



The Diocese of  
**Southwark**

# The South London Church Fund & Southwark Diocesan Board of Finance **Annual Report 2019**

Company registration number 236594  
Registered charity number 249678



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Walking | Welcoming | Growing

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# Overview

# Introduction by the Bishop of Southwark



**Bishop Christopher**

I hope that everyone reading this Annual Report will be encouraged by the many blessings in our life together in this Diocese. We have so much to be grateful for as we work together to be truly Christ-centred and outward-focused in our mission and ministry.

This is no less true now, as I write, when we are in the midst of a life-changing global pandemic, than it was throughout 2019. Looking back from this vantage point, 2019 may seem a distant memory. Yet, much of what we achieved last year has become the building blocks for our Church as we have sought to ensure that everyone across our diverse and vibrant Diocese is aware that whilst, at present, our buildings are closed, the Church is very much open.

I am so grateful to the priests and people across the Diocese and all our Diocesan staff and officers for the way in which they are working together to extend care to those most in need and to offer a continued presence in our communities. This builds strongly on the work that we were doing in 2019 to ensure that the ministry of our lay people is well resourced, enabled, celebrated and recognised, and it is a joy to see so many people from our churches involved in imaginative and often personally sacrificial work.

In 2019 we were, once again, blessed by the generosity of our parishes and those within them in receiving more than 99% of the money pledged. This has helped us to have a strong financial base as we deal with the financial challenges that will lie ahead in 2020. Many in our communities, particularly those in

self-isolation or living alone, are finding life hard in so many ways. It is also a challenging time financially for individuals and our parishes. However, ensuring that we are well resourced for mission and ministry across the Diocese so that we can proclaim the Gospel with confidence and joy is of the first importance; and I hope and pray that you will want to continue to give as generously as you can in this endeavour.

In 2019 we were awarded Strategic Development Funding from the National Church to sit alongside the Strategic Development Grant which enables our work in Nine Elms. The Revd Betsy Blatchley's work as our Arts Minister is one example of new ways of being Church across the Diocese. These fresh expressions have helped us to be unafraid to try new ways of offering services and resources to build people's faith.

As we look back on 2019, I want to thank everyone who works so hard in our parishes and in our Diocesan team for all that they do to share the Good News in the Diocese of Southwark. As we move through 2020, I am sure that we will all face many challenging times and that our Church will look very different at the end of the year. Yet, as hard as the current situation is, I am sure that God will continue to work here in the Diocese of Southwark and throughout the world. I know, too, that our wonderfully creative and active Diocese will continue to share God's love in ever new and relevant ways.

*Christopher Southwark*

# Chair of the Diocesan Board of Finance



**Alan Saunders,  
Chair of the Diocesan  
Board of Finance**

As I write this in early April, the world is in a very different place from that we faced when we closed our financial year. We are now in the middle of a global pandemic with major consequences for our communities and our economy. It will inevitably affect the finances of the Diocese and we are being forced to revise our budget and take measures to mitigate the financial losses that are likely to follow. The Diocesan Secretary, Ruth Martin, elaborates on this on page 7, but let me turn to the happier narrative of 2019.

I am pleased to report that we had another successful financial year for the charity. The financial accounts show a significant surplus again but this reflects the accounting requirement to show changes in our pension fund liability which moved in a positive direction last year. Excluding that, we made a small operational loss, around 1% of our total income. I think, under the more challenging circumstances, you will agree that is an acceptable result. The team at Trinity House, under Ruth's leadership, worked very hard to ensure that outcome.

Most important, we have been able to maintain all our mission activity, fund a great deal of expenditure on clergy housing and continue to invest positively in the growth agenda of Southwark Vision. Above all, this is down to the wonderful contribution of our parishes. It is quite extraordinary that the Parish Support Fund delivered 99.6% of the pledged amount, enabling us to support ministry right across the Diocese, especially our parishes with high levels of deprivation.

We are conscious that there is a considerable skew in the distribution of parish share across the Diocese and we are very dependent on the generosity of the larger parishes. It is our aspiration to have one-third of parishes supported financially by two-thirds, rather than the other way round as it is presently. We appreciate that this is a big challenge and will take a long time.

One of the great successes of last year was the winning of a substantial grant from the National Church to support our strategic development, Southwark Vision, focusing on new mission activity in six places across the Diocese. The Diocese is playing its full part in contributing resources, mainly through the provision of housing, to those places where we are working to reach out to communities. We hope that these efforts will lead to sustainable growth in the Church.

It was also pleasing that, having provided the initial funding to develop the Multi Academy Trust of the Diocese, this has been so successful that no further Diocesan Board of Finance (DBF) funding is envisaged and the designated fund is no longer needed. At the same time, we have taken on the considerable new commitment at St Margaret the Queen which Ruth also refers to in her overview.

We have reviewed our cash reserves policy in light of the continuing high cash demands for parsonage property refurbishment and have set a target of three months' expenditure for our free reserves. We have also reviewed the investment policy across all our reserves and have decided to diversify further by moving partially into global equities.

In all of this we are building resilience for the future. Given the considerable uncertainties we now face, we need to be able to withstand setbacks in our finances from time to time and I believe we will do so. As Chair of the DBF I am reassured by the robust and diligent management of our finances which is the basis for the Diocese in its ministry and mission. I would like to thank Ruth and her management team for all their hard work. All of us can have confidence in them.

A handwritten signature in dark ink, reading 'Alan Saunders'.

# The Diocesan Secretary



**Ruth Martin,  
Diocesan Secretary**

This Annual Report is being published as our parishes and the communities they serve are adjusting to the seismic changes in our economic and social life as a result of the COVID-19 pandemic racing through the world. Our clergy, lay ministers, parish officers and others in our church communities have been and continue to be extremely busy serving and supporting others.

2019 might already seem a very long time ago, and in 2020 and beyond we can certainly expect to work together through some very significant challenges. There will also be some opportunities, as we will have learned more about “doing Church differently”; about closer partnership working with volunteers; about how we can show the love of God to key workers in a national crisis, and to the sick and isolated. In this we can build upon the achievements in 2019.

The Diocese of Southwark resourced some 500 clergy in 2019, including the stipends of 318 full-time equivalent incumbents, curates and other clergy. We were also able to support the successful application for Strategic Development Funding in six different places across the Diocese, which have the potential to be replicated.

We made significant steps in other new initiatives for Southwark Vision, for example in committing to pioneer ministry targets; in bringing together strategic plans to develop lay leadership and lay ministry with the new Lay Council; in commissioning Deanery Leadership Teams to advance local mission and ministry; and in developing proposals for children's and youth ministry. These will all be so important in the years to come.

As 2020 and the years beyond are likely to be even more challenging financially, it was good to have been able to complete a number of refurbishments across our clergy property portfolio. In addition, we

completed all but one of the very long-running parish/Diocesan property projects dating from before 2015. There are times when the Diocese assumes leadership of a local project with Diocesan-wide impact, so the development project at St Margaret the Queen in Streatham has been taken on by the Diocese to steer through a successful development agreement.

The Parish Support Fund was, and is, absolutely pivotal in enabling the Diocese to maintain ministry across our Areas. Stimulating generous giving to cover costs as we move forward in more uncertain times will be increasingly important.

We fully recognise that the 2020 economic crisis will mean that the Diocese must re-evaluate its financial strategy and objectives to provide an effective partnership with our parishes as they serve our communities, and to ensure the most cost-effective support and service to them in their mission and ministry locally. This is already underway.

Priorities include providing timely advice and outcomes, whether in safeguarding, human resources, property issues, children's and youth ministry and other areas, vital in offering an effective and efficient service to our parishes, church officers and clergy. We also seek to maintain and support the maximum possible numbers of clergy and to continue to celebrate and develop ministry, both lay and ordained, the ministry of the whole people of God.

It is a privilege to serve and, on behalf of the staff team, I thank our parishes for their support.

*Ruth Martin*

# Our Vision: a fruitful future

We share a vision for the future in which we will see:

- growing churches, new worshipping communities and new Christians
- deepening discipleship: engaged, prayerful and informed Christians
- growth in vocations to existing and new ministries
- generous giving and prayer supporting all we do
- justice and peace built up, and violence challenged, in our local and global community
- a shared commitment to the integrity of Creation
- a Church for all which reflects our diverse community in membership and leadership, including growth in black, Asian and minority ethnic (BAME) vocations and appointments.

Our Vision is founded on mutual commitment from all who make up the Diocesan family to walk together in the pilgrimage of faith, supporting, encouraging and resourcing each other in our common task.

## The Diocese of Southwark serves...



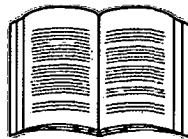
**2.8 million people**



**in the 16 local authorities  
of South London &  
East Surrey**



**through 356 places of  
worship — a Church of  
England presence in  
every community**



**and 106 church schools  
educating more than  
37,000 young people**



Clockwise from top: Standing Together rally in Trafalgar Square; HRH the Duchess of Cornwall visits St John the Evangelist, Angell Town; Advent exhibition at St John, East Dulwich.





# Legal objects

The Trustees, who are also Directors for the purposes of company law, present their Annual Report, together with the audited financial statements, for the year ended 31 December 2019.

The Directors/Trustees are one and the same, and in signing as Trustees they are also signing the Strategic Report sections in their capacity as Directors.

