

Company No. 00236594
Charity No. 249678

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

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

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SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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FOR THE YEAR ENDED 31 DECEMBER 2013

**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE
REPORT OF THE TRUSTEES (continued)**

FOR THE YEAR ENDED 31 DECEMBER 2013

12 Clergy by Archdeaconry

Lewisham	Revd Stephen Cook to 31 Dec 2013 Revd Jane Kustner from 1 Jan 2014 Vacancy
Southwark	Revd Anthony Buckley Vacancy
Lambeth	Revd John Hayward Revd Andrew Wakefield
Wandsworth	Revd Barry Nichols # Revd James Peacock from 1 Jan 2014
Croydon	Revd David Billin Revd Vickie Sims to 31 Mar 2014
Reigate	Revd William Campen* Revd Jeremy Garton
Bishop's Nominees	Mr John Kempself *
	Mr Roger Squire #
	Revd Dr John Thewlis *
	Revd Jane Kustner to 31 Dec 2013*
	Mr John Henson *

Executive & Glebe Committee (as at 31 December 2013)

As marked by * above, Chair, Mr John Kempself.

Audit Committee (as at 31 December 2013)

As marked by + above, Chair, Mr Ian Harley also
Mr Jeremy Kean to 11 Mar 2013

Mr James Cross
Mr Chris Glasson from 16 Apr 2013.

Investment Committee (as at 31 December 2013)

As marked by # above, Chair, Revd Barry Nichols

Senior staff and principal advisors

Diocesan Secretary to the Board:

Mr Simon J B Parton (Lay Canon)

Registered Address:

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

Diocesan Surveyor:

Mr Eric Greber, MRICS

Deputy Diocesan Secretary:

Mr Andrew Lane

Director of Communications & Resources:

Ms Wendy Robins

Financial Controller:

Mr Robert Dallimore (to 30 Jun 2013)
Mr Mark Gregory (from 1 Jul 2013)

Statutory auditors:

haysmacintyre
26 Red Lion Square
London
WC1R 4AG

Bankers:

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

Bankers (cont.)

Barclays Bank Plc
1 Churchill Place
London E14 5HP

Solicitors:

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

Investment Fund Managers:

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

Cazenove Capital Management Ltd
12 Moorgate
London EC2 6DA

CCLA Investment Management Ltd
80 Cheapside
London EC1V 6DV

Charities Property Fund, Cordea Savills
Lansdowne House, 57 Berkeley Square
London W1J 6ER

Hermes Investment Management Ltd
1 Portsoken Street
London E1 8HZ

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

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

Mayfair Capital Investment Management Ltd
44 Davies Street
London W1K 5JA

Royal London Asset Management Ltd
55 Gracechurch Street
London EC3V 0UF

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

SUMMARY INFORMATION ABOUT THE STRUCTURE OF THE CHURCH OF ENGLAND

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

The Church of England is organised as two provinces; each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises Dioceses of which there are 43 in England. Each Diocese in England is divided into parishes. Each parish is overseen by a parish priest (usually called a vicar or rector). From ancient times through to today, they and their bishop are responsible for the 'cure of souls' in their parish.

Her Majesty the Queen, who is the Supreme Governor of the Church of England, appoints archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The two archbishops and 24 senior bishops sit in the House of Lords.

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

The three National Church Institutions

The Archbishops' Council, the Church Commissioners and the Church of England Pensions Board are sometimes referred to as the three National Church Institutions. The Archbishops' Council was established in 1999 *to co-ordinate, promote, aid and further the mission of the Church of England*. Its task is to give a clear sense of direction to the Church nationally and support the Church locally by acting as a policy discussion forum. The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. The costs of episcopal administration through the diocesan and suffragan bishops are met by the Church Commissioners.

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

The Cathedral

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

THE DIOCESE

Diocesan Synod

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

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

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

Deanery Synods

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

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

The Bishop's Council

The Bishop's Council has the following functions:

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

Parochial Church Council (PCC)

The PCC is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. The PCC is made up of the incumbent as chair, the churchwardens and a number of elected and ex officio members. Each PCC is a charity, which prior to September 2009 are excepted from registration with the Charity Commission. The Charities Act 2005 allowed PCCs to be registered with the Charity Commission, with a phased implementation process starting with PCCs with income over £100,000 registering from September 2009. Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

Parishes

A benefice is a parish or group of parishes served by an incumbent who typically receives a stipend and the benefit of free occupation and use of a parsonage house from the Diocese for carrying out spiritual duties. A deanery is a group of parishes over which an area dean has oversight and an archdeaconry is a group of deaneries for which an archdeacon is responsible. The Diocese is then the principal pastoral and in turn financial and administrative resource of the Church of England, encompassing the various archdeaconries under the spiritual leadership of the Diocesan Bishop.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

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

Company Registration Number: 236594

Registered Charity Number: 249678

Governing Document: Memorandum & Articles of Association

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Committee Structure

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

- The Executive & Glebe Committee, which manages the development, retention or disposal of glebe and board properties. It also reviews the Fairer Shares parish apportionment formula and processes which ensure the fair evaluation and regular collection of parish contributions. The committee also has an overview of financial management including rental arrears, general debt control and management. The Executive & Glebe Committee meets at least quarterly between Board meetings.
- A separate Investment Committee reports to the Board of Finance. It reviews investment strategy, proposed alternative investment managers, monitors investment performance and makes recommendations to the Board of Finance. It meets at least quarterly and also meets fund managers at least once during the year.
- The Parsonages and Property Maintenance Committee, gives direction to the repair of parsonage, glebe and board properties. The committee also monitors the possible replacement of parsonages. It usually meets six times each year.
- The Audit Committee liaises with the Auditors and reports to the Board on matters of internal control, financial accounting and governance. It meets at least quarterly.
- The Communications & Resources Committee has the responsibility of looking after press, publicity, publications and communication and provides stewardship support to parishes.
- The Stipend & Budget Committee reviews the budget submissions covering income, spending department budgets and their consolidation into the annual budget submission. It has a statutory duty to review clergy stipends.

