3,078
Endowment					
Ministry Fund	-	3,160	898	-	4,058
Diocesan Stipendiary Fund	78,849	16,954	210	(8,311)	87,702
Parsonage Capital Fund	135,561	-	(3,396)	-	132,165
	214,410	20,114	(2,288)	(8,311)	223,925
Total funds	265,768	27,735	3,422	(16,012)	280,913

22. DESCRIPTION OF FUNDS

General Fund The fund represents the unrestricted undesignated fund available for any of the SDBF's purposes.

Diocesan Pastoral Fund The account is a designated fund for the purposes defined in the Mission and Pastoral Measure 2011 and represents capital receipts released following the sale of benefice houses (parsonages) and redundant churches. To the extent that any remaining funds are not required, or are not likely to be required, for these purposes then the funds may be applied to any general purpose of the SDBF.

Board Property Fund The fund is a designated fund and represents the fair value of properties held by the SDBF at the year end.

Multi Academy Trust Fund This is a designated fund to provide initial financial support for the Multi Academy Trust set up by SDBE.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

22. DESCRIPTION OF FUNDS (continued)

Ministry Mission Fund	This designated fund represents a grant received from the Archbishops' Council to fund mission within the diocese. Funding ceased on 31 December 2016.
Diocesan Stipend Income Fund	This restricted fund represents income received from the Diocesan Stipendiary Fund where expenditure is restricted to purposes connected to stipends or parsonages.
Xtend Project	Xtend is a mission project run for the Diocese by Springfield Church, Wallington and St Paul's Church, Brixton. It is funded by a restricted grant from the Archbishops' Council. Funding for the project ceased on 31 December 2016.
Gilmore Fund	The Isabella Gilmore fund is a restricted fund for the purpose of the education and development of licensed, commissioned or ordained women clergy.
Dartmouth House Fund	This is a restricted fund 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 of Southwark.
Ministry Fund	This is a permanent endowment fund held under the Endowments and Glebe Measure 1976 from which the income arising and/or benefit of use of the asset has been passed to the SDBF for the purpose of supporting clergy stipends within the Diocese.
Diocesan Stipendiary Fund	This is a permanent endowment fund and represents the glebe assets of benefices from which the income arising and/or benefit of use has been passed to the SDBF under the provisions of the Mission and Pastoral Measure 2011.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

22. DESCRIPTION OF FUNDS (continued)

Parsonage Capital Fund	The fund is a permanent endowment fund and represents the capital assets relating to benefice houses (parsonages) but which under the Repairs of Benefice Buildings Measure 1972 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 the Diocesan Pastoral fund, a designated fund for future building or improvement works to other parsonages.
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23. CAPITAL COMMITMENTS

At 31 December 2016 the SDBF had capital expenditure commitments authorised but not contracted for of £nil (2015: £nil), and contracted for but not yet due of £2,019,000 (2015: £1,985,000).

24. OPERATING LEASES

Total commitments under non-cancellable operating leases are as follows:

	2016 £'000	2015 £'000
Minimum lease payments due		
Within one year of the balance sheet date	127	172
In the second to fifth years inclusive of the balance sheet date	163	138
More than five years from the balance sheet date	19	19
	<u>309</u>	<u>329</u>

Total lease rental payments expensed in the year are £311,000 (2015: £380,000)

25. POST BALANCE SHEET EVENTS AND CONTINGENT LIABILITIES

There were no post balance sheet events or contingent liabilities at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

26. PENSIONS

The SDBF participates in two pension schemes administered by the Church of England Pensions Board: the Church of England Funded Pensions Scheme (CEFPS) for stipendiary clergy and; the Church Workers Pension Fund (CWPF) for lay staff.

Church of England Funded Pension Scheme

The SDBF participates in the CEFPS for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the employer and the other participating employers.

Each participating employer in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2015. The valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030 ; and
 - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- investment returns of 2.6% p.a. on gilts and 4.6% p.a. on equities;
- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- increase in pensionable stipends of 3.2% p.a.;
- mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance for improvements in mortality rates in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.5%.

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the deficit repair contributions payable (as a percentage of pensionable stipends) are as set out in the table below. Contributions since 2015 are shown for reference.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

26. PENSIONS (continued)

Church of England Funded Pension Scheme (continued)

Percentage of pensionable stipends

	January 2015 to December 2017	January 2018 to December 2025
Deficit repair contributions	14.1%	11.9%

As at December 2014 and December 2015, the deficit repair contributions payable under the recovery plan in force were 14.1% of pensionable stipends until December 2025.

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

	2016 £'000	2015 £'000
Balance sheet liability as at 1 January	9,660	11,122
Contributions paid	(1,061)	(1,033)
Interest cost (recognised in the SoFA)	228	243
Remaining change to the balance sheet liability* (recognised in SoFA)	(512)	(672)
Balance sheet liability as at 31 December	£8,315	£9,660

* Comprises change in agreed deficit recovery plan and change in discount rate and assumptions between year-ends.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

26. PENSIONS (continued)

Church of England Funded Pension Scheme (continued)

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	December 2016	December 2015	December 2014
Discount rate	1.5% pa	2.5% pa	2.3% pa
Price inflation	3.1% pa	2.4% pa	2.7% pa
Increase to total pensionable payroll	1.6% pa	0.9% pa	1.2% pa

The legal structure of the scheme is such that if another employer fails, the employer could become responsible for paying a share of that employer's pension liabilities.

Church Workers Pension Fund

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

The CWPF has a section known as the DBS, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014. The SDBF closed the DBS section to new entrants from July 2013.