This combined report satisfies the legal requirements for:

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

## Legal objects

The objects of the South London Church Fund & Southwark Diocesan Board of Finance (SDBF) are "for the public benefit to assist, promote and further the religious and other charitable work (including but not limited to the educational work) of the South London Church Fund & Southwark Diocesan Board of Finance within the Diocese, and any other Diocese which shall at any time be formed, wholly or in part out of the Diocese, either with or without the addition of any part or parts of other Dioceses."

Its function is to serve as the corporate governance body of the Church of England in the Diocese, responsible for the financial stewardship of the Diocese through performing, working and transacting business in connection with the Church and Diocese. It may act as the Parsonages Board for the Diocese within the meaning of the Repair of Benefices Buildings Measure 1972.

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

The SDBF has the following responsibilities:

- the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowments and Glebe Measure 1976;
- managing the repair of benefice houses on behalf of the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- to act as custodian of permanent endowment and real property assets relating to trusts held by incumbents and Archdeacons and by

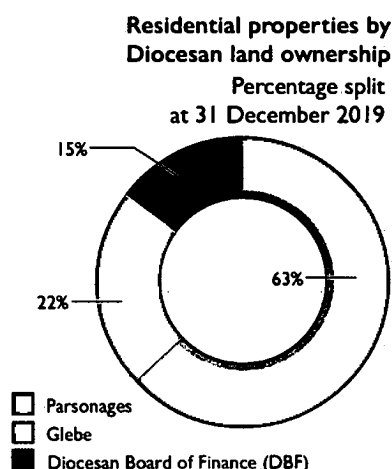
Parochial Church Councils (PCCs) as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

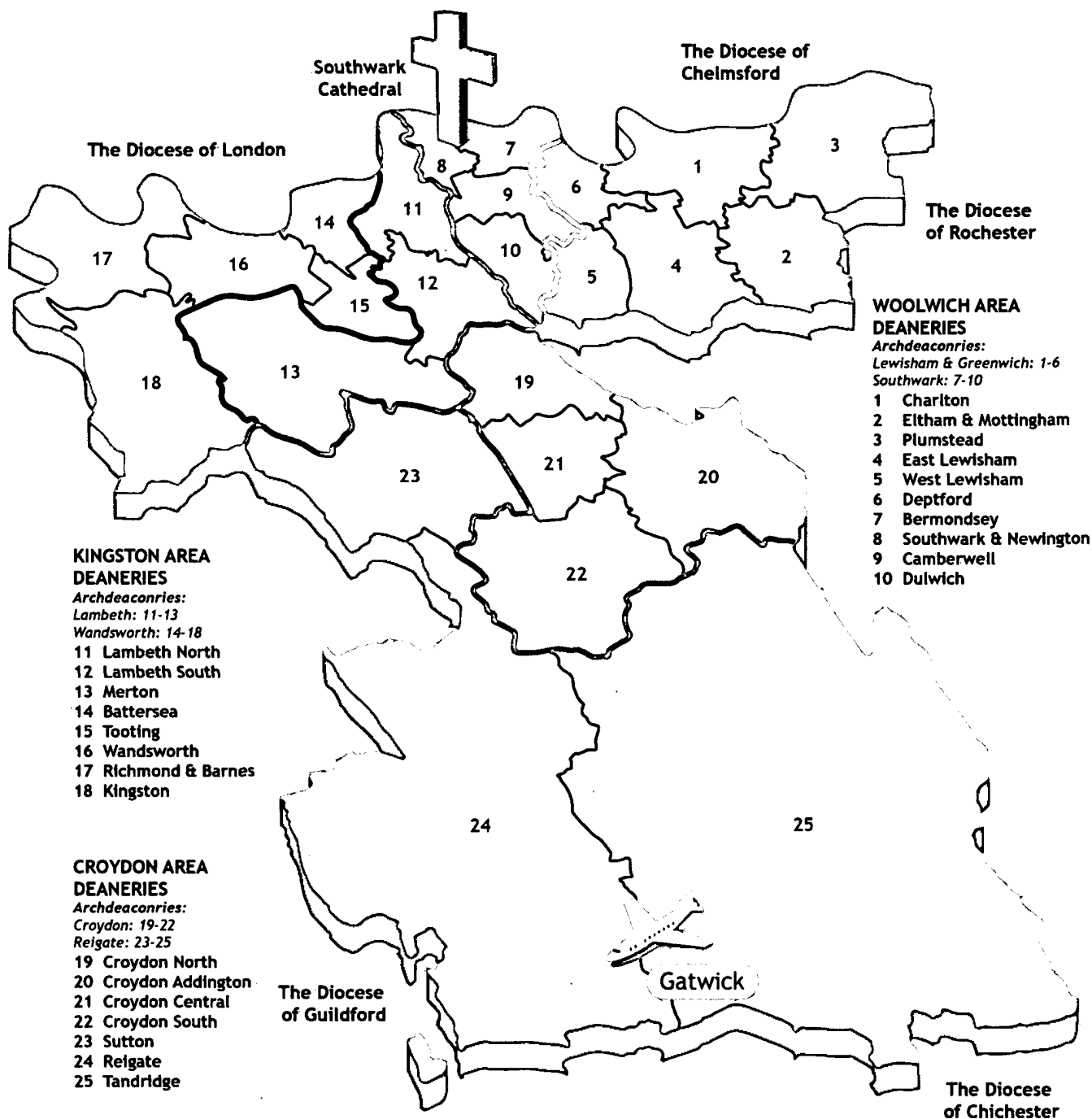
The SDBF is empowered to act as a committee of the Diocesan Synod, responsible for the corporate governance of the Diocese and also for raising and disbursing money and employing staff. Its members are both directors and trustees.

The standing committee of the Diocesan Synod is the Diocesan Council of Trustees (Bishop's Council), together with the members of the SDBF, the Diocesan Mission and Pastoral Committee (DMPC) and the Diocesan Parsonages Board. Each of these four bodies has coterminous membership.

The strategic priorities of the Diocese are established by the Diocesan Synod, and its standing committee the Diocesan Council of Trustees (DCT), in consultation with Deanery Synods, PCCs and the Bishop of Southwark (in respect of his responsibility for the provision of the cure of souls).

The DCT (acting as Bishop's Council), the Diocesan Board of Finance (DBF), the DMPC and the Diocesan Parsonages Board fulfil their objectives within this framework, together with the DCT committees and advisory groups of the Diocese. To this end, significant time and effort is committed to communication between and with these bodies, as well as with the Church nationally; this includes consultation on specific matters relating to the priorities for the forthcoming year, taking into account the commitments arising from the Diocesan Budget.





# Strategic report

# Strategic report

The main role of the Southwark Diocesan Board of Finance (SDBF) is to identify and manage resources within the Diocese, particularly the financial aspects of the provision of ministry, so as to lead, enable and serve the Diocesan Synod, deaneries, parishes, schools and communities of the Diocese in furthering mission and ministry and fulfilling the vision of the Diocese, whilst also ensuring full compliance with statutory responsibilities.

The purposes are:

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

# Southwark Vision 2017-25 and strategic objectives

From the Archbishop of Canterbury's Charge given to Bishop Christopher in 2011, the Diocese of Southwark has been on a journey of discernment towards a shared vision, Southwark Vision, which has been brought together from the themes and agreed outcomes described in the *Strategy for Ministry* final report adopted by Synod in November 2015, and *Hearts on Fire Vision for Mission*, with its commitment to the Five Marks of Mission and the five strategic objectives adopted by Synod in March 2016. These two documents together explain the detailed thinking behind the summary of our Diocesan Vision. In all we do we aim to be Christ-centred and outward-focused.

