

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 2014

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SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 31 DECEMBER 2014

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

Legal and administrative details

Directors

Under the Memorandum and Articles of Association all members of the Board are legally regarded as Directors. They are also regarded as Trustees for the purposes of charity law. The names of those who served as Directors during the year, and up to the date the Financial Statements were approved, are set out below. No Director had any beneficial interest in the company during 2013 or 2014. Trustee indemnity insurance was in place throughout the year at a cost of £5,126, plus an errors and omissions policy at £2,387 (2013: £5,126 and £2,387 respectively).

Membership of the Board and principal committees

Chairman Mr John Kempzell *

Vice Chairman Mr Ian Akhurst *

Ex Officio Members	The Lord Bishop of Southwark	Rt Revd Christopher Chessun
	The Archdeacon of Croydon *	Ven Christopher Skilton
	The Archdeacon of Lambeth * #	Ven Simon Gates
	The Archdeacon of Lewisham & Greenwich *	Ven Alastair Cutting
	The Archdeacon of Reigate*	Ven Daniel Kajumba
	The Archdeacon of Southwark *	Ven Jane Steen
	The Archdeacon of Wandsworth *	Ven Stephen Roberts

Elected members:-

30 Laity by Deanery Synod

Plumstead	Mr David Plummer	Merton	Mr Neal Harvey *
Charlton	Mr David Thompson	Battersea	Vacant
Eltham & Mottingham	Mr Bob Love	Tooting	Vacant
East Lewisham	Mr John Sutton	Wandsworth	Mr Andrew Simon #
Richmond & Barnes	Mr Philip Bladen *	Kingston	Mr Chris Gretton *
West Lewisham	Mr Steve Kingston	Croydon North	Ms Barbara Truttero
Deptford	Mr Kirk Siderman-Walter	Croydon Addington	Mr Ian Harley + to 22/11/14
Bermondsey	Mr Nicholas Herbert	Croydon Addington	Mr John Kingdom from 26/3/15
Southwark & Newington	Mr Christian Hansen +	Croydon Central	Mr Stephen Willmer +
Camberwell	Vacant	Croydon South	Mr Martin Day
Dulwich	Mr Alistair Read to 13/6/14	Sutton	Mr Ian Akhurst *
Dulwich	Mr Peter Frost from 13/6/14	Caterham	Mr Christopher Clementi #
Lambeth North	Mr Roger Hird	Godstone	Mr Robin Hickson *
Lambeth South	Mr Colin Hart	Reigate	Mr Timothy Neale + to 31/12/14
Lambeth South	Mr Christopher Glasson + from 1/1/15	Reigate	Mr Peter Siggs from 1/1/15

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

FOR THE YEAR ENDED 31 DECEMBER 2014

12 Clergy by Archdeaconry

Lewisham	Revd Jane Kustner * Revd Jonathan Macey from 11 Sept 2014
Southwark	Revd Anthony Buckley to 29/1/2015, then Vacancy Vacancy
Lambeth	Revd John Hayward * Revd Andrew Wakefield
Wandsworth	Revd Barry Nichols # Revd James Peacock
Croydon	Revd David Billin Revd Vickie Sims to 31 Mar 2014
Reigate	Revd William Campen* to 31 Dec 2014 Revd Douglas McHardie from 31 Jan 2015 Revd Jeremy Garton
Bishop's Nominees	Mr John Kempself * Mr Roger Squire # + Revd Dr John Thewlis * Mr John Henson *

Executive & Glebe Committee (as at 31 December 2014)

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

Audit Committee (as at 31 December 2014)

As marked by + above, Chair, Mr Stephen Willmer

also

Mr James Cross
Revd Catherine Dawkins

Investment Committee (as at 31 December 2014)

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) to 31 Dec 2014
Ms Ruth Martin from 1 January 2015

Deputy Diocesan Secretary:

Mr Andrew Lane

Diocesan Surveyor:

Mr Eric Greber, MRICS

Director of Communications & Resources:

Ms Wendy Robins

Financial Controller:

Mr Mark Gregory to 31 Dec 2014

Registered Address:

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

Statutory Auditors

haysmacintyre
26 Red Lion Square
London
WC1R 4AG

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

Bankers:	National Westminster Bank Plc (Lambeth North Branch) 91 Westminster Bridge Road London SE1 7HW
	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 2014

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 for background information. 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 42 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 exempted 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 at Diocesan level with the Diocesan Bishop, Area 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 share contributions to be sought.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

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 was exempted 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. The 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 OF THE SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

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 2014

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 Archdeacons every year, in consequence one third of the elected members may change in any one year. Additionally the Board includes: The President (The Bishop of Southwark), The Chairman, Six Archdeacons and Five Bishop's Nominees.