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

Appointment of Trustees

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

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

Trustees' responsibilities

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Trustees 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 affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

- 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 presume that the charitable 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 accounts have been prepared in accordance with company law and Statement of Recommended Practice Accounting and reporting by Charities (the Charities SORP). This Trustees report contains all the information that is necessary to meet statutory requirements. Further details of Diocesan activities are given in the Diocese of Southwark Annual Review 2013, which from mid 2014, will be available from the Communications and Resources Department, Trinity House, or may be downloaded from the Diocesan Website, <http://www.southwark.anglican.org/>.

Related parties:

General Synod, Church Commissioners and Archbishops' Council

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

Parochial Church Councils (PCCs)

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

Connected charities:

Diocesan Board of Education

The Diocesan Board of Education is a separate registered charity (Registered Number 313001) that supports 106 Church of England schools; 91 primary, 15 secondary of which 5 are academies. The Board of Education supports the provision, effectiveness and development of education in all Church of England schools within the Diocese of Southwark. It specifically seeks to develop the Christian ethos and distinctiveness of church schools; to promote religious education and collective worship; to advise school governors and trustees and support the maintenance and improvement of school buildings and facilities. The main grant from the Diocese in 2013 was £233,432 (2012: £245,718). Additional grants of £33,901 are reflected in 2013 (2012: £33,718). The Board of Education also supports the provision of chaplaincy in higher and further education institutions.

The Ven Chris Skilton is a Trustee of the Diocesan Board of Finance and the Diocesan Board of Education.

Southwark Diocesan Welfare

Southwark Diocesan Welfare is a separate registered charity (Registered Number 1107859) that provides services for parents and children with the objective of promoting the Christian faith as expressed in the social mission of the church in the Anglican Diocese of Southwark. The independently registered charity operates in various locations of the Diocese. The charity is supported by a grant in the year to December 2013 of £169,592 (2012 £178,518). Two Trustees of Welfare are also Trustees of the Board. The Ven Daniel Kajumba and Mr Andrew Simon are both Trustees of the Diocesan Board of Finance and Southwark Diocesan Welfare.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Southwark & London Diocesan Housing Association

Southwark and London Diocesan Housing Association (SLDHA) is a charity although it is exempt from registration with the Charity Commission. Like most Housing Associations, it is registered instead with its funder and regulator, The Homes and Communities Agency (number LH 3934). The Bishop of Southwark and the Bishop of London are joint Presidents of the Association.

The staff of SLDHA are located in Trinity House. During the year, the Board received a contribution towards shared costs, from the Association, of £35,538 (2012: £38,400). The Association owns and manages 257 high quality homes, let at affordable rents.

STRATEGIC REPORT

OBJECTIVES AND ACTIVITIES

Aims and objectives

The Board aims to support the parishes and the clergy of the Diocese in their mission, and to control the use of cash and capital resources toward the fulfilment of that task. It aims to support the parishes to maintain a Christian presence in every community. The Diocesan Annual Review gives further details of the activities of the Diocese including the key objectives of working groups. The Annual Review is produced by Communications and Resources for the Southwark Diocesan Board of Finance and is available from Trinity House or website: <http://www.southwark.anglican.org/>.

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

The key activities may be summarised as:

- resourcing the Ministry and Mission by providing a priestly presence in every parish of the Diocese and enabling all clergy and lay members to be effective disciples;
- with the aid of key performance indicators, managing the number of clergy in post against budget and receipt of Fairer Shares contributions against assessment;
- providing clergy training, housing, stipends, pension and all other expenditure supporting parish based ministry;
- contributions for national church institutions (mainly by financial support which is assessed nationally);
- education and social outreach funding;
- specific Diocesan Projects typically engaging with communities and people of God in the Diocese;
- provision of a Diocesan Retreat House.

Public Benefit

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

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

Statutory functions

The Board has responsibility for the management of glebe property and investments to generate income to support the cost of stipends. The Trustees are also Custodian Trustees in relation to PCC property and other trusts.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

OBJECTIVES AND ACTIVITIES (continued)

Grant-making policy

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

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

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

The Diocese of Southwark receives funding from the Church Commissioners. During 2013 this sum was £288,000 (2012 £276,000) and has been budgeted to support mission initiatives in 2014. The Mission Fund has also enabled Area Mission Teams to extend their work in a number of ways, by providing grants. Further details of the Mission Fund are given in the Achievements and Performance section of this report.

Trading Company

Southwark DBF Trading Ltd received an £8,000 overage payment during the year to 31 December 2013, in connection with the development at 3-5 Trinity Road, Wimbledon. This sum was gifted to the Southwark Diocesan board of Finance. Trustees intend to retain the company for potential future trading opportunities.

Going concern

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

ACHIEVEMENTS AND PERFORMANCE

The Board of Finance reviewed financial performance throughout 2013 by monitoring the key performance indicators of Fairer Shares income against budget and clergy establishment. Rental income was regularly reviewed, whilst investment income forecasts were updated with information from investment fund managers. Property maintenance expenditure is regularly reviewed against budget.

The Fairer Shares collections in 2013 amounted to £15.3 million (2012: £15.1 million). However this is below the budgeted income expected for 2013 by £0.36 million, after taking into account a provision for non-collection of £0.6 million. (2012 shortfall £0.52 million, after a £0.3 million provision). The continuing shortfall remains a significant concern.

Resourcing the Ministry & Mission in the parishes

The 2013 budget envisaged 313.5 funded clergy posts to be available to minister to parishes and chaplaincies throughout the Diocese. The average actual number of clergy staff in post through the year was 318.4. (2012: budgeted posts 318; actual posts 324.) The Board also pays the stipends of archdeacons and clergy in Area Mission Teams, and in Ministry & Training. The four bishops are paid by the Church Commissioners and hence not reflected in the Board's posts.