Defined Benefits Scheme

The DBS section of the CWPF provides benefits for lay staff based on final pensionable salaries.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

26. PENSIONS (continued)

Church Workers Pension Fund (continued)

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2016: £nil, 2015: £nil), plus any impact of deficit contributions (see below) giving a total charge of £nil for 2015 (2015: £nil).

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

In this valuation, the Life Risk Section was shown to be in deficit by £4.9m and £4.3m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £12.9m.

Following the valuation, the Employer has entered into an agreement with the CWPF to pay a contribution rate of 29.1% of pensionable salary and expenses of £11,200 per year.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out below:

	2016 £'000	2015 £'000
Balance sheet liability as at 1 January	-	664
Contributions paid	-	-
Interest cost (recognised in the SoFA)	-	7
Remaining charge to the balance sheet liability* (recognised in SoFA)	-	(671)
	<hr/>	<hr/>
Balance sheet liability as at 31 December	£-	£-
	<hr/>	<hr/>

* Comprises change in agreed deficit recovery plan and change in discount rate and assumptions between year-ends.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

26. PENSIONS (continued)

Church Workers Pension Fund (continued)

Defined Benefits Scheme (continued)

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions, set by reference to the duration of the deficit recovery payments:

	December 2016	December 2015	December 2014
Discount rate	<u>0.00%</u>	<u>0.00%</u>	<u>1.10%</u>

Pension Builder Scheme

The Pension Builder Scheme of the CWPf is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

Pension Builder Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the Church of England Pension Board from time to time. Bonuses may also be declared, depending upon investment returns and other factors.

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age.

There is no sub-division of assets between employers in each section of the Pension Builder Scheme.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2016: £104,000, 2015: £70,000).

A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2013. This revealed, on the ongoing assumptions used, a surplus of £0.5m. There is no requirement for deficit payments at the current time.

26. PENSIONS (continued)

Church Workers Pension Fund (continued)

Pension Builder Scheme (continued)

Pension Builder 2014 will be valued in relation to the lump sum payable to members at normal retirement age. There are no annual pension benefits. Pension Builder 2014 commenced in February 2014 so the first full valuation of that section will be carried out at the next CWPf valuation date, 31 December 2016.

27. RELATED PARTY TRANSACTIONS

Until its merger on 31 July 2016 the Southwark & London Diocesan Housing Association (SLDHA) occupied space in Trinity House rent free. During the year the SDBF received a donation from SLDHA of £18,975 (2015: £35,538).

The SDBF has a number of related party relationships with connected organisations as detailed on page 10 of this annual report. Grants made in the current and previous year to these related parties are disclosed in Note 12 to these accounts.

THE SOUTH LONDON CHURCH FUND & SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

28. PRIOR YEAR STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted funds		Restricted	Endowment	Total funds
	General	Designated	Funds	Funds	2015
	£'000	£'000	£'000	£'000	£'000
Income and endowments from					
Donations					
Parish contributions	15,983	-	-	-	15,983
Archbishops' Council	559	-	17	-	576
Other donations	1,212				1,212
Charitable activities	1,225	130	-	-	1,355
Other activities	118				118
Investments	849	72	1,665	-	2,586
Other	14	2,031	-	(46)	1,999
	<u>19,960</u>	<u>2,233</u>	<u>1,682</u>	<u>(46)</u>	<u>23,829</u>
Expenditure on					
Raising funds	27	-	-	-	27
Charitable activities	19,093	365	38	4	19,500
Total	<u>19,120</u>	<u>365</u>	<u>38</u>	<u>4</u>	<u>19,527</u>
Net income/(expenditure) before investment gains	840	1,868	1,644	(50)	4,302
Net gains/(losses) on investments	108	50	(11)	306	453
Net income	<u>948</u>	<u>1,918</u>	<u>1,633</u>	<u>256</u>	<u>4,755</u>
Transfers between funds	(668)	(794)	-	1,462	-
Other recognised gains					
Gains/(losses) on revaluation of fixed assets	-	18,714	(2)	28,466	47,178
Net movement in funds	<u>280</u>	<u>19,838</u>	<u>1,631</u>	<u>30,184</u>	<u>51,933</u>
Total funds brought forward	<u>3,415</u>	<u>22,524</u>	<u>3,273</u>	<u>187,685</u>	<u>216,897</u>
Total funds carried forward	<u>3,695</u>	<u>42,362</u>	<u>4,904</u>	<u>217,869</u>	<u>268,830</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

29. FUNDS HELD AS CUSTODIAN TRUSTEE

The SDBF acts as Diocesan Authority or Custodian Trustee for many trust funds by virtue of the Parochial Church Councils (Powers) Measure 1956, as amended, and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. Assets held as Custodian Trustee are not controlled by the SDBF and are not included in these financial statements. They are summarised as follows:

	2016 £'000	2015 £'000
CBF Church of England Investment Fund	7,551	6,500
CBF Church of England Global Equity Income	1,146	422
Other CBF Church of England funds	581	508
Other Common Investment and OEIC holdings	2,960	2,740
Direct holdings in UK equities and gilts	466	416
CBF Church of England Deposit Fund	3,934	3,302
Cash at bank	-	1
	<hr/>	<hr/>
Total assets held as Custodian Trustee	16,638	13,889
	<hr/>	<hr/>

30. SUBSIDIARY UNDERTAKING

The SDBF is the beneficial owner of a subsidiary undertaking, Southwark DBF Trading, a company limited by guarantee, which is registered in England and supplies property and administrative services to the SDBF. The company did not trade during the current or prior year and had no assets or liabilities at the Balance Sheet date (2015: £nil).

A large print version of these financial statements are available on request from:

The Secretariat,
Trinity House,
4 Chapel Court,
Borough High Street,
London SE1 1HW

Or email: ExecAssistant@southwark.anglican.org