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

Trustees' responsibilities

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Report of the Trustees (including the Strategic Report) and the Financial Statements in accordance with applicable laws and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare Financial Statements for each financial year that 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 these 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 2014

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 Financial Statements 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 2014 which, from mid 2015, will be available from the Communications and Resources Department, Trinity House, or may be downloaded from the Diocesan Website, <http://www.southwark.anglican.org/>.

So far as each of the Trustees is aware:

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

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 Charity Number 313001) that supports 106 Church of England schools; 92 are Primary Schools and one of which is an Academy, 14 Secondary Schools of which one is an All-through School and six 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; and to advise school governors and trustees and support the maintenance and improvement of school buildings and facilities. The main grant from the Diocese in 2014 was £233,432 (2013: £233,432). Additional grants of £40,453 are reflected in 2014 (2013: £33,718). The Board of Education also supports the provision of chaplaincy in higher and further education institutions. Ven Christopher Skilton was a trustee of the Board of Education to 4 April 2014 and Ven Simon Gates became a trustee with effect from 3 July 2014.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Southwark Diocesan Welcare

Southwark Diocesan Welcare is a separate registered charity (Registered Charity Number 1107859). The objects of the charity are: The relief of poverty and distress and the promotion of any charitable purpose for the benefit of families, children and pregnant women. The promotion of the social mission of the Christian church and advancement of education for the public benefit. The charity is supported by a grant in the year to December 2014 of £169,592 (2013 £169,592).

The Ven. Daniel Kajumba and Mr Andrew Simon both resigned as Trustees on 6 February 2014. The Revd Andrew Wakefield represents the Bishop's Council and became a Trustee on 6 February 2014 and Mr Christian Hansen represents the Diocesan Board of Finance and became a Trustee on 8 May 2014.

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 (2013: £35,538). The Association owns and manages 277 high quality homes, let at affordable rents.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

STRATEGIC REPORT

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 the Communications and Resources department for the Southwark Diocesan Board of Finance (DBF) and is available from Trinity House or their 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;
- provision of 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; and
- 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 the fulfilment of their duties as Trustees 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. 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 2014

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 agreed as an integral part of 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 2014 this sum was £287,700 (2013 £288,000) and has been budgeted to support mission initiatives in 2015. 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

The Southwark Diocesan Trading Company did not operate during 2014. The Trustees intend to retain the company for potential future trading opportunities.

Going concern

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

ACHIEVEMENTS AND PERFORMANCE

The Board of Finance reviewed financial performance throughout 2014 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.

Resourcing the Ministry & Mission in the parishes

The 2014 budget envisaged 310.5 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 316.4. By the end of the year the numerical target had been reached but during the year changes were slower than anticipated which caused the average number to be higher than budgeted (2013: budgeted posts 313.5; actual posts 318.4). 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 dependent 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 2014 the Board received 93.6% of the amount requested (2013: 93.7%). The Board continued 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 2014

ACHIEVEMENTS AND PERFORMANCE (continued)

The Ministry & Training Committee has continued to provide training programmes to the clergy and lay minsters, which in total amounted to £2.3 million (2013: £2.2 million). This amount includes £623,000 (2013: £590,000) as the Diocese's share of national training costs for ordinands.

There continued to be substantial works to parsonages as vacancies occurred and in order to maintain the quality of our clergy housing. An enhancement to a Glebe property and the start of construction of a Glebe house incurred £454,000 (2013: £205,000) during the year, with the expectation that the house for a Team Vicar will be completed during 2015.

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 £582,000 (2013: £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, which together with two further grants amount to £275,000 (2013: £267,000). Southwark Diocesan Welfare also received its agreed grant of £169,000 (2013: £170,000) to assist with central core funding.