Providing clergy training, housing, stipends pension and other expenditure

The ability to maintain clergy is dependant on parishes making contributions to the Board using the apportionment formula 'Fairer Shares'. This is based on congregation numbers and the potential relative wealth of each parish. In 2013 the Board received 93.7% of the amount requested (2012: 94.6%). The Board continues to pay the stipends, National Insurance and Pensions of the clergy in full and on time during the year.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

ACHIEVEMENTS AND PERFORMANCE (continued)

The Parsonages & Property Maintenance Committee incurred expenditure of £4.1 million (2012 £3.9m). One new house for clergy was completed in the year, with work-in-progress on three new parsonages. The capital cost of these parsonage developments amounted to £1.5 million.

The Ministry & Training Committee has continued to provide training programmes to the clergy, which in total amounted to £2.2 million (2012: £2.1 million). This amount includes £590,000 (2012: £570,000) as the Diocese's share of national training costs for ordinands.

Contributions for National Church Institutions

The Board paid in full its apportionment towards the administration cost of the Archbishops' Council, CHARM (assisted housing for retired clergy) and Mission Agency Clergy Pensions. This contribution to the National Church is £580,000 (2012: £580,000).

Education & Social Outreach

The Board paid to the Board of Education the amount provided in the budget to assist with the administration of church schools. Southwark Diocesan Welfare also received its agreed grant in full to assist with central core funding.

Mission Grants

Mission funds totalling £209,000 have been funded as follows:

- In the *Croydon Area* 30 projects were awarded grants in 2013. The grants are allocated by a panel drawn from the Croydon Area Mission Team.
- The *Kingston Area* has distributed 25 grants which are decided by a panel drawn from the Area Forum.
- In the *Woolwich Area* 26 grants have been awarded following an application process and review by a panel from Area Forum.
- *Working Groups* have awarded grants and supported outreach events during the year which in total have amounted to £50,000.

Specific Diocesan Projects

The Board continued to fund the Groups and Committees established by the diocesan synod which look at mission, public policy and work with children and young people, as well as Minority Ethnic Anglican Concerns. These working groups and committees report to the Bishop's Council. The three Area Forums also report to the Bishop's Council on their activities, including the use of the Mission Grants referred to above.

Provision of a Diocesan Retreat House (Wychcroft)

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

Long term major repair and improvements are funded by grants from St Mark's Foundation from whom the property is leased. In 2013 Wychcroft benefited from a significant donation of £132,000 from the Gilmore House Old Students' Association, which is to be used for the provision of Training in the Diocese.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL REVIEW

Financial Overview

There was a deficit for the year of £3.2 million before gains arising from revaluation of assets. (2012 deficit: £3.3 million). Income totalled £21.2 million (2012: £20.6 million), whilst expenditure, including depreciation of £2.0 million, amounted to £24.3 million (2012: £23.9 million). After gains on revaluation of assets of £5.6 million are taken into account, there was a net increase in funds of £2.5 million.

The main source of income to the Diocese is the Fairer Shares contributions from parishes. The Diocese set a budget at £15.7 million in 2013 but Fairer Shares receipts raised £15.3 million. The Fairer Shares shortfall of £400,000 is the main reason for the reduction in General Reserves from £5.1 million to £4.4 million in the year. Despite the shortfall, the regular contributions of Fairer Share contributions through the year have enabled stipends, salaries and general expenses to be fully maintained.

Total voluntary income was £1.9 million (2012: £1.7 million). Note 2b to the financial statements sets out further details including the sums received from outside the Diocese, being Trust for London and the Allchurches Trust. Additionally the Church Commissioners provided £288,000 (2012: £276,000) specifically for mission initiatives and further contributions toward the secretarial support for Area Bishops.

Expenditure includes property related depreciation of £1.9 million (2012: £1.9 million) which is compensated by a matching revaluation within the net gain on revaluation of fixed assets.

Clergy in Southwark were awarded a stipend increase of 1.0% in January 2013. The total stipend and related costs were £11.5 million (2012: £11.8 million). Further details are provided in note 12 to the accounts.

The latest actuarial review of the clergy pension scheme, managed by the Church of England Pensions Board was completed as at 31 December 2012. Following this valuation, the contribution rate was set at 39.9% of the National Minimum Stipend, however this does not come into effect until January 2015. Until then, the contribution rate remains at 38.2%.

The lay staff pension scheme is also arranged via the Church of England Pensions Board and was valued as at December 2010. The valuation basis adopted by the Pension Board produced a contribution rate of 36.5% of pensionable salaries in respect of the future accrual benefits from April 2012 to 30 June 2013. The previous accrual rate was 30.2%. In order to address the increasing pension costs for lay staff, following a period of consultation the Diocesan Board of Finance approved certain changes to staff pension entitlements. It was agreed that existing staff would continue to be enrolled in the Church Workers' defined benefits scheme, but with effect from 1 July 2013 the pension accrued would reduce from 1/60th to 1/80th of final salary for each year of pensionable service in future. The revised pension accrual reduced the contribution rate from 36.5% to 34.0%.

Concurrently it was agreed that new staff would no longer be eligible to join the defined benefits scheme but would be able to join the defined contribution "Pension Builder" scheme. As at 31 December 2013, 39 staff were members of the Defined Benefit scheme and three were members of the Pension Builder scheme.

The Diocese is prepared for the changes in pension legislation that will require auto enrolment. The staging date when this will take effect for DBF staff is 1 July 2015.

Investment policy and performance

The Investment Committee, established by the Board in May 2010, continues to meet at least quarterly.

The committee operates in accordance with an investment policy established by the Board. This requires an ethical investment approach focusing on corporate governance and responsible investor conduct, recognising that the Board does not invest directly in the stock market, but through collective investment vehicles such as Common Investment Funds and Property Unit Trusts. An ethical investment review was carried out in March 2013. This confirmed that the equity funds in which the Board has an investment do not breach the ethical investment policy. In researching the placement of funds with managers the Board seeks to obtain the best economic return in accordance with the investment strategy. The investment policy, which continues to be set and reviewed by Trustees, is to seek the best possible overall

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL REVIEW (continued)

return on financial investments, having due regard to the preservation of capital. The Diocesan Stipend Fund and ex-Trust Funds aim to maximise the growth of income in the longer term and the Board of Finance Funds aim to maximise the growth overall in the longer term.