## The Diocese of Southwark's five strategic objectives

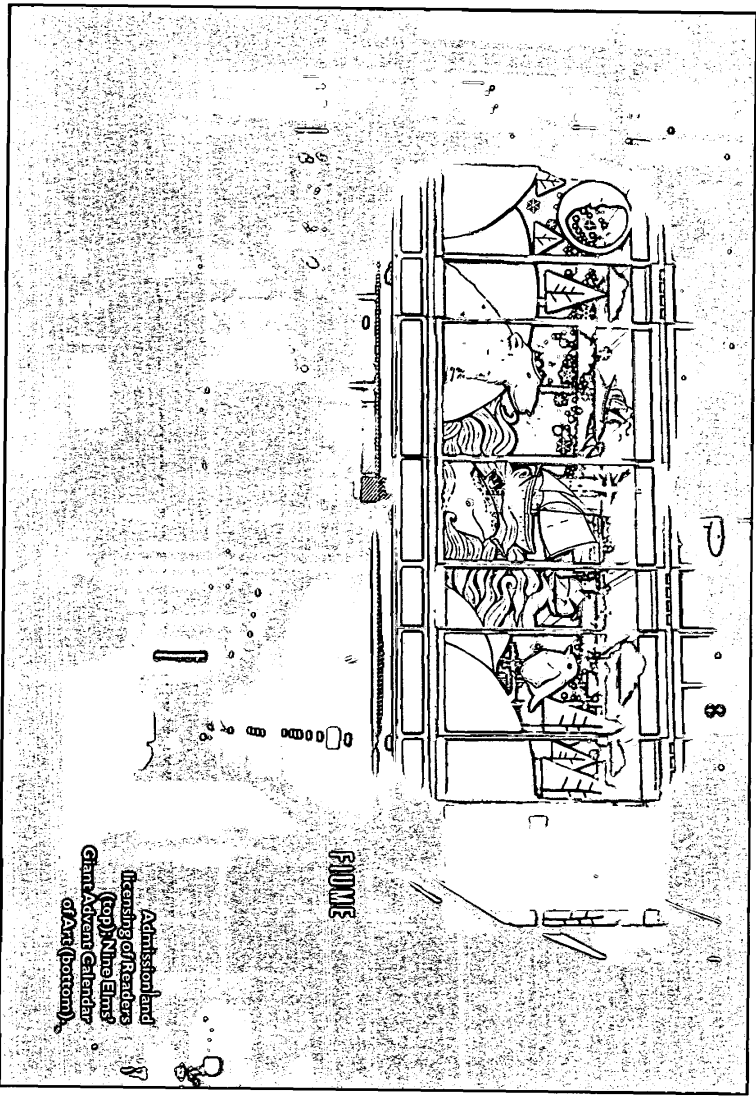
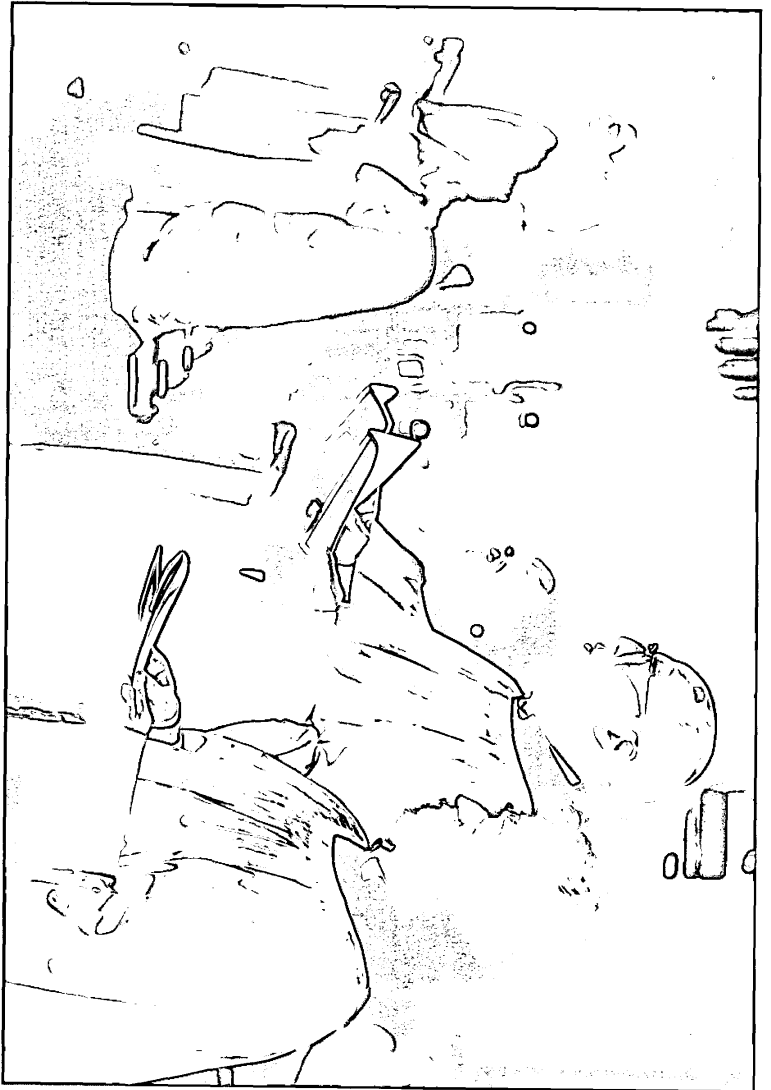
To grow our average weekly attendance by 5% by 2025, partly through having each church develop a high-quality Mission Action Plan (MAP) which includes a course for evangelism and discipleship.

By 2025, to increase the number of worshipping communities with a primary focus on areas of population growth, through investment in Fresh Expressions of Church (fxC) in the areas where the data suggests that existing congregations are increasingly unrepresentative of the resident community and therefore unlikely to be successful in reaching them without intentional intervention.

To grow a financial resource base that allows investment in growth for the future. Key measurable objectives include maintaining an annual financial surplus, building working financial reserves equivalent to three months' operating costs by 2020, with an aspiration to six months' operating costs by 2025, and 1% of Diocesan turnover annually being dedicated to major Diocesan mission and ministry projects beginning in 2016, rising to 2% by 2020.

To grow the number of ordained and lay vocations by 50% by 2020 by enabling and discerning ordained ministers, by expanding opportunities for licensed and commissioned lay leadership, and by affirming and growing other forms of lay ministry (for example, worship leaders, families and youth leaders, and spiritual directors); to offer relevant, enriching training and to create networks of support and celebration which reflect the diversity of the Diocese and our commitment to evangelism and discipleship; and to deliver fully integrated and pioneering church growth and fxCs.

By 2025, to grow leadership and representation that reflects the rich diversity of our Diocese, especially focusing where the data suggests that groups are currently under-represented through ethnicity, age (especially 18-40s), educational opportunities, material well-being and tradition.



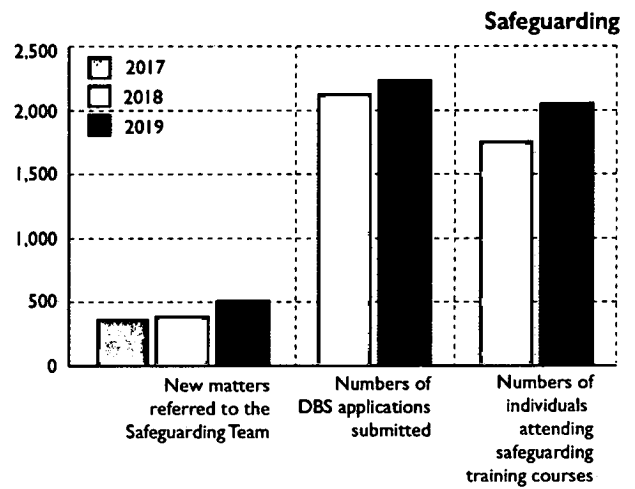
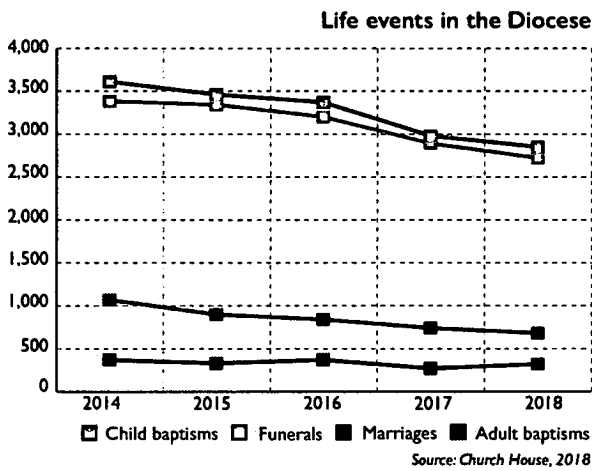
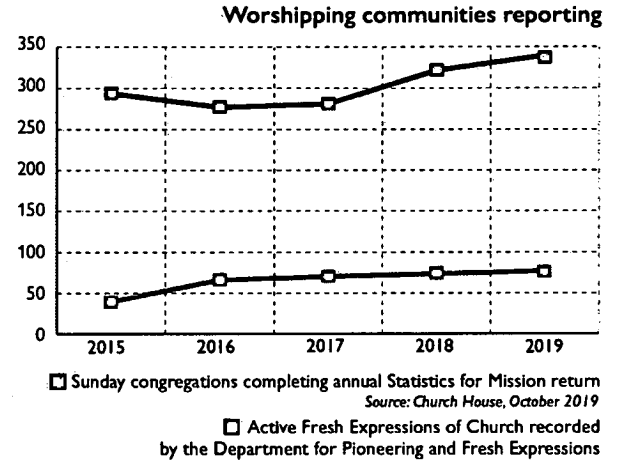
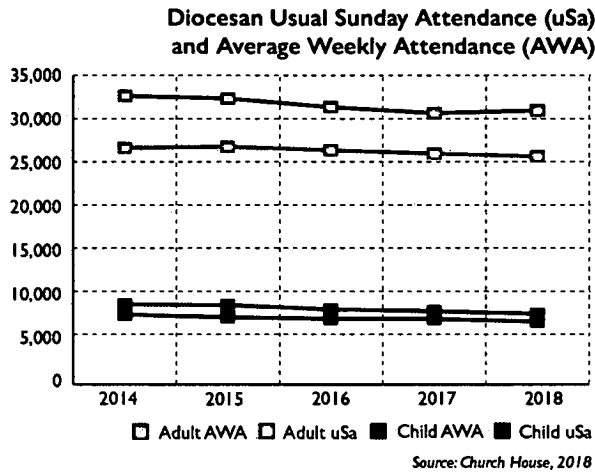
FIGURE

Admission and  
 licensing of Readers  
 (top) Nino Elmi  
 Ghani Adami (bottom)  
 of Art (bottom)

# Progress made towards achieving objectives

- The Diocese staunchly the decline in numbers of Average Weekly Attendance in 2017 and, according to the latest figures available from the National Church (see graph opposite), began to show a slight increase in 2018 as we grew and continued to focus on the resilience and accuracy of data to evidence this in the Diocese.
- Numbers of new worshipping communities continued to grow
- The number of ordained vocations has already reached the targets set and new targets are being considered. Figures for 2019 are shown in graphs on page 19.
- Regarding financial resilience and resources, the Diocese achieved its free reserves target in 2019 and has £46m in designated funds and £141m in expendable endowments. Free reserves are expected to fluctuate owing to investments in improving and maintaining our properties.
- We focused our database development on a safeguarding casework management system and a data tracker for parishes in vacancy, and decided to defer the property management system in order to review the finance system in 2021, with which it needs to work closely.
- Regarding all aspects of diversity, we are making progress with talented Trustees who also represent the communities we serve.