Mission Grants

Mission funds totalling £302,000 have been funded as follows:

- In the *Croydon Area* 47 projects were awarded grants in 2014. The grants are allocated by a panel drawn from the Croydon Area Mission Team.
- The *Kingston Area* has distributed 20 grants which are decided by a panel drawn from the Area Forum
- In the *Woolwich Area* 19 grants have been awarded following an application process and review by a panel from the Area Forum.
- *Working Groups* have awarded grants and supported outreach events during the year which, in total, have amounted to £68,000 (2013: £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 property near Bletchingly which is run by the Wychcroft Management Committee as a retreat centre. Long term major repair and improvements are partly funded by grants from St Mark's Foundation from whom the property is leased.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL REVIEW

Financial Overview

There was a deficit for the year of £3.5 million (2013 deficit: £3.2 million) which includes depreciation of £2.0 million, before gains arising from revaluation of assets and investments. Income totalled £21.4 million (2013: £21.2 million), whilst expenditure, including the depreciation of £2.0 million, amounted to £25.0 million (2013: £24.3 million). After gains on revaluation of assets and investments of £8.5 million (2013: £5.6 million) are taken into account, there was a net increase in funds of £5.0 million (2013: £2.5 million).

The main source of income to the Diocese is the Fairer Shares contributions from parishes. The Diocese anticipated parish contributions of £15.6 million in 2014 which was broadly achieved. The Diocesan budget has however had to recognise that parish contributions have been declining against the expected income from the formula based system of assessment in recent years. In consequence a new method of agreeing parish contributions will be introduced from 2016. Known as the Parish Support Fund it will allow the Diocesan budget for parish contributions to be based on agreed pledges from each parish.

Total voluntary income was £1.7 million (2013: £1.9 million). Note 2b to the Financial Statements sets out further details including the sums received from outside the Diocese, namely Trust for London and the Allchurches Trust. Additionally the Church Commissioners provided £287,700 (2013: £288,000) specifically for mission initiatives.

Clergy in Southwark were awarded a stipend increase of 1.0% in January 2014. The total stipend and related costs were £11.7 million (2013: £11.5 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. Lay staff who joined the Diocese before July 2013 are in a defined benefit scheme which was revalued as at December 2013 and the scheme is now assessed to be in surplus. During 2014 the valuation basis adopted by the Pension Board produced a contribution rate of 29.1% of pensionable salaries in respect of the future accrual benefits from April 2015. The previous accrual rate was 36.5%. Lay staff joining from July 2013 are in a defined contribution pension, where the employer contributes 15% of pensionable salary.

As at 31 December 2014, 34 staff were active members of the Defined Benefit scheme and 14 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 April 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. In researching the placement of funds with managers the Board seeks to obtain the best economic return in accordance with the investment strategy. The investment policy, which continues to be set and reviewed by Trustees, is to seek the best possible overall return for the Diocese, having due regard to the preservation of capital.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL REVIEW (continued)

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 2014 was £33.4 million (2013: £34.1 million). Fund manager performance was reviewed regularly during 2014. 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 £2.2 million (2013: £2.1 million).

Rental Income

Rental income from all forms of property totalled £0.8 million (2013: £0.7 million). The majority of rental income of £0.7 million (2013 £0.6 million) is derived from Glebe and Board properties and is recognised as Investment Income. Rentals of £0.12 million 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 together with explanatory notes. The transfers between funds are detailed in note 27 to the Financial Statements.

Equity Loans

Equity loans are provided to the Board by the Church Commissioners to enable deserted clergy spouses to purchase a home on a shared equity basis. One PCC has an existing arrangement to purchase a house for a curate on shared equity basis. These loans are referred to as Value Linked Loans and they are advanced against specific properties. The equity interest is agreed at the commencement of the loan, and when any capital repayments are made. The interest charged is varied annually and is linked to an RPI inflation factor. The loans as at 31 December 2014 were £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 fairer allocation of costs which recognises the difficulty of assessing deprivation in an area where there is a high cost of living.

Reserves policy

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 Board policy is that free reserves should be maintained at a minimum amount equivalent to two months' worth of the current year's expenditure. During the year reserves were maintained at this level, however, at the year-end free reserves were temporarily below this level due to delays in the completion of an anticipated property sale. The Trustees continue to pursue this sale.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL REVIEW (continued)

Property Portfolio

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. It is the Trustees policy that the Parsonage, Glebe and Board property portfolios are revalued annually to 100% of the full insured value, as advised by the Board's insurance advisers.