Investments, other than property, are held in the form of collective investment vehicles. The investment valuation as at December 2013 was £34.1 million (2012: £28.1 million). Fund manager performance was reviewed regularly during 2013. A detailed review of equity and property investment fund holdings was undertaken in October and November respectively. Investment income is analysed in note 4 and amounted to £2.06 million (2012: £1.94 million).

Rental Income

Rental income from all forms of property totalled £0.76 million (2012: £0.68 million). The majority of rental income of £0.61 million (2012 £0.51 million) is derived from Glebe and Board properties and is recognised as Investment Income. Rentals of £0.15m from letting vacant parsonages and redundant churches are recognised under the heading of "Activities for Generating Funds". Property is primarily for use by clergy, though some glebe land may be retained long-term as an asset which will generate a sustainable future income which can be used to fund clergy stipends.

Designated Funds

The movements on designated funds are detailed in note 19 and the transfers between funds are detailed in note 27 to the accounts.

The Parsonages Capital Fund reflects the accumulated income from selling parsonages. In 2013 the proceeds of two parsonages generated £2.5 million, which was transferred to the fund. The drawing from the fund includes the purchase of one parsonage property at £1.2 million plus transfers as work-in-progress and £0.4 million planned drawing to the general fund.

The clergy in-service training fund recognises the commitment to maintain post ordination training for clergy with £0.44 million set aside for this purpose at December 2013.

Equity Loans

Equity loans are provided to the Board to enable deserted clergy spouses or PCCs to purchase a property on a shared equity basis, typically for use by a curate. These loans are referred to as Value Linked Loans and they are advanced against specific properties. The equity interest is agreed at the commencement of the loan, and when any capital repayments are made. The interest charged is varied annually and is linked to an RPI inflation factor. One new shared equity property was purchased in the year and the value of the loans as at 31 December 2013 was £1.8 million.

External factors affecting performance

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

Reserves policy

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL REVIEW (continued)

Free reserves are maintained for the following purposes:

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

The General Funds of the Board reduced to £4.4 million (2012: £5.1 million) as reflected on page 16 of these accounts. Excluding functional fixed assets, free reserves were £4.3 million as at 31 December 2013, representing 2.1 months of expenditure (2012: £5.1 million representing 2.5 months).

Parsonage Houses

The Parsonages and Property Maintenance Committee has an overview of the maintenance of housing stock used by clergy. In addition to maintaining clergy accommodation, there is a policy of replacing financially unsustainable houses with high quality, well insulated modern parsonages. As at 31 December 2013 the parsonage housing stock was valued at £135 million (2012: £137 million). Additionally Glebe properties were valued at £34 million (2012: £34 million). These properties are shown at a combined value of £169 million which is reflected in note 13. Properties are valued at 100% of the full insured value in the current year. The insurance value of properties is re-evaluated periodically, typically when properties are rented, or when improvements are made during a vacancy.

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

STATEMENT ON RISK MANAGEMENT AND KEY RISKS IDENTIFIED

Risks are formally identified and recorded in a Risk Register, which details an assessment of the severity of the risk, the management strategy, any further action required and who is responsible for carrying out risk mitigation actions.

The risk register is formally reviewed by Trustees at least annually. The most recent Review was in early 2014. The development and active review of the risk register is a three stage process. Departmental managers together with a few Trustees, evaluate risks and the strength of internal controls to mitigate the exposure to risk. The risk register is reviewed by the Audit Committee, primarily to ensure that the review process is suitably performed. The risk register is presented and reviewed by Trustees at Board meetings.

Currently the most significant risk is considered to be under collection of parish assessments. A fundamental review of the current Fairer Shares system was carried out in 2013, and changes are anticipated as detailed below.

PLANS FOR FUTURE PERIODS

Following the adoption by the November 2012 meeting of the Diocesan Synod of the *Strategy for Ministry*, the Bishop's Council and the Diocesan Board of Finance (DBF) agreed to conduct a fundamental review of the Fairer Shares System in the Diocese. The Root & Branch Review Group is a body appointed by the Bishop's Council and the Diocesan Board of Finance and reports formally to both bodies.

A report from the group was presented to and approved by Diocesan Synod in November 2013. The report recommended that whilst Fairer Shares served the Diocese well for many years, it was time to move to a new scheme. A group has been set up to design a new offerings-based scheme, which is 'explicitly theological, mission-focused and financially coherent.' During May and June 2014 it is planned to hold Archdeaconry conversations about the key principles and the development of a new way forward.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

PLANS FOR FUTURE PERIODS (continued)

Costs will continue to be kept under review and reduced where possible. The expectation is to carefully review our planned expenditure when drawing up the budget for 2015 and to fully evaluate our commitments and designated fund requirements.

The Board will continue to:

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

FUNDS HELD AS CUSTODIAN TRUSTEE FOR OTHERS

The Board is Custodian Trustee for 375 trust funds (2012: 389). Three new accounts were opened during the year and 17 were closed. These trusts have investments with a market value at December 2013 of £10.3 million (2012: £9.3 million). Additionally these trusts have funds on deposit of £4.9 million (2012: £4.0 million). These deposit funds are mainly held with the Central Board of Finance of the Church of England.

Statements of the movements on the accounts and the holdings as at 31 December 2013 were sent to parishes and other Managing Trustees of the respective charities in late January 2013. The Board also holds Parochial Church Council (PCC) property as Custodian Trustee. Each PCC is a separate charity. The assets are held separately from those of the Board and do not form part of these financial statements.