2019 objectives	Progress made
<b>Achieve</b> balanced budget out-turn.	An acceptable out-turn achieved.
<b>Develop</b> plan for resourcing Southwark Vision, including: <ul style="list-style-type: none"> <li>• securing new project funding from the Church Commissioners</li> <li>• developing strategic land plan.</li> </ul>	New project funding secured. Strategic land plan to be completed.
<b>Implement</b> outcomes of information technology review.	Completed.
<b>Complete</b> surveys across housing portfolio and develop five- and 10-year maintenance plans.	Completed surveys across 68% of parsonage housing portfolio; maintenance plans to be completed.
<b>Complete</b> stage one of the Diocesan integrated database project with installation of the Blue Box Property Management System.	Amended the database project to focus on other priority data areas and did not go ahead with Blue Box.
<b>Further develop</b> Mission Action Plans (MAPs), including Deanery MAPs. This has included a further review with new targets set.	In progress.
<b>Conclude</b> communications review.	Communications focused on partnership with parishes, and lay leadership and lay ministry developments.
<b>Develop</b> plans for website including new website and capacity for online donations.	Commenced and in progress.
<b>Attract</b> funds for new Southwark Development Fund.	Commenced and in progress.
<b>Implement</b> Lay Leadership and Lay Ministry Group (LL&LMG) report alongside national initiatives such as <i>Setting God's People Free</i> and <i>Serving Together</i> , including establishing new Lay Council.	The new Lay Council has been established and major progress made on the report's implementation.
<b>Implement</b> Deaneries Advisory Group report, including: <ul style="list-style-type: none"> <li>• developing first Deanery Leadership Teams.</li> </ul>	The first Deanery Leadership Teams have been established.
<b>Develop</b> new external partnerships, such as The Ascension Trust.	Established and further partnerships planned.
<b>Review</b> implementation of GDPR in the Diocese.	Completed.
<b>Implement</b> agreed recommendations from <i>Fit for Purpose</i> report.	Completed.





# Other activities and achievements in the year

The activities of the SDBF come in the context of Southwark Vision which developed from earlier *Strategy for Ministry and Hearts on Fire* reports.

## The Christian presence

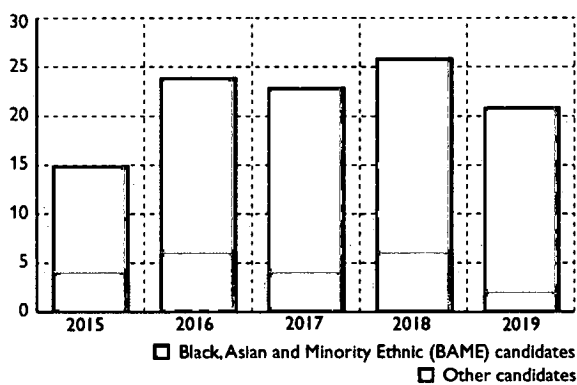
- Raised more than £16.4m through voluntary contributions to the Parish Support Fund (PSF) to fund mission and ministry across the Diocese.
- Deployed Strategic Development Funding from the Archbishops' Council to develop seven new Fresh Expressions of Church (fxC) in 2019, in addition to the grants we gave for existing fxCs. Since 2016, 77 fxCs have been verified in the Diocese, nearly double the target of 40 by 2020. With the seven new grants and another 100 fxCs that parishes have indicated on their returns which need to be verified (experience indicates that about 40% will meet the criteria whilst the others are likely to be imaginative missional and seasonal ministries and events), we expect to exceed 100 verified fxCs by the end of 2020.
- In 2018 (the most recent year for which data is available), 3,170 adults and children were baptised in the Diocese, 680 marriages were celebrated and 2,720 funerals were taken.
- Some 96% of churches in the Diocese were involved in some form of social action in 2017 (the most recent year for which data is available), compared with a national figure of 80%. During the same time frame, 70% of Southwark churches ran at least one social action project, against 49% nationally.
- Launched the Lay Council, bringing to a close the Southwark Diocesan Board of Readers and Southwark Pastoral Auxiliary (SPA) Council, in order to work with Readers, SPAs and others to plan further development and expansion of lay ministry.
- Ordained 26 deacons to serve in parishes across the communities of the Diocese.
- Licensed six Readers, and commissioned eight SPAs and three Lay Pioneer ministers.
- Established the first Deanery Leadership Teams and made ongoing progress in establishing deaneries as centres for mission.
- Completed the financial support which had been necessary to develop the SDBE Multi-Academy Trust, which is now flourishing and self-financing.
- Launched the Eco Diocese Working Group with a commitment to register as an Eco Diocese by 2025.
- Saw a significant increase in participation in short training courses in Discipleship and Ministry (see graph on page 21).
- The activities of the Mission and Evangelism team included:
  - ◊ supporting Thy Kingdom Come, a week of prayer with activities throughout the Diocese
  - ◊ forming a Woolwich Area youth forum, led by the Children and Young People's (CYP) team, to give young people a voice on areas of youth concern
  - ◊ working in collaboration with Citizens UK to support Croydon North Deanery's Public Spirit project, enabling young people from local churches to campaign against serious youth violence.
- The activities of the Justice, Peace and Integrity of Creation Department included:
  - ◊ working towards Southwark becoming a Bronze Eco Diocese, with 87 Southwark churches now registered with Eco Church, 10 of them with Bronze awards and five with Silver awards
  - ◊ offering healthy warm meals to 567 children from low-income families through six projects supported by Together Southwark to alleviate school holiday hunger
  - ◊ providing Universal Credit Facilitator and Places of Welcome training
  - ◊ starting up English conversation groups for vulnerable women in partnership with the Mothers' Union in Southwark
  - ◊ supporting the Children's Society in producing resources for groups working with young refugees
  - ◊ working with networks of organisations towards creating sanctuaries in boroughs in Southwark and Lewisham.

## Safeguarding

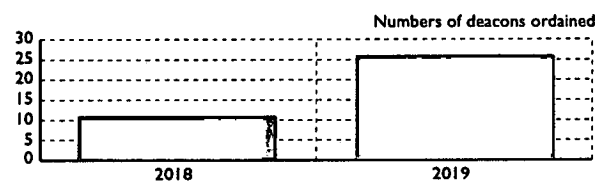
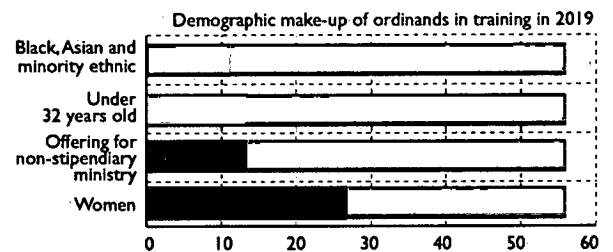
- This was a very busy year, which included the introduction of a case recording system, SafeBase, and the release of a revised version of *A Safe Church*, published to reflect current House of Bishops' safeguarding policy and practice guidance.

*Continued overleaf*

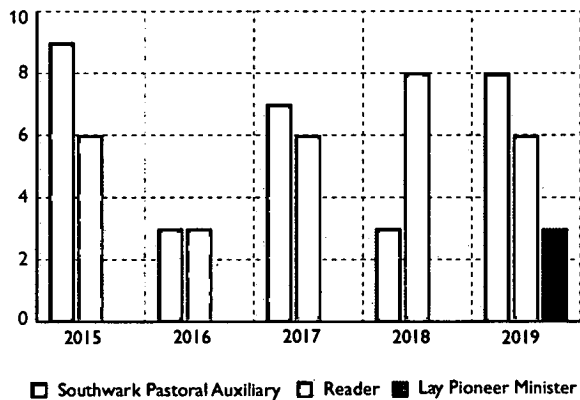
**Candidates recommended for training at National Bishops' Advisory Panel (BAP)**



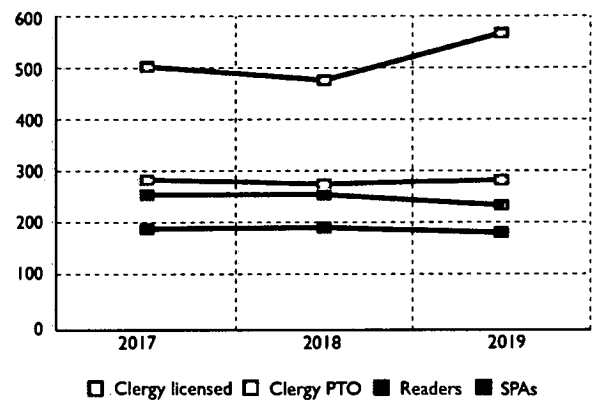
**Vocations to ordained ministry**



**Newly commissioned or licensed lay ministers**



**Clergy and lay roles as listed in Diocesan Directory**



Bishop Christopher at  
the Lent Call service.