As at 31 December 2014 the parsonage housing stock was valued at £138.5 million (2013: £134.7 million). Additionally Glebe properties were valued at £34.7 million (2013: £34.0 million). Together with the Board properties the combined value is £199.3 million which is reflected in note 13 to these Financial Statements.

The Board monitors the cash generated from the regular sale of parts of the parsonages housing stock to confirm that there is sufficient free cash to continue funding the ongoing programme of parsonage replacements and upgrading the current stock of parsonage houses.

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 2015. 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.

PLANS FOR FUTURE PERIODS

The development of a new property strategy which covers investment maximisation as well as clergy housing maintenance is being developed in the form of an initial 3, 5 and 10 year plan. At the same time the Diocese is keen to grow the Church and to invest in new opportunities for church growth and planting. Costs will continue to be kept under review. The expectation is to carefully review our planned expenditure when drawing up the budget for 2016 to make space for investment in both infrastructure and new church opportunities.

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; and
- receive contributions from parishes through the Fairer Shares scheme.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

FUNDS HELD AS CUSTODIAN TRUSTEE FOR OTHERS

The Board is Custodian Trustee for 353 trust funds (2013: 374). Two new accounts were opened during the year and 21 were closed. These trusts have investments with a market value at 31 December 2014 of £10.9 million (2013: £10.3 million). Additionally these trusts have funds on deposit of £4.8 million (2013: £4.9 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 2014 were sent to parishes and other Managing Trustees of the respective charities in late January 2015. 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.

The Report of the Trustees and Strategic Report were approved by the Board of Trustees and signed by:

Mr John Kempself FCA
Chairman

Signed



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7 May 2015

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 2014 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and charitable company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and 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 (APB'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 Strategic Report and 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, Statutory Auditor

7 MAY 2015

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 2014

	Notes	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2014 £'000	Total 2013 £'000
INCOMING RESOURCES							
Income from generated funds							
Voluntary Income							
Parish contribution	2a	15,615	-	-	-	15,615	15,361
Other voluntary income	2b	1,381	-	294	-	1,675	1,864
Activities for generating funds	3	116	-	-	59	175	149
Investment income	4	636	3	1,583	-	2,222	2,057
Income from charitable activities							
Statutory fees, chaplaincy & other income	5	985	-	-	-	985	900
Diocesan Retreat House		-	142	-	-	142	137
Other incoming resources	6	99	534	-	-	633	697
Total incoming resources		18,832	679	1,877	59	21,447	21,165
RESOURCES EXPENDED							
Costs of generating funds							
Lettings management costs		4	-	-		4	28
Charitable activities							
Contributions to National Church		582	-	-	-	582	580
Resourcing ministry & mission	7	19,393	684	1,913	1,733	23,723	23,084
Education & Welcare	8	444	-	-	-	444	437
Diocesan Retreat House		-	197	-	-	197	179
Governance costs	9	35	-	-	-	35	28
Total resources expended	10	20,458	881	1,913	1,733	24,985	24,336
Net (outgoing) resources Before transfers		(1,626)	(202)	(36)	(1,674)	(3,538)	(3,171)
Gross transfers between funds	25	1,063	(1,582)	-	519	-	-
Net (outgoing) resources before other recognised gains and losses		(563)	(1,784)	(36)	(1,155)	(3,538)	(3,171)
Other recognised gains							
Gain on fixed assets		-	612	-	7,646	8,258	662
Gain on investment assets		238	13	-	17	268	4,965
Net movement in funds		(325)	(1,159)	(36)	6,508	4,988	2,456
Total funds at 1 January		4,404	23,683	3,309	195,165	226,561	224,105
Total funds at 31 December		4,079	22,524	3,273	201,673	231,549	226,561

The notes numbered 1 to 25 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 2014