AUDITORS

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

Mr John Kempson FCA
Chairman

Signed



7 May 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

We have audited the financial statements of South London Church Fund and Southwark Diocesan Board of Finance for the year ended 31 December 2013 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditor

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Adam Halsey, Senior Statutory Auditor
for and on behalf of haysmacintyre
Chartered Accountants
Statutory Auditor

7 Mar 2014

26 Red Lion Square
London
WC1R 4AG

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2013 £'000	Total 2012 £'000
INCOMING RESOURCES							
Income from generated funds							
Voluntary Income							
Parish contribution	2a	15,361	-	-	-	15,361	15,164
Other voluntary income	2b	1,411	132	321	-	1,864	1,748
Activities for generating funds	3	121	-	-	28	149	172
Investment income	4	703	3	1,351	-	2,057	1,941
Income from charitable activities							
Statutory fees, chaplaincy & other income	5	900	-	-	-	900	1,012
Diocesan Retreat House		-	137	-	-	137	143
Other incoming resources	6	96	507	-	94	697	386
Total incoming resources		<u>18,592</u>	<u>779</u>	<u>1,672</u>	<u>122</u>	<u>21,165</u>	<u>20,566</u>
RESOURCES EXPENDED							
Costs of generating funds							
Lettings management costs		28	-	-	-	28	30
Charitable activities							
Contributions to National Church		580	-	-	-	580	578
Resourcing ministry & mission	7	18,832	969	1,573	1,710	23,084	22,636
Education & Welfare	8	437	-	-	-	437	458
Diocesan Retreat House		-	179	-	-	179	152
Governance costs	9	28	-	-	-	28	47
Total resources expended	10	<u>19,905</u>	<u>1,148</u>	<u>1,573</u>	<u>1,710</u>	<u>24,336</u>	<u>23,901</u>
Net (outgoing)/incoming resources Before transfers		<u>(1,313)</u>	<u>(369)</u>	<u>99</u>	<u>(1,588)</u>	<u>(3,171)</u>	<u>(3,335)</u>
Gross transfers between funds	27	<u>(262)</u>	<u>49</u>	<u>-</u>	<u>213</u>	<u>-</u>	<u>-</u>
Net (outgoing)/incoming resources before other recognised gains and losses		<u>(1,575)</u>	<u>(320)</u>	<u>99</u>	<u>(1,375)</u>	<u>(3,171)</u>	<u>(3,335)</u>
Other recognised (losses)/gains							
(Loss)/gain on fixed assets		-	(20)	-	682	662	2,874
Gain on investment assets		891	16	420	3,638	4,965	2,194
Net movement in funds		<u>(684)</u>	<u>(324)</u>	<u>519</u>	<u>2,945</u>	<u>2,456</u>	<u>1,733</u>
Total funds at 1 January		<u>5,088</u>	<u>24,007</u>	<u>2,790</u>	<u>192,220</u>	<u>224,105</u>	<u>222,372</u>
Total funds at 31 December		<u>4,404</u>	<u>23,683</u>	<u>3,309</u>	<u>195,165</u>	<u>226,561</u>	<u>224,105</u>

The notes numbered 1 to 27 form part of these financial statements.

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

BALANCE SHEET

Company No. 00236594

AT 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
FIXED ASSETS			
Tangible assets	13	192,115	193,677
Investments	14	34,124	28,057
		<u>226,239</u>	<u>221,734</u>
CURRENT ASSETS			
Debtors	15	4,032	5,309
Short term deposits		805	1,711
Cash and bank		2,293	686
		<u>7,130</u>	<u>7,706</u>
CREDITORS: amounts falling due within one year	16a	(2,036)	(931)
NET CURRENT ASSETS		<u>5,094</u>	<u>6,775</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		231,333	228,509
CREDITORS: amounts falling due after one year	16b	(4,772)	(4,404)
NET ASSETS		<u>226,561</u>	<u>224,105</u>
CAPITAL FUNDS			
Endowment funds	17	195,165	192,220
INCOME FUNDS			
Restricted funds	18	3,309	2,790
Unrestricted funds			
Designated funds	19	23,683	24,007
Other unrestricted funds:			
Functional fixed assets		69	14
Free reserves		4,335	5,074
		<u>226,561</u>	<u>224,105</u>

The financial statements were approved and authorised for issue by the Board on 7 May 2014 and were signed below on its behalf by:

Mr John Kempself FCA
Chairman



Mr Ian Akhurst
Trustee



The notes numbered 1 to 27 form part of these financial statements.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
Net cash (outflow) from operating activities	23	(894)	(3,390)
Returns on investments and servicing of finance			
Investment income		2,057	1,941
		1,163	(1,449)
Capital expenditure and financial Investment			
Purchase of tangible fixed assets		(3,168)	(3,346)
Sale of tangible fixed assets		3,440	3,680
Purchase of investments		(3,778)	(898)
Sale of investments		2,676	1,862
		(830)	1,298
Cash inflow/(outflow) before financing		333	(151)
Financing			
Increase in long term borrowings	24	368	653
		368	653
Increase in cash and short term deposits	24	701	502

The notes numbered 1 to 27 form part of these financial statements.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

(a) Basis of accounting

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

They comply with the Companies Act 2006, the Charities Act 2011 and the Diocesan Annual Report and Financial Statements Guide.

(b) Fixed assets - tangible assets and depreciation

Property valuations

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

Parsonages	100% Insurance Value
Glebe (residential)	100% Insurance Value

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

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

Gains and losses in the Parsonage and Glebe portfolios

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

Depreciation

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

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

(c) Investments

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

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES (continued)

(d) Income

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

(e) Expenditure

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

(f) Funds

Endowment funds

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

Restricted funds

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

Designated funds

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

Unrestricted funds

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

Transfers between funds

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

(g) Pensions costs

The Board participates in the Church Workers Pension Fund and a Pension Scheme for those in Stipendiary Ministry. Both are defined benefit pension schemes administered by the Church of England Pension Board. The assets of the schemes are held separately from those of the Board. Contributions to the Board's defined benefit pension schemes are charged to the statement of financial activities in accordance with Financial Reporting Standard 17: *Retirement benefits (FRS 17)*. Both schemes constitute collective defined benefit schemes under FRS17. Since it is not possible to determine the share of assets and liabilities in these schemes that is attributable to the Diocesan Board of Finance, they have been accounted for as if they were defined contribution schemes, as permitted by FRS 17.