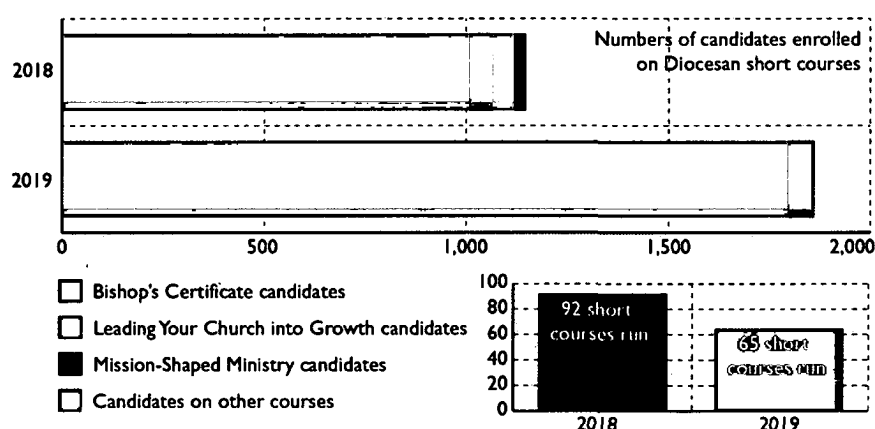


# Other activities and achievements (continued)

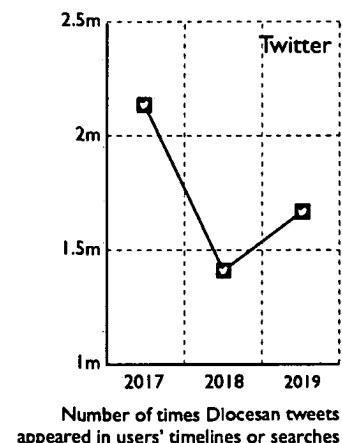
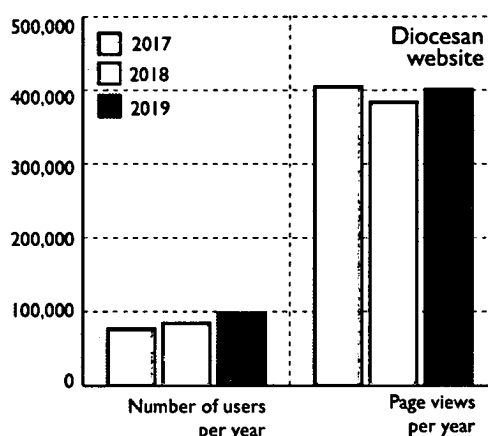
- In addition:

- more than 2,060 individuals across the Diocese attended one of the 93 safeguarding courses delivered in 2019, a significant increase on 2018. These courses were delivered in line with the national safeguarding learning and development framework.
  - there was a 32% increase in new matters referred to the Diocesan Safeguarding Team during 2019 to 516, up from a total of 392 in 2018. This work ranged from complex procedural enquiries to investigation of allegations relating to church officers.
  - 2,244 Disclosure and Barring Service (DBS) applications were submitted in 2019, with all checks now being undertaken online for improved effectiveness and efficiency.
- The DBF (DCT):
    - ensured that there was adequate safeguarding resourcing in the Diocese in accordance with the instructions of Diocesan Synod, with an increase in Assistant Diocesan Safeguarding Adviser resource
    - ensured that there were clear lines of accountability between the Diocesan Bishop and key Diocesan staff, including the Diocesan Safeguarding Adviser
    - ensured safer recruitment and training of any church officers working with children, young people and/or vulnerable adults employed by the DBF.

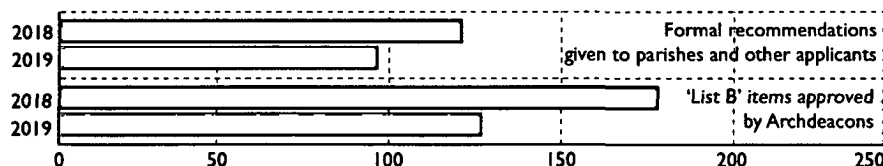
## Equipping lay leadership



## Communications



## DAC Faculties



# Other activities and achievements (continued)

## Other activities

- Successfully applied for further Strategic Development Funding for six projects in Southwark with growth objectives which could be replicated across the Diocese.
- Paid the stipends of 318 full-time equivalent incumbents, curates and other clergy, based primarily in parishes.
- Provided a human resources (HR) advisory service to parishes, including at least 151 separate enquiries, ranging from the provision of templates and information to advice on more complex parish employment situations. In addition, provided more detailed and longer-term support to at least seven parishes.
- Managed, maintained and improved approximately 380 residential properties, principally for clergy in parishes, with Condition Surveys completed in nearly 70% of vicarages.
- Completed the building of a new vicarage, St Philip, Norbury.
- During the year, the Diocesan Advisory Committee (DAC) gave 94 formal recommendations to parishes and other applicants, and 125 'List B' items were approved by Archdeacons after consultation with the DAC. Committee members made site visits to give advice on emerging proposals. Such projects include extensions, internal alterations, removal of pews, and installing kitchens and toilet facilities. Several parishes have said how helpful they have found these discussions in enabling them to clarify their own ideas into a realistic plan.
- Press and Communications helped to plan, publicise and execute a photography exhibition to celebrate



Delegates gather at Woolwich Area Lay Conference.

25 years of women's ordination to the priesthood. *Here Am I*, which followed 12 women priests from Southwark Diocese over a period of eight months, was staged at the Oxo Tower on the South Bank and attracted more than 8,000 visitors.

## Volunteers

The Board is dependent on the huge number of people involved in church activities, both locally and at Diocesan level. We believe that the number of active volunteers (or volunteer hours) given to the mission and ministry of the Church is a key indicator of the health of a church. The Board has invested further in developing its web-based services for parishes and parish officers who are mostly volunteers, and is particularly grateful to more than 600 Parish Safeguarding Officers who undertake

mandatory training and are actively involved in critical preventative work. Within this context, the Board greatly values the considerable time given by all the committee members across the Diocese.

In addition, 96% of churches in the Diocese in 2017 (the most recent year for which figures are available) were involved in some sort of social action. Volunteers worked as school governors, street pastors, at winter night shelters and in foodbanks. The service provided to a community through church volunteering has a significant impact on people's relationships with the Church, particularly at times of crisis. Enabling the Church to flourish enables volunteering to flourish.

# Related parties

These include:

- the Archbishops' Council (Charity No 1074857), from which the SDBF receives grants and to which the SDBF pays a donation based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, including General Synod. The Chair of the House of Laity is a Trustee
- the Church Commissioners for England (Charity No 1140097), from which the SDBF receives grants and which acts on behalf of clergy with HM Revenue and Customs. The SDBF pays for clergy stipends through the Church Commissioners
- the Church of England Pensions Board (Charity No 236627), to which the SDBF pays retirement benefit contributions for stipendiary clergy and employees and makes contributions towards the provision of housing for clergy in retirement
- the Southwark Diocesan Board of Education (SDBE), a separate registered charity (No 313001) to which the SDBF makes grants. The SDBE supports 106 Church of England schools; 91 are Primary Schools and 15 are Secondary Schools, of which one is an All-Through School and five are Academies. The SDBE supports the provision, effectiveness and development of education in all Church of England schools within the Diocese. It specifically seeks to develop the Christian ethos and distinctiveness of Church schools; to promote religious education and collective worship; and to advise School Governors and Trustees and support the maintenance and



Schools take part in 'CSI: Easter', a resource teaching the Christian story.

improvement of school buildings and facilities. The SDBE also supports the provision of chaplaincy in higher and further education institutions. The SDBF makes a grant to the SDBE and has pump-primed specific initiatives. The Bishop of Southwark is President of the SDBE, whilst the Rt Revd Jonathan Clark, Bishop of Croydon, and the Venerable Dr Jane Steen, Archdeacon of Southwark, are trustees

- SDBE Multi Academy Trust, which is an exempt charitable company (No 10385920). The SDBF has made a specific grant through the SDBE to underpin the development of the Multi Academy Trust (MAT). The chair of the SDBF is a member of the MAT and is represented through the Diocesan Secretary. As a member, the SDBF is entitled to nominate one-third of the directors of the MAT
- Southwark Diocesan Welcare (Welcare), a separate registered

charity (No 1107859) to which the SDBF makes a grant. Welcare is a Christian charity working in South London and East Surrey with disadvantaged children and families, irrespective of faith, culture, abilities or life choices. By offering family support, mentoring services and group work with parents and children, Welcare empowers families to rebuild their lives and family ties, helping parents to give their children happier, more confident childhoods.

- The Venerable Moira Astin, Archdeacon of Reigate, is a trustee
- Southwark Cathedral, a charity exempt from registration with the Charity Commission to which the SDBF makes a grant. It is the seat of the Bishop of Southwark, and services and special events are held at the Cathedral that are paid for by the SDBF
- Together Southwark (Charity No 1153362), elected to promote the alleviation of poverty and relief of financial hardship among children, young people and vulnerable families, which is partly funded by the SDBF. The Rt Revd Karowei Dorgu, Bishop of Woolwich, the Venerable Dr Rosemarie Mallett, Archdeacon of Croydon and Chair of the House of Clergy, and Adrian Greenwood, Chair of the House of Laity, are trustees.

Transactions with related parties are identified in appropriate places throughout the financial statements. Where materiality of the transactions merits more detailed disclosure, this is given in Note 27 to the financial statements (see page 81).

# Future plans

The Coronavirus pandemic (COVID-19), which is having a devastating impact across our communities, will mean that, like most organisations, the Diocese of Southwark will be reworking its plans. In recent years much has been done and achieved in ensuring that the Diocese works as one body for the mission of the Church. This common purpose will be essential as we seek to be the Church in our parishes, schools and wider communities in a world which will look very different from 2019. We will be reviewing our objectives and plans during 2020 to reflect the changes and also the opportunities. Nevertheless, some of our specific plans, especially around technology, clergy well-being, and developing lay ministry and children and young people's work, will be given renewed impetus in the light of the COVID-19 impact.