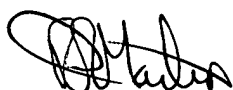
	Note	2014 £'000	2013 £'000
FIXED ASSETS			
Tangible fixed assets	13	199,351	192,115
Investments	14	33,364	34,124
		<u>232,715</u>	<u>226,239</u>
CURRENT ASSETS			
Debtors	15	3,859	4,032
Short term deposits		1,688	805
Cash and bank		272	2,293
		<u>5,819</u>	<u>7,130</u>
CREDITORS: amounts falling due within one year	16a	<u>(3,713)</u>	<u>(2,036)</u>
NET CURRENT ASSETS		<u>2,106</u>	<u>5,094</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>234,821</u>	<u>231,333</u>
CREDITORS: amounts falling due after one year	16b	<u>(3,272)</u>	<u>(4,772)</u>
NET ASSETS		<u><u>231,549</u></u>	<u><u>226,561</u></u>
CAPITAL FUNDS			
Endowment funds	17	201,673	195,165
INCOME FUNDS			
Restricted funds	18	3,273	3,309
Unrestricted funds	19	22,524	23,683
Designated funds			
Other unrestricted funds:			
Functional fixed assets		69	69
Free reserves		4,010	4,335
		<u>231,549</u>	<u>226,561</u>

The Financial Statements were approved and authorised for issue by the Board on 7 May 2015 and were signed below on its behalf by:

Mr John Kempself FCA
Chairman



Ms Ruth Martin
Diocesan Secretary



The notes numbered 1 to 25 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 2014

		2014	2013
	Note	£'000	£'000
Net cash outflow from operating activities	21	(1,921)	(894)
Returns on investments and servicing of finance			
Investment income		2,222	2,057
		301	1,163
Capital expenditure and financial investment			
Purchase of tangible fixed assets	13	(1,718)	(3,168)
Sale of tangible fixed assets		758	3,440
Purchase of investments	14	(2,271)	(3,778)
Sale of investments	14	3,292	2,676
		61	(830)
Cash inflow before financing		362	333
Financing			
(Decrease)/Increase in long term borrowings	22	(1,500)	368
		(1,500)	368
(Decrease)/Increase in cash and short term deposits	22	(1,138)	701

The notes numbered 1 to 27 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

(a) **Basis of accounting**

The Financial Statements 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 Financial Statements 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
Board	100% Insurance 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) are 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.

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 disclosed as Governance costs on the face of the Statement of Financial Activities.

(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 Financial Statements.

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.

From 2013, new lay staff have been enrolled in a defined contribution scheme.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

- h) 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.

2a	VOLUNTARY INCOME; PARISH CONTRIBUTION	2014 £'000	2013 £'000
	Current year receipts from Parishes	15,616	15,306
	Discounts for direct debit	(80)	(78)
	Prior year receipts	79	133
		<u>15,615</u>	<u>15,361</u>
2b	OTHER VOLUNTARY INCOME	2014 £'000	2013 £'000
	Church Commissioners Area Bishops	228	211
	Trust for London	854	812
	Allchurches Trust	229	234
	Other voluntary income	76	319
	Church Commissioners Mission income (restricted)	288	288
		<u>1,675</u>	<u>1,864</u>
3.	ACTIVITIES FOR GENERATING FUNDS	2014 £'000	2013 £'000
	Parsonage rental income	44	51
	Redundant Church rental	72	70
	Diocesan Stipendiary Fund Lease Income	59	28
		<u>175</u>	<u>149</u>
4.	INVESTMENT INCOME	2014 £'000	2013 £'000
	Board investment income	340	382
	Board rental income	192	223
	Dartmouth House	104	98
	Net recovery on interest bearing parish loans (designated)	3	3
	Diocesan stipend fund investment income (restricted)	1,081	949
	Gilmore fund investment income (restricted)	15	14
	Diocesan stipend fund rental income (restricted)	487	388
		<u>2,222</u>	<u>2,057</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