(h) Custodian Trusts

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

2a	VOLUNTARY INCOME; PARISH ASSESSMENTS	2013	2012
		£'000	£'000
	Current year receipts from Parishes	15,306	15,116
	Discounts for direct debit	(78)	(117)
	Prior year receipts	133	165
		<u>15,361</u>	<u>15,164</u>
2b	OTHER VOLUNTARY INCOME	2013	2012
		£'000	£'000
	Church Commissioners Area Bishops	211	75
	Trust for London	812	821
	Allchurches Trust	234	233
	Other voluntary income	319	343
	Church Commissioners Mission income (restricted)	288	276
		<u>1,864</u>	<u>1,748</u>
3.	ACTIVITIES FOR GENERATING FUNDS	2013	2012
		£'000	£'000
	Parsonage rental income	51	116
	Redundant Church rental	70	56
	Diocesan Stipendiary Fund Lease Income	28	-
		<u>149</u>	<u>172</u>
4.	INVESTMENT INCOME	2013	2012
		£'000	£'000
	Board investment income	382	412
	Board rental income	223	188
	Dartmouth House	98	92
	Net recovery on interest bearing parish loans (designated)	3	4
	Diocesan stipend fund investment income (restricted)	949	913
	Gilmore fund investment income (restricted)	14	13
	Diocesan stipend fund rental income (restricted)	388	319
		<u>2,057</u>	<u>1,941</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

5. STATUTORY FEES, CHAPLAINCY AND OTHER INCOME	2013	2012
	£'000	£'000
Parochial fees	516	540
Reimbursement of stipends	352	450
Guaranteed annuities	-	4
Other income	32	18
	<u>900</u>	<u>1,012</u>
6. OTHER INCOMING RESOURCES	2013	2012
	£'000	£'000
Room Hire, Contributions from Board of Education and other unrestricted income	200	169
Proceeds of disposal of fixed assets - designated	497	217
	<u>697</u>	<u>386</u>
7. RESOURCING MINISTRY AND MISSION	2013	2012
	£'000	£'000
Grants awarded:		
Mission grants	209	228
Church sales fund grant	135	15
In service training grant	12	61
Parish grants	64	34
Gilmore fund	16	14
	<u>436</u>	<u>352</u>
Ministry Stipends	11,302	11,296
Housing and other ministry costs	6,505	6,267
Training and ministry support	2,167	2,145
Parish support	459	370
Area mission teams	836	898
Groups:		
Minority Ethnic Anglican Concerns	86	84
Public Policy Group	20	44
Mission Group	116	65
Children and Youth Development Group	49	62
Communication and resources	218	218
Administration	643	650
Staff pension fund deficit payment	247	185
	<u>23,084</u>	<u>22,636</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. EDUCATION AND WELCARE					2013 £'000	2012 £'000
Grants awarded – Board of Education					267	279
– Welcare					170	179
					<u>437</u>	<u>458</u>
9. GOVERNANCE COSTS					2013 £'000	2012 £'000
External audit - current year fees					17	30
Annual accounts					2	2
Committee costs					1	1
Trustee insurance					8	14
					<u>28</u>	<u>47</u>
10. TOTAL RESOURCES EXPENDED						
	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs (note 11) £'000	Depreciation £'000	2013 £'000	2012 £'000
Investment management	28	-	-	-	28	30
Contributions to National Church	580	-	-	-	580	578
Resourcing ministry & Mission	20,472	436	227	1,949	23,084	22,636
Education and social responsibility	437	-	-	-	437	458
Diocesan Retreat House	176	-	-	3	179	152
Governance cost	28	-	-	-	28	47
	<u>21,721</u>	<u>436</u>	<u>227</u>	<u>1,952</u>	<u>24,336</u>	<u>23,901</u>

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

11. ANALYSIS OF SUPPORT COSTS		2013 £'000	2012 £'000
Repairs and maintenance		12	9
Rent, rates and insurance		48	50
Cleaning		38	39
Heat and lighting		23	22
Printing, postage and stationery		50	52
Telecommunications		19	27
Equipment rentals and repairs		19	18
Computer costs		10	15
Other costs		8	7
		<u>227</u>	<u>243</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

12. STAFF COSTS	2013 No.	2012 No.
Parochial clergy	318	322
Archdeacons and Board clergy	9	12
Externally funded clergy	6	11
	<u>333</u>	<u>345</u>
	£'000	£'000
Costs		
Stipend	8,121	8,348
NICs	649	684
Pensions	2,762	2,776
Total	<u>11,532</u>	<u>11,808</u>
	No.	No.
Board Staff		
The average number of Board Staff was:	46	45
	£'000	£'000
Costs		
Salary	1,630	1,547
NICs	138	138
Pensions	525	522
Contribution towards pension deficit	247	185
Total	<u>2,540</u>	<u>2,392</u>

In 2013 one employee received an annual emolument of between £80,000 and £89,999 (2012: One between £70,000 and £79,999). Board members do not receive emoluments in respect of their duties as Trustees. Those Board members who are working clergy receive stipends in accordance with the Board's standard scales. Of the stipendiary clergy who are Trustees, ten received an annual emolument between £26,000 and £34,000 (2012: ten received annual emoluments between £26,000 and £34,000), whilst nine received the standard stipend (2012: nine received the standard stipend).

Board members are reimbursed only in respect of out of pocket expenses incurred in the performance of their duties. In 2013, nine Trustees, all of whom are clergy, were reimbursed expenses totalling £22,620. (2012: nine Trustees were reimbursed expenses totalling £22,260).