## **Specific plans for 2020**

These include:

- a new Giving Strategy which will include further support for parishes in their giving initiatives
- work on the next stages of the integrated database including online support for PCC officers and the Parish Support Fund
- the development of a new website to provide further web-based services
- participation in the Past Cases Review of safeguarding, a national initiative and requirement
- the completion of the development of two parsonages into five units, two of them parsonages, as part of the property strategy to provide more housing
- Strategic Development Funding



deployments, including a commitment to deliver 100 Pioneer Ministers over the next few years including Lay Pioneer ministry

- further development of Children's and Young People's policies and initiatives.

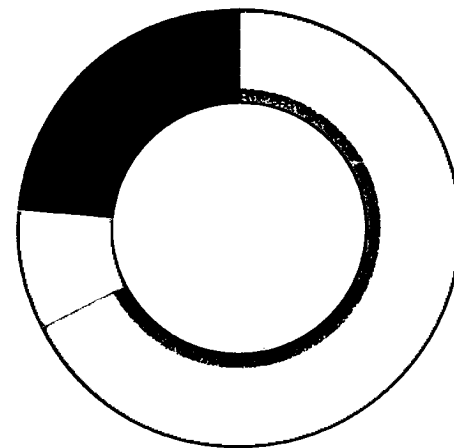
**The launch of *Here Am I*, a photographic exhibition celebrating 25 years of women's ordination to the priesthood (top); *Southwark Splash!*, an event at Southwark Cathedral for children and young people (bottom).**

# Financial review

## Financial performance

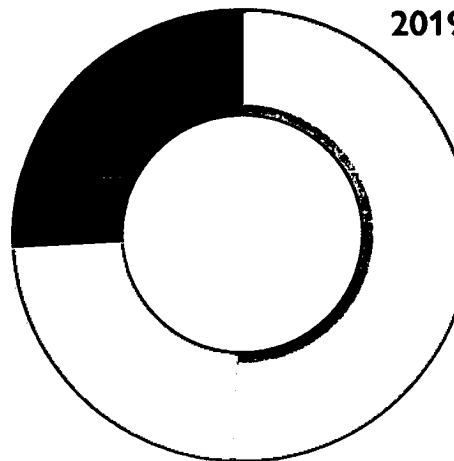
A surplus of £3.9m (2018: £3.1m) was generated before investment gains or losses. This is principally owing to the reduction in the liability in the clergy pension scheme following a change in the actuarial methodology used to calculate the deficit. Ignoring this gain, a deficit of £274,000 was posted equivalent to 1.1% of income. The value of financial investments benefited from the general improvement in sentiment as the fears which dominated markets in the final quarter of 2018 did not materialise, whilst property markets proved to be more resilient than anticipated. As a result, the value of our property portfolio increased by £1.7m (2018: £3.2m decrease), whilst the value of our investments in funds rose by £2.8m (2018: £3.3m decrease). In consequence, the Statement of Financial Activities (SoFA) surplus for the year was £8.4m (2018: £3.5m deficit).

The Parish Support Fund (PSF), which is the name of our parish share scheme, continues to be the foundation on which our income is built. Once again, our parishes have given generously to the PSF. Income from the PSF in 2019 was £16.4m (2018: £16.4m). At first glance this appears to show no underlying increase but the total for parish share comprises two elements: more than 99% is the collection of current year PSF and a very small and declining proportion is contributions due from previous years, the majority of which relate to the earlier parish share scheme Fairer Shares. As it is now four years since we moved to the PSF, collections for historical Fairer Shares have fallen.



## 2019 Income vs (Budget)

- Parish Assessments: £16.4m (£16.4m)
- Funding from outside Diocese: £2.7m (£2.3m)
- Gain on disposal of assets: £1.6m (£1.9m)
- Funding from Diocesan assets: £3.4m (£3.4m)
- Parochial fees: £0.5m (£0.5m)



## 2019 Expenditure\* vs (Budget)

- Ministry stipends: £12.3m (£12.2m)
- Ministry housing, training & support: £5.7m (£5.8m)
- Area Mission Teams & Groups: £0.8m (£0.8m)
- Board of Education & Welcare: £0.5m (£0.5m)
- Governance, administration, communications & resources: £3.2m (£3.9m)
- National Church: £1.6m (£1.6m)

\*Excludes reduction in pension scheme liability

Each year we ask our parishes to make their PSF pledge using the indicative costs for the year and, as costs increase, we are pleased that parishes are continuing to increase their pledge and are able to meet the challenge. Our collection rate on the PSF continues to be stable at the exceptionally high level of 99.6% (2018: 99.6%), for which we give thanks.

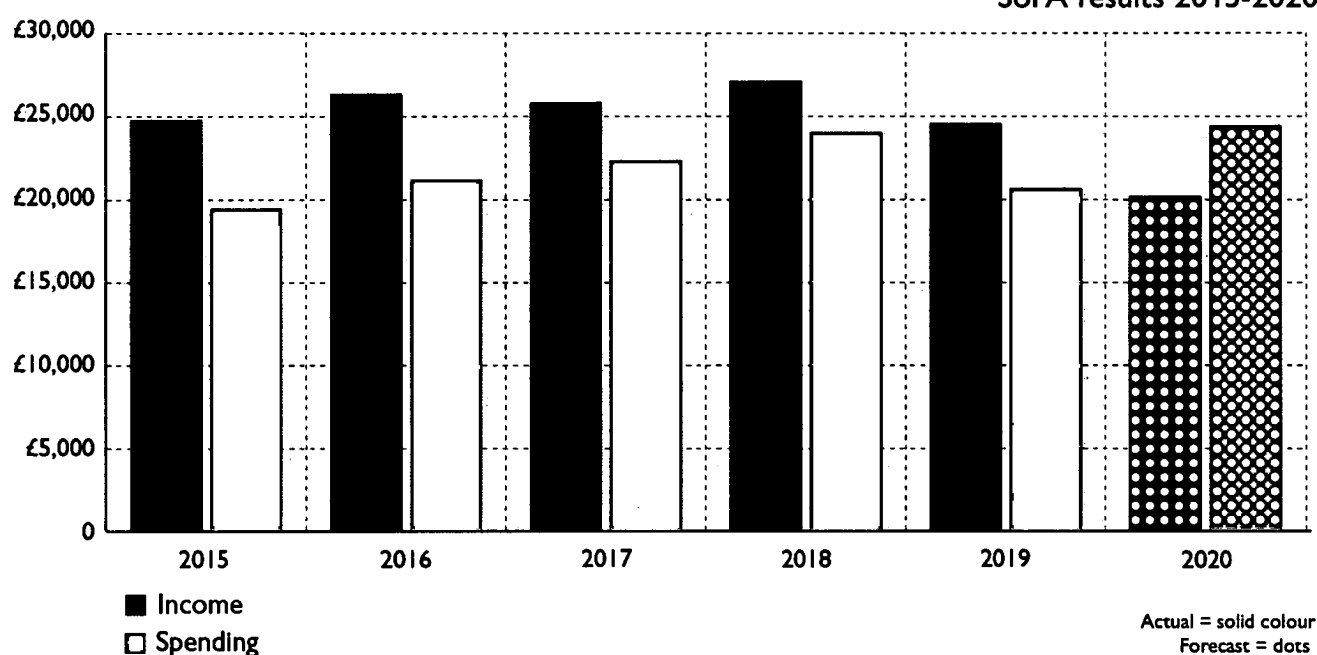
Changes introduced in 2017 to the way in which the Church Commissioners provide grants for ordinand training and Strategic Development resulted in increased income from that source to £1.1m (2018: £0.8m). Other donations remained stable at £1.6m (2018: £1.6m), including an increase in grant from the Trust for London and a bequest from the Estate of Mrs Jean Viggars.



# Financial review (continued)

## Financial history and plan

SoFA results 2015-2020



Income from charitable activities remained constant at £1.4m (2018: £1.4m) as the result of an increase in posts funded by parishes and third parties which offset a decline in parochial fees. Investment income was also unchanged at £2.4m (2018: £2.4m), where income from the financial investments compensated for the fall in property rental income, the latter due both to the unsettled rental market during 2019 and to the increased use of our glebe housing stock for mission and ministry purposes.

Gains from the disposal of properties were £1.6m (2018: £4.0m) as a result of the ongoing programme of disposing of properties not fit for purpose.

The proceeds are used to purchase more suitable properties, build more suitable accommodation or substantially refurbish parsonage houses when they fall vacant. For example, in 2019 we completed the building of one new parsonage and made progress towards completion of major works on a former oversized parsonage to convert it into a new parsonage with two adjoining three-bedroom apartments.

The reduction in costs is owing to a fall in the deficit on the Church of England Funded Pensions Scheme for clergy following the 2019 triennial valuation and a change in methodology used to calculate the deficit. If the impact of the pension scheme is

excluded from both the current and previous year, costs increased negligibly by £54,000, effectively no increase with costs at £24.3m.

During 2019, the Diocese was awarded a second Strategic Development Funding grant to grow mission and ministry in six parishes and deaneries, to which the Diocese also contributes, resulting in additional costs from July 2019 for the Diocese. There was increased spending on vocations and mission in line with Southwark Vision.

There were in addition planned increases in resourcing for safeguarding, whilst property costs also increased. The condition of vacant properties is outside

the direct control of the SDBF, which still needs to respond reactively when vacancies occur following the reversal in property strategy in 2015 to retain parsonage properties where appropriate rather than build new ones. Many properties requiring significant repairs were dealt with during the year and costs were higher than budget.