5. STATUTORY FEES, CHAPLAINCY AND OTHER INCOME	2014 £'000	2013 £'000
Parochial fees	584	516
Reimbursement of stipends	374	352
Other income	27	32
	<u>985</u>	<u>900</u>
6. OTHER INCOMING RESOURCES	2014 £'000	2013 £'000
Room Hire, Contributions from Board of Education and other unrestricted income	99	200
Proceeds of disposal of fixed assets - designated	534	497
	<u>633</u>	<u>697</u>
7. RESOURCING MINISTRY AND MISSION	2014 £'000	2013 £'000
Grants awarded:		
Mission grants	302	209
Church sales fund grant	255	135
In service training grant	-	12
Parish grants	6	64
Gilmore fund	15	16
	<u>578</u>	<u>436</u>
Ministry Stipends	11,427	11,302
Housing and other ministry costs	4,510	4,578
Property Depreciation	1,959	1,927
Training and ministry support	2,330	2,167
Parish support	371	459
Area mission teams	879	836
Groups:		
Minority Ethnic Anglican Concerns	97	86
Public Policy Group	22	20
Mission Group	165	116
Children and Youth Development Group	24	49
Communication and resources	229	218
Administration & Contingencies	656	396
Staff pension fund deficit payment	185	247
Support Costs (Note 11)	291	247
	<u>23,723</u>	<u>23,084</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. EDUCATION AND WELCARE					2014 £'000	2013 £'000
Grants awarded – Board of Education					275	267
– Welcare					169	170
					<u>444</u>	<u>437</u>
9. GOVERNANCE COSTS					2014 £'000	2013 £'000
External audit					29	28
External audit – prior year (over accrual 2012)						(11)
Annual accounts					2	2
Committee costs					1	1
Trustee insurance					3	8
					<u>35</u>	<u>28</u>
10. TOTAL RESOURCES EXPENDED						
	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs (note 11) £'000	Depreciation £'000	2014 £'000	2013 £'000
Investment management	4	-	-	-	4	28
Contributions to National Church	582	-	-	-	582	580
Resourcing ministry & Mission	20,895	578	291	1,959	23,723	23,084
Education and social responsibility	444	-	-	-	444	437
Diocesan Retreat House	194	-	-	3	197	179
Governance cost	35	-	-	-	35	28
	<u>22,154</u>	<u>578</u>	<u>291</u>	<u>1,962</u>	<u>24,985</u>	<u>24,336</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		2014 £'000	2013 £'000
Repairs and maintenance		26	12
Rent, rates and insurance		52	48
Cleaning		48	38
Heat and lighting		21	23
Printing, postage and stationery		55	50
Telecommunications		21	19
Equipment rentals and repairs		15	19
Computer costs		16	10
Other costs		9	8
Furniture / Equipment Depreciation		28	20
		<u>291</u>	<u>247</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

12. STAFF COSTS

	2014 No.	2013 No.
Parochial clergy	316	318
Archdeacons and Board clergy	8	9
Externally funded clergy	7	6
	<u>331</u>	<u>333</u>

	£'000	£'000
Costs		
Stipend	8,213	8,121
NICs	647	649
Pensions	2,825	2,762
Total	<u>11,685</u>	<u>11,532</u>

	No.	No.
Board Staff		
The average number of Board Staff was:	47	46

	£'000	£'000
Costs		
Salary	1,714	1,630
NICs	144	138
Pensions	502	525
Contribution towards pension deficit	185	247
Total	<u>2,545</u>	<u>2,540</u>

In 2014 one employee received an annual emolument of between £80,000 and £89,999 (2013: One between £80,000 and £89,999). 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 (2013: ten received annual emoluments between £26,000 and £34,000), whilst nine received the standard stipend (2013: 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 2014, seven Trustees, all of whom are clergy, were reimbursed expenses totalling £20,448 (2013: nine Trustees were reimbursed expenses totalling £22,620).

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

13. TANGIBLE FIXED ASSETS

Cost or valuation	Land and buildings					Total £'000
	Endowment Glebe and Parsonages £'000	WIP £'000	Freehold £'000	Unrestricted Leasehold £'000	Furniture and Equipment £'000	
At 1 January 2014	168,746	1,063	22,224	86	418	192,537
Additions	312	1,366	19	-	21	1,718
Disposals	(2,700)	-	-	-	-	(2,700)
Transfers	1,862	(1,862)	-	-	-	-
Revaluation	7,861	-	386	-	-	8,247
At 31 December 2014	176,081	567	22,629	86	439	199,802
Depreciation						
At 1 January 2014	-	-	-	76	345	421
Charge for the year	1,733	-	226	2	28	1,989
Disposals	-	-	-	-	-	-
Revaluation	(1,733)	-	(226)	-	-	(1,959)
At 31 December 2014	-	-	-	78	373	451
Net book value						
At 31 December 2014	176,081	567	22,629	8	66	199,351
At 31 December 2013	168,746	1,063	22,224	9	73	192,115

Of the £8,247,000 revaluation above, £2,776,000 reflects the inclusion of the St Mary Centre, Lewisham, which had previously been recognised as a Glebe asset at a £nil value.