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

13. TANGIBLE FIXED ASSETS	Land and buildings		Unrestricted		Furniture and Equipment £'000	Total £'000
	Endowment Glebe and Parsonages £'000	WIP £'000	Freehold £'000	Leasehold £'000		
Cost or valuation						
At 1 January 2013	170,483	886	22,281	86	338	194,074
Additions	1,750	1152	186	-	80	3,168
Disposals	(3,298)	-	-	-	-	(3,298)
Transfers	975	(975)	-	-	-	-
Revaluation	(1,164)	-	(243)	-	-	(1,407)
At 31 December 2013	168,746	1,063	22,224	86	418	192,537
Depreciation						
At 1 January 2013	-	-	-	76	321	397
Charge for the year	1,704	-	223	1	24	1,952
Disposals	-	-	-	-	-	-
Revaluation	(1,704)	-	(223)	-	-	(1,927)
At 31 December 2013	-	-	-	77	345	422
Net book value						
At 31 December 2013	168,746	1,063	22,224	9	73	192,115
At 31 December 2012	170,483	886	22,281	10	17	193,677
14. INVESTMENTS					2013 £'000	2012 £'000
UK Listed investments						
Common Investment vehicles (Common Investment Funds / Unit Trusts)					34,124	28,057
Movements						
Balance at 1 January 2013					28,057	26,827
Purchased during the year					3,778	898
Disposals					(2,676)	(1,789)
Revaluation of investments					4,965	2,120
Balance at 31 December 2013					34,124	28,057

The historical cost of investments is not available.

Southwark DBF Trading Ltd

The Board is beneficial owner of a subsidiary undertaking, Southwark DBF Trading Limited, which is registered in England and supplies property and administrative services to the Diocesan Board of Finance. Income and expenditure information is shown below. The company had no assets or liabilities at the end of 2013 (2012: nil):

	2013 £'000	2012 £'000
Income		
Overage received in respect of the development at 3-5 Trinity Road Wimbledon	8,000	-
Expenditure		
Donation to Southwark DBF	8,000	-

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

15. DEBTORS	2013 £'000	2012 £'000
Amounts falling due within one year		
Parish assessments (amounts received in January 2014)	16	30
Parish related loans	216	1,319
Other debtors	259	354
Prepayments and accrued income	324	475
	<u>815</u>	<u>2,178</u>
Amounts falling due after more than one year		
Loans to parishes - interest bearing	1,304	2,549
- interest free	121	158
Other loans	1,792	424
	<u>3,217</u>	<u>3,131</u>
TOTAL DEBTORS	<u><u>4,032</u></u>	<u><u>5,309</u></u>
16. CREDITORS	2013 £'000	2012 £'000
a) Amounts falling due within one year		
Trade creditors	1,316	514
Other creditors	182	180
Other taxes and social security	37	44
Accruals and deferred income	501	193
	<u>2,036</u>	<u>931</u>
b) Amounts falling due after more than one year		
Loans – Church Commissioners – Value Linked Loans	1,792	424
Loans – Church Commissioners – Other	480	480
CBF Diocesan Loan	1,000	1,000
Bank loan – Barclays Bank plc	1,500	2,500
	<u>4,772</u>	<u>4,404</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

17. ENDOWMENT FUNDS	Opening Balance £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains & (losses) £'000	Closing Balance £'000
Permanent endowments						
Ministry funds (a)	3,374	-	-	-	748	4,122
Expendable endowment						
Diocesan stipendiary fund (b)	51,825	122	(341)	409	3,380	55,395
Parsonage capital fund (c)	137,021	-	(1,369)	(196)	192	135,648
Total endowment funds	192,220	122	(1,710)	213	4,320	195,165

- (a) These funds are held for the benefit of augmenting clergy stipends within the Diocese.
- (b) This fund represents the Glebe assets of benefices from which the income arising and/or benefit of use has been passed to the Board under the Glebe and Endowments Measure.
- (c) This fund represents the capital assets relating to Parsonages but which under the measures are maintained by the Diocese. Funds arising from sales of parsonages are only released to the Board's unrestricted funds under Church Commissioners' orders where either the cost of replacement is lower than the proceeds of sale or under a Pastoral Scheme where no replacement is to be made. This transfer is made at the time the property is vested in the Board of Finance. Any funds released are held in a designated fund for future building or improvement works to other parsonages.

18. RESTRICTED FUNDS	Opening Balance £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains & (losses) £'000	Closing Balance £'000
Diocesan Stipendiary Fund income fund (a)	-	1,337	(1,337)	-	-	-
Ministry mission (b)	487	287	(209)	-	-	565
Xtend project (c)	-	33	(11)	-	-	22
Gilmore Fund (d)	283	15	(16)	-	57	339
Dartmouth House Fund (e)	2,020	-	-	-	363	2,383
	2,790	1,672	(1,573)	-	420	3,309

- (a) This fund represents income received from endowed DSF capital funds where expenditure is restricted to purposes connected to stipends or parsonages.
- (b) This fund represents grants received from the Church Commissioners for restricted purposes. The grant received is to fund the Mission programme and the closing balance represents the amount still to be spent.
- (c) 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 Church Commissioners.
- (d) The terms of the Isabella Gilmore Fund requires the funds to be spent on the education and development of women clergy.
- (e) The Dartmouth House Fund requires the funds to be held for the purpose of facilitating clergy and lay training, retreats or conferences to assist and promote the work of the Church of England in the Diocese of Southwark and to use the monies to acquire any buildings which may be necessary to forward such purposes, subject always to the consent in writing of the Bishop for the time being of the Diocese of Southwark.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