The amount spent on administration as a proportion of the total gross expenditure of the SDBF amounted to 7.5% (2018: 8.0%). This continues to be monitored rigorously and is in line with other Dioceses in particular, and of other charities in general, of a comparable size.

The value of investments increased by £2.8m (2018: £3.3m decrease) as financial markets recovered during 2019. There were no sales of investments during the year (2018: £nil). Further detail on our investments and their performance can be found in the investment policy section overleaf.

The capital value of properties rose by £1.7m (2018: £3.2m decrease) after an impairment charge of £1m (2018: £nil) on certain parsonage houses. The overall increase reflected an improving London property market towards the end of the year. Following the decision taken by the Trustees in 2016 whereby properties other than benefice houses were to be valued on a five-yearly cycle, one-fifth (20%) of the portfolio was revalued during the year by the SDBF's appointed firm of chartered surveyors, and the average change in the value of the properties revalued was applied to the remainder of the portfolio.

	2019 Number	2019 £'000	2018 Number	2018 £'000
<b>Purchases:</b>				
Parsonage	1	828	4	5,159
Board	2	1,070	1	400
<b>Total</b>	<b>3</b>	<b>1,898</b>	<b>5</b>	<b>5,559</b>
<b>Property development and improvement:</b>				
Parsonage	28	3,309	22	1,061
Diocesan Stipendiary Fund	4	363	3	63
Board	3	92	2	54
<b>Total</b>	<b>31</b>	<b>3,764</b>	<b>27</b>	<b>1,178</b>
<b>Completed development projects:</b>				
Parsonage	1	1,407	2	1,694
<b>Total</b>	<b>1</b>	<b>1,407</b>	<b>2</b>	<b>1,694</b>
<b>Sales at book value:</b>				
Parsonage	4	1,980	4	1,973
Diocesan Stipendiary Fund	-	-	1	525
Board	4	3,488	1	529
<b>Total</b>	<b>8</b>	<b>5,468</b>	<b>6</b>	<b>3,027</b>

Overall, the increase in funds on the balance sheet was £8.4m (2018: £3.8m decrease).

### Significant property transactions

A number of property transactions took place during the year (see table, above). Expenditure on property development and improvements continue to be incurred at historically high levels, both to increase the number of units available for curates and other church workers

and to ensure that parsonage houses are fit for purpose. This is in line with our property strategy endorsed by Diocesan Synod and to support Southwark Vision.

During the year, as stated above, a further significant and long-standing parsonage redevelopment project was completed with a new parsonage and work started on two other projects, one of which is long-standing and will create three accommodation units from

# Financial review (continued)

an oversized parsonage. It is the nature of property development for the time horizons involved invariably to straddle more than one financial year and the volume of transactions is likely to continue at the current level for several years to come.

Our policy continues to be:

- to accommodate the changing geographical deployment of clergy within the Diocese
- to realise the development/ refurbishment potential in some properties to enable more effective use of funds for the ministry of the Church and to house curates
- to replace unsuitable properties
- to ensure each parish/benefice has a benefice house.

Under the Mission and Pastoral Measure 2011, the Diocesan Pastoral Account is available for the purchase and/or improvement of benefice houses. To the extent that any remaining funds are not required, or are not likely to be required, for these purposes then the Account may be applied to any general purpose of the SDBF. The policy of the SDBF is to use the Account for exceptional property expenditure and for property staff costs where they are principally engaged in the purchase, sale and maintenance of the property portfolio but not to use it for routine property administration and maintenance.

## **Balance sheet position**

The Trustees consider that the balance sheet, together with details in Note 21 (see pages 74-75), show broadly that the restricted and endowment funds are

held in an appropriate mix of investment and current assets given the purposes for which the funds are held. The net assets at the balance sheet date totalled £292.0m (2018: £283.6m). Included in this total are properties, mostly in use for ministry, whose value amounted to £269.0m (2018: £267.1m).

## **Reserves policy**

### **Free reserves**

Free reserves are the total of the unrestricted General Fund. Having considered financial risk, liquidity requirement and the timing of cash flows throughout the year, the Trustees reviewed and amended the policy in 2019. The Trustees' policy is gradually to grow working financial reserves in the General Fund such that it is equivalent to three months' budgeted unrestricted expenditure by the end of 2020, with an aspiration to achieve six months' budgeted unrestricted expenditure by the end of 2025. At 31 December 2019, the amount required under this policy totalled £6.1m (2018: £6.0m). Actual free reserves as at 31 December 2019 totalled £6.8m (2018: £5.4m).

### **Reserves invested in fixed assets**

The General Fund comprises net assets amounting to £6.8m (2018: £5.4m), of which £3.3m (2018: £3.6m) is invested in tangible fixed assets, principally freehold and leasehold property, and a further £3.5m (2018: £3.2m) is held in pooled fund investments.

## **Designated funds**

The Trustees may designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the General Fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. As a result, the Multi Academy Trust Fund was considered to have served its purpose of providing seed funding and the balance on the fund was returned to the General Fund.

A description of each reserve, together with the intended use of the reserve, is set out in Note 22 (see page 76). At 31 December 2019, total designated reserves were £45.8m (2018: £46.7m). The policy of the Trustees is to gradually return as many of these funds as possible to the General Fund.

## **Restricted and endowment funds**

As set out in Note 21 (see pages 74-75), the SDBF holds and administers a number of restricted and endowment funds. As at 31 December 2019, restricted funds totalled £3.5m (2018: £2.9m) and endowment funds totalled £235.9m (2018: £228.5m). Neither are available for the general purposes of the SDBF.

## **Grant-making policy**

The Articles of Association of the SDBF allow for the making of grants in pursuance of its objects. The grants made in the current and previous year are disclosed in Note 12 (see

pages 62-63). All grants are made from budgets set aside for specific purposes and are subject to authorisation policies and criteria.

### Investment policy

1. The SDBF is permitted by its Articles of Association to make investments. Note 21 (see pages 74-75) provides details of the assets of each fund, together with the related purposes. Note 16 (see page 69) summarises the movements in investments during the year. The investment principles were reviewed towards the end of 2018. With most of its capital assets in residential housing, the focus of the Trustees is on the selection and review of investment funds to provide additional income to the Diocese whilst aiming to maintain the inflation-adjusted value of capital. The investment policy and principles in this align with the property strategy and also Southwark Vision 2017-25.

The Trustees' investment policy is:

- to pursue an ethical investment policy. The Trustees are committed to following the ethical and climate change investment guidelines laid down by the Ethical Advisory Group of the National Investing Bodies of the Church of England
- not to invest directly but through collective investment vehicles
- to seek the best economic returns consistent with commercial prudence following the judgment in the Bishop of Oxford case.

	Funds at 31 December 2019 £'000	Proportion of portfolio %	Income yield in year %	Total return in year %
<b>Managed funds:</b>				
M&G Equity Investment Fund for Charities	9,289	32.0	5.0	21.6
Cazenove Charity Equity Income Fund	6,026	20.8	5.2	20.0
JO Hambro UK Equity Income Fund	7,375	25.4	5.7	20.5
CBF Investment Fund	138	0.1	3.0	21.8
Savills Charities Property Fund	3,064	10.5	4.0	1.5
Mayfair Capital PITCH Fund	3,276	11.2	5.4	2.7
<b>Total</b>	<b>29,168</b>	<b>100.0</b>		

The investment objectives are:

- to seek the best possible overall return on investments, having due regard to the preservation of capital and subject to agreed risk tolerance
- for the Diocesan Stipendiary Fund and Ministry Fund, the aim is to maximise the growth of income in the longer term whilst maintaining the inflation-adjusted value of the capital
- for Board of Finance investments, the aim is to maximise capital and income in the longer term.

The investments held and their return during the year are set out in the table above.

Equity markets recovered during the year as the concerns over base rates,

trade wars and Brexit receded. The portfolio recovered the losses suffered in 2018 but the results were marginally lower than the benchmark FTSE All Share Total Return Index, producing an increase of 16.0% compared with an increase of 16.1% in the benchmark.

The SDBF does not adopt a total return policy for its investments but looks to identify investment managers who can produce income growth whilst preserving capital subject to agreed risk tolerances. Income generated in the year increased to £1.5m (2018: £1.4m).

Towards the end of the year the Investment Committee recommended that Trustees begin to invest in global equity funds as well as UK equity funds. Trustees agreed and this will be implemented in 2020.

# Principal risks and uncertainties

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

The principal risks below reflect the risks approved by Trustees for 2019. Since then, the economy and indeed society as a whole has been greatly impacted by the pandemic known as COVID-19, and the risks for 2020 and beyond will be significantly reviewed and revised to reflect that.

The process of identification and assessment of risk, the risks identified and the measures for mitigation are reviewed at least annually by the Audit and Risk Committee, with at least one area of principal risk reviewed in detail at each meeting. Responsibility for delivery of the mitigation strategies identified is delegated to the Diocesan Secretary. The risk register is presented to, discussed by, and amended as Trustees determine and formally agreed by Trustees annually. As an organic document, it is available for inspection by all Trustees.

The risk register for the year ended 2019 identified eight areas where the risk of either failure to act or the impact of the events was considered "high". These areas and the associated mitigation strategies were as follows.