14. INVESTMENTS

	2014 £'000	2013 £'000
UK Listed investments		
Common Investment vehicles (Common Investment Funds / Unit Trusts)	33,364	34,124
Movements		
Balance at 1 January	34,124	28,057
Purchased during the year	2,271	3,778
Disposals	(3,292)	(2,676)
Revaluation of investments	261	4,965
Balance at 31 December	33,364	34,124

The historical cost of investments is not available.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

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 Balance Sheet date (2013: nil).

	2014 £'000	2013 £'000
Income		
Overage received in respect of the development at 3-5 Trinity Road Wimbledon	-	8,000
Expenditure		
Donation to Southwark DBF	-	8,000
15. DEBTORS	2014	2013
	£'000	£'000
Amounts falling due within one year		
Parish assessments (amounts received in January 2015)	117	16
Parish related loans	334	216
Other debtors	208	259
Prepayments and accrued income	483	324
	1,142	815
Amounts falling due after more than one year		
Loans to parishes - interest bearing	801	1,304
- interest free	124	121
Other loans	1,792	1,792
	2,717	3,217
TOTAL DEBTORS	3,859	4,032
16. CREDITORS	2014	2013
	£'000	£'000
a) Amounts falling due within one year		
Bank loan – Barclays Bank plc	2,500	-
Trade creditors	294	1,316
Other creditors	171	182
Other taxes and social security	52	37
Accruals and deferred income	696	501
	3,713	2,036
b) Amounts falling due after more than one year		
Loans – Church Commissioners – Value Linked Loans	1,792	1,792
Loans – Church Commissioners – Other	480	480
CBF Diocesan Loan	1,000	1,000
Bank loan – Barclays Bank plc	-	1,500
	3,272	4,772

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

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)	4,122	-	-	-	(112)	4,010
Expendable endowment						
Diocesan stipendiary fund (b)	55,395	59	(347)	-	1,522	56,629
Parsonage capital fund (c)	135,648	-	(1,386)	519	6,253	141,034
Total endowment funds	195,165	59	(1,733)	519	7,663	201,673

(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)	-	1,568	(1,568)	-	-	-
Ministry mission (b)	565	287	(302)	-	-	550
Xtend project (c)	22	7	(28)	-	-	1
Gilmore Fund (d)	339	15	(15)	-	(7)	332
Dartmouth House Fund (e)	2,383	-	-	-	7	2,390
	3,309	1,877	(1,913)	-	-	3,273

(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 2014

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)	22	-	(6)	-	-	16
Parsonages capital fund (b)	-	-	-	(1,089)	-	(1,089)
Church Building fund (c)	559	522	(255)	(360)	-	466
In-service training (d)	444	4	(1)	(152)	-	295
Diocesan conference (e)	80	-	(97)	17	-	-
Computer fund (f)	17	-	-	(17)	-	-
Area Clergy Conference (g)	30	-	(5)	-	-	25
Land registry provision (h)	102	-	(61)	-	-	41
Web maintenance (i)	30	-	-	(30)	-	-
Pension Fund LPFA (j)	66	11	(21)	-	7	63
Diocesan Retreat House (k)	109	142	(197)	-	6	60
Board property (l)	22,224	-	(226)	19	612	22,629
IME Pilgrimage (m)	-	-	(12)	30	-	18
	<u>23,683</u>	<u>679</u>	<u>(881)</u>	<u>(1,582)</u>	<u>625</u>	<u>22,524</u>
Other unrestricted funds						
Functional fixed assets excluding endowment	69	20	(30)	-	-	59
Free reserves	<u>4,335</u>	<u>18,812</u>	<u>(20,428)</u>	<u>1,063</u>	<u>238</u>	<u>4,020</u>
TOTAL	<u>4,404</u>	<u>18,832</u>	<u>(20,458)</u>	<u>1,063</u>	<u>238</u>	<u>4,079</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. At the year end 2014, the fund showed an overdrawn position which relates to the disposal of a property that has not fully completed by the year-end. At the date of signing these financial statements the contract for sale had not yet been exchanged but it is anticipated that it will complete shortly.
- (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. During 2014 £330,000 of this fund has supported Parsonage development and via the General Fund
- (d) This fund represents money set aside to support ongoing Post Ordination Training for clergy.
- (e) This fund was used during 2014 to fund the Diocesan clergy conference.
- (f) This computer fund has been released during 2014 following the installation and upgrade of software.
- (g) The three Area Mission Teams have set aside funds to support area initiatives including anticipated conferences.
- (i) This fund is being applied to 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 2014