19. UNRESTRICTED FUNDS	Opening Balance £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains & (losses) £'000	Closing balance £'000
Designated funds						
Parish grant fund (a)	56	-	(34)	-	-	22
Parsonages capital fund (b)	17	497	(434)	(80)	-	-
Church Building fund (c)	809	-	(200)	(50)	-	559
In-service training (d)	384	3	(24)	81	-	444
Diocesan conference (e)	45	-	(5)	40	-	80
Computer fund (f)	17	-	-	-	-	17
Larger churches fund (g)	30	-	(30)	-	-	-
Area Clergy Conference (h)	30	-	-	-	-	30
Children & Youth Group (i)	28	-	-	(28)	-	-
Land registry provision (j)	102	-	-	-	-	102
Property fund (k)	100	-	-	(100)	-	-
Web maintenance (l)	30	-	-	-	-	30
Pension Fund LPFA (m)	68	10	(19)	-	7	66
Diocesan Retreat House (n)	10	269	(179)	-	9	109
Board property (o)	22,281	-	(223)	186	(20)	22,224
	<u>24,007</u>	<u>779</u>	<u>(1,148)</u>	<u>49</u>	<u>(4)</u>	<u>23,683</u>
Other reserves						
Functional fixed assets excluding endowment	14	77	(22)			69
Free funds	5,074	18,515	(19,883)	(262)	891	4,335
TOTAL	<u>5,088</u>	<u>18,592</u>	<u>(19,905)</u>	<u>(262)</u>	<u>891</u>	<u>4,404</u>

- (a) This fund represents amounts set aside to fund grants to parishes in need of financial assistance for repairs to church buildings.
- (b) This fund represents capital receipts released following the sale of parsonages. These are set aside to fund contributions by the Board to develop new Parsonages which are not fully funded by corresponding sale proceeds and to make a contribution toward the property department staffing.
- (c) This fund represents proceeds arising on the sale of redundant churches which are set aside to fund new building and capital works on other churches and other associated costs.
- (d) This fund represents money set aside to support ongoing Post Ordination Training. The obligation to fund clergy training means that the fund is both added to and drawn on in the year.
- (e) This fund has been created to set funds aside for a clergy conference which will be held in 2014.
- (f) This fund is to assist in the implementation of IT software up-grades, including technical support.
- (g) This Larger Churches Fund is to provide support for the outreach and mission of rapidly growing churches.
- (h) Area Mission Teams have each set aside £10,000 to fund clergy conferences in their respective area.
- (i) This fund is was for youth and children's work
- (j) This fund is pay for legal work to register land previously not recorded with the Land Registry.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

19. UNRESTRICTED FUNDS (continued)

- (k) This fund represents work on properties delayed from 2012 to 2013.
- (l) This reflects work to improve and update the Diocesan Web Site, not started in 2013.
- (m) This fund will reflect the receipt and transfer of funds to clear a pension payment.
- (n) This fund reflects the assets, income and expense of the Diocesan Retreat House at Wychcroft.
- (o) This fund reflects the value of Board Properties as at 2013, having been established by the Trustees at the end of the year.

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Funds £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total £'000
Fund balances at 31 December 2013 are represented by:					
Tangible fixed assets	69	22,237	-	169,809	192,115
Investments	5,360	1,473	3,302	23,973	34,108
Cash and deposits	1,667	41	7	1,383	3,098
Other net current assets	2,080	(68)	-	-	2,012
Long term liabilities	(4,772)	-	-	-	(4,772)
	<u>4,404</u>	<u>23,683</u>	<u>3,309</u>	<u>195,165</u>	<u>226,561</u>

23. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2013 Total £'000	2012 Total £'000
Net (outgoing) resources	(3,171)	(3,335)
Depreciation	1,952	1,942
Decrease/(increase) in debtors	1,277	(158)
Increase in creditors	1,105	102
Investment income	(2,057)	(1,941)
Net cash (outflow) from operating activities	<u>(894)</u>	<u>(3,390)</u>

24. RECONCILIATION OF NET CASH OUTFLOW TO CHANGE IN NET (DEBT)/FUNDS

	2013 £'000	2012 £'000
Increase in cash in the year	701	502
Cash inflow from increase in debt	(368)	(653)
Change in net (debt)/funds resulting from cash flows	<u>333</u>	<u>(151)</u>
Opening net (debt)/funds	(2007)	(1,856)
Closing net (debt)/funds	<u>(1,674)</u>	<u>(2,007)</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

25. ANALYSIS OF NET FUNDS/(DEBT)

	At 1 January 2013 £'000	Cash flow £'000	At 31 December 2013 £'000
Cash in hand and at bank	2,397	701	3,098
Debt due after 1 year	(4,404)	(368)	(4,772)
Total	(2,007)	333	(1,674)

26. ASSETS HELD AS CUSTODIAN TRUSTEE

	2013 £'000	2012 £'000
Investments	10,329	9,368
Cash at bank	4,931	4,043
	15,260	13,411

27. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	General Funds £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000
Parsonages Sold a	-	2,488	-	(2,488)
Parsonage Development / WIP b	-	(1,482)	-	1,482
Drawing from Parsonage Fund per budget c	440	(440)	-	-
House Purchase from Parsonage Fund d	-	(1,219)	-	1,219
Transfer to cover deficit on Parsonage Fund e	(570)	570	-	-
Drawing from Church Buildg fund, per budget f	50	(50)	-	-
Planned provision re Post Ordination Training g	(106)	106	-	-
Planned provision for Clergy Conferences h	(15)	15	-	-
Release designated Children and Youth Fund i	28	(28)	-	-
Release funds set aside for property decoration j	100	(100)	-	-
Capitalised Expenditure on Board properties k	(189)	189	-	-
	(262)	49	-	213

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

- a) Proceeds of sale Balham Hill, the Ascension and Merstham parsonages
- b) Parsonage WIP increase reflecting increased investment in Endowed properties.
- c) Drawing from the Parsonage capital fund as planned in the 2013 budget.
- d) Purchase of new Parsonage for Balham Hill, the Ascension
- e) Transfer to cover year-end deficit on parsonage development fund due to timing of property transactions
- f) Budgeted drawdown from church building fund as planned in the 2013 budget
- g) Budgeted allocation in 2013 toward clergy post ordination training.
- h) Funds set aside for 2014 clergy conference
- i) Release of designated children and youth fund as set aside for activities no longer planned to take place
- j) Release of funds set aside in 2012 due to delayed expenditure on external maintenance of properties.
- k) Capital fund expenditure on Board properties