19. UNRESTRICTED FUNDS (continued)

- (i) This fund has been refunded during 2014 as Web Site maintenance is now constantly updated.
- (j) This fund reflects the receipt and transfer of funds to clear a pension payment. The fund balance is retained in CBF investments which will be applied to anticipated pension fund deficits with the London Pension Fund Authority.
- (k) This fund reflects the assets, income and expense of the Diocesan Retreat House at Wychcroft.
- (l) This fund reflects the value of Board Properties as at 2014, having been established by the Trustees at the end of the year.
- (m) The fund reflects the initial payment and transfer of funds to pay for curates planned visit to the Holy Land, as and when they complete their Initial Ministerial Education (IME).

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 2014 are represented by:					
Tangible fixed assets	64	22,639	-	176,648	199,351
Investments	5,354	1,034	3,265	23,711	33,364
Cash and deposits	635	3	8	1,314	1,960
Other net current assets	1,298	(1,152)	-	-	146
Long term liabilities	(3,272)	-	-	-	(3,272)
	<u>4,079</u>	<u>22,524</u>	<u>3,273</u>	<u>201,673</u>	<u>231,549</u>

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

	2014 Total £'000	2013 Total £000
Net outgoing resources	(3,538)	(3,171)
Depreciation	1,989	1,952
Decrease in debtors	173	1,277
Increase in creditors	1,677	1,105
Investment income	(2,222)	(2,057)
Net cash outflow from operating activities	<u>(1,921)</u>	<u>(894)</u>

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

	2014 £'000	2013 £'000
(Decrease) / Increase in cash in the year	(1,138)	701
Cash inflow / (outflow) from movements in debt	1,500	(368)
Change in net funds resulting from cash flows	362	333
Opening net debt	<u>(1,674)</u>	<u>(2,007)</u>
Closing net debt	<u>(1,312)</u>	<u>(1,674)</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

23. ANALYSIS OF NET FUNDS/(DEBT)

	At 1 January 2014 £'000	Cash flow £'000	At 31 December 2014 £'000
Cash in hand, at bank, and short-term deposits	3,098	(1,138)	1,960
Creditors due after 1 year	(4,772)	1,500	(3,272)
Total	<u>(1,674)</u>	<u>362</u>	<u>(1,312)</u>

24. ASSETS HELD AS CUSTODIAN TRUSTEE

	2014 £'000	2013 £'000
Investments	10,927	10,329
Cash at bank	4,835	4,931
	<u>15,762</u>	<u>15,260</u>

25. ANALYSIS OF GROSS TRANSFERS BETWEEN FUNDS

		General Funds £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000
Parsonage development / WIP	a	570	(570)	-	-
Parsonage WIP / Parsonage completion	b		(519)	-	519
Drawing from Church Sales Fund	c	360	(360)	-	-
Drawing from In Service Fund	d	120	(120)	-	-
Drawing from Web Development Funds	e	30	(30)	-	-
Drawing from Computer Development Fund	f	17	(17)	-	-
Allocation in year to Diocesan Conference	g	(15)	15	-	-
Allocation to Board property	h	(19)	19	-	-
		<u>1,063</u>	<u>(1,582)</u>	<u>-</u>	<u>519</u>

- a) Changes to Parsonage WIP funding.
- b) Parsonage WIP transferred to Endowed Parsonage completion.
- c) Drawing from the Church Sales Fund – recognised in 2014 budget from Parsonage capital fund.
- d) Drawing from In Service Fund.
- e) Release of Web Development fund as expenditure now planned in budgets.
- f) Release of a Computer fund as expenditure is now planned in budgets.
- g) Allocation to the 2014 Diocesan Conference.
- h) Allocation to Board property.

The table above reflects the movement between the Main Funds above. Reference should also be made to the fund analysis notes 17 to 19 above. The Designated Fund note 19 also shows movement between allocations.