## 1. Parish Support Fund (PSF) and economic uncertainty

The risk is that collection of the PSF (parish share) is considerably less than 100% of the amount pledged, the Diocese becomes dependent

on the generosity of more affluent parishes and the amount does not grow sufficiently to cover essential mission and ministry costs. During 2019, the uncertainty around Brexit created additional risks in the economic environment, especially with the Diocesan proximity to the City of London. In 2020 this will continue to be a significant risk owing to the impact of COVID-19. Specific mitigants include:

- that collection statistics are produced, discussed and circulated on a monthly basis to allow swift intervention where a parish is not meeting its pledged commitment
- that there is a major investment made in Communication strategy, including a wide variety of meetings between the Diocesan leadership, Archdeacons, Area Deans and Lay Chairs, Deanery Synods and parishes
- that the Parish Support Fund is positioned as central to mission and ministry
- that the high-level Investment Committee seeks to mitigate the ongoing broader economic uncertainty and that its reserves policy and property strategy help to underpin the resilience of the Diocese.

## 2. Pace of change

The risk is that the pace of change in the National Church and the Diocese is too swift to enable detailed objectives to be met. Mitigants include:

- a conscious culture of preparing for change
- staff and parish development
- collaborative working between senior clergy and the executive

- delivery and resourcing of mission and ministry policies.

Integrated, cohesive working and close monitoring of capacity is reflected in the annual and strategic objectives.

## 3. Senior management and key personnel

There is a risk of overstretch leading to impeded delivery of objectives and loss of key staff, together with a number of fairly new staff appointments. Mitigants include:

- ongoing work on the integrated data systems to ensure that new colleagues can swiftly be effective and that colleagues can work collaboratively across teams
- careful attention to succession planning
- the provision of professional work coaching for staff in senior roles
- empowering senior professional staff with greater delegation, accompanied by strengthened paths of accountability.

## 4. Safeguarding

As a result of the ongoing national Independent Inquiry into Child Sexual Abuse (IICSA), and new requirements for the way in which serious incidents are recorded, resourcing was expanded during 2019. Where there might be one or more occurrences of abuse by someone working for or on behalf of the Church, with consequences for those affected, adverse media coverage and financial costs, mitigants include:

- the employment of three full-time safeguarding advisers (up from 2.6 in 2018), supported by designated administrative staff and line-managed by the Deputy Diocesan Secretary

- legal advice being sought where necessary, particularly with regard to information-sharing
- the Diocese launching a safeguarding casework system (SafeBase) in January 2019
- parishes now using online arrangements for Disclosure and Barring Service checks as part of the safe recruitment of those who work with children, young people and adults who may be at risk of harm
- a comprehensive training programme being developed and delivered by the safeguarding team to all relevant staff and volunteers, with compulsory attendance for those in key roles
- the formal reporting of safeguarding activity and key risks for annual scrutiny by the Diocesan Audit and Risk Committee and the whole Trustee body at the DCT
- Serious Incident Reporting (SIR) arrangements being revised
- a revised version of *A Safe Church* being completed and published in 2019. This manual reflects current House of Bishops' safeguarding policy and practice guidance
- safeguarding work being supported by a proactive and sensitive PR and media strategy.

## 5. Information technology

Where there is a risk of loss of access to electronic data including e-mail owing to equipment failure, cyber attacks, virus or inability to access one of the buildings, mitigants include:

- the decision to move to cloud-based systems, storage and back-up, a decision reviewed and endorsed by an external audit process which is now being implemented

- the use of intelligent anti-virus solutions which analyse behaviour as well as known threats with the addition of external e-mail scanning and filtering
- a cyber-security policy being put in place and reviewed
- a review being commenced regarding the hosting of the website
- IT policies having been reviewed as part of the renewal and development of disaster recovery planning in light of the proximity of terrorist activity to London Bridge. This will continue to be an important area of risk as a result of COVID-19, when staff moved successfully into remote working from home.

## 6. Data

Collection, integrity and interpretation of data for financial, managerial and mission and ministry decisions are important. The principal risks are incomplete, inaccurate or misinterpreted data with impact on mission. Mitigants include:

- continuing to develop the integrated database
- reviewing when to use external data systems and when to develop bespoke solutions
- a review of the resources needed for GDPR, use of data and administrative processing of data
- ongoing investment in updating all databases.

## 7. Governance

Given the increasing and evolving compliance and regulatory framework for large charities, the risk is lack of accountability and lack of transparency, and decisions taken

at the incorrect level and without sufficient scrutiny. Mitigants include:

- high standards of reports and record-keeping
- the launch of the Handbook of Governance in 2019
- observing both the terms of reference of the different committees and the scheme of delegation
- meetings between the Diocesan Secretary and Chair and Vice-Chair of the DBF at least monthly
- reviewing financial performance monthly
- formal presentations of annual objectives and progress on objectives to Trustees and Diocesan Synod.

## 8. Communication

The parishes working in partnership with the charity to promote Southwark Vision and to resource it to cover the costs of ministry through the PSF requires constant communication about the work of the Diocese across South London and East Surrey, its mission and ministry initiatives. The risk is that insufficient funds are generated and that support across the Diocese wavers. In addition, there is another risk of poor media coverage leading to reputational loss, mitigated by high quality public relations and rigorous attention in particular to any historical safeguarding issues.



# Governance

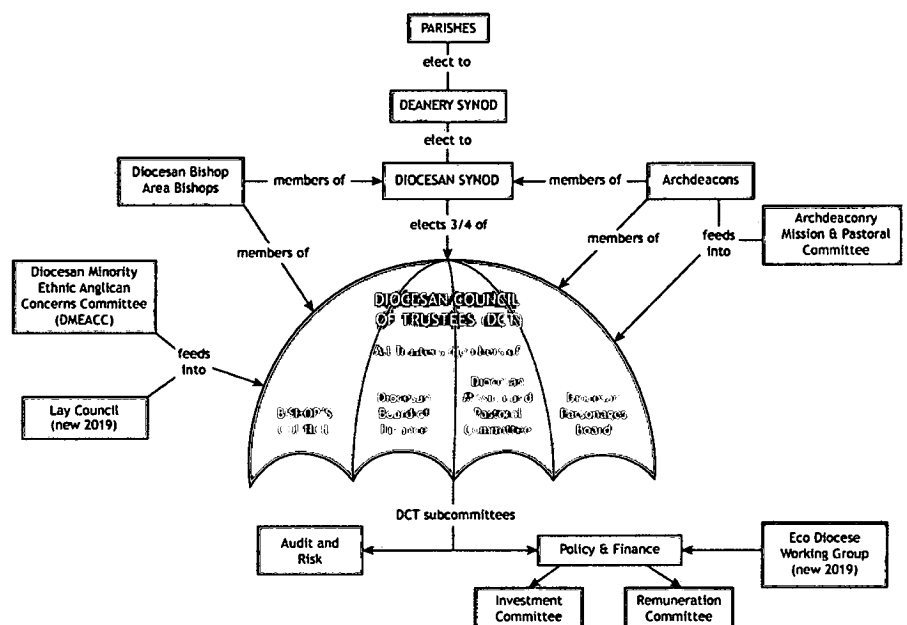
# Structure and governance

## Summary information about the structure of the Church of England

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

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

Within each Diocese, overall leadership lies with the Diocesan Bishop. The Diocese of Southwark is itself divided into 25 deaneries, each with its own Synod, and within each parish there is a Parochial Church Council (PCC). The PCC shares responsibility with



the parish priest for the mission of the church in that place, in a similar way to that in which the Bishop shares responsibilities with the Diocesan Synod. Whilst each Diocese is a separate legal entity, with a clear responsibility for a specific geographical area, being part of the Church of England requires and enables each Diocese to seek support from and work in partnership with other Dioceses.

## Organisational structure

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

incorporated in 1929. The Articles were updated and modernised during 2017. The Company Secretary is the Diocesan Secretary.

The governance and policy of the SDBF is the responsibility of the Trustees, who are also members and directors of the company and trustees for the purposes of charity law. Since November 2015, the Diocesan Council of Trustees (DCT, see diagram, above) has been the standing committee of the Diocesan Synod, and its members are members of the Diocesan Board of Finance (DBF), the Bishop's Council, Diocesan Mission and Pastoral Committee (DMPC) and Parsonages Board (i.e. coterminous membership). Under the



# Structure and governance (continued)

revised governance, the DCT comprises the Diocesan Bishop (President of the Diocesan Synod), Chair and Vice Chair of the Board of Finance (both laity), Area Bishops, Archdeacons, Chair of the Houses of Clergy and Laity of the Diocesan Synod, six clergy (two from each episcopal Area), 12 members of the laity elected by the House of Laity of the Diocesan Synod (including three from each Area) and up to six further lay members with up-to-date financial or other relevant expertise formally elected by the House of Laity of the Diocesan Synod. The implementation of this revised governance structure was reviewed by an external consultant during 2018 and was found to be successful and robust. Recommendations for further training of Trustees and development of the more strategic elements of the DMPC were accepted.

The Diocesan Synod, the statutory governing body of the Diocese, is an elected body drawn from across the Diocese with responsibility for setting the vision and strategy of the Diocese. The Synod membership is elected every three years, the last elections having been in 2018. The Synod elects from its members 12 of the lay Trustees of the SDBF and six of the clergy members. The SDBF is subject to the direction of the Synod in all its activities, unless such direction is not in accordance with the governing documents or statutory regulations. Since the DBF developed coterminous membership with the Bishop's Council, DMPC and Parsonages Board, membership, trusteeship and directorship of the SDBF also includes membership of

those other bodies, all part of the DCT. The Diocesan Secretary is Secretary to each of these, except that the Deputy Diocesan Secretary is Secretary to the DMPC.

## Decision-making structure

Corporate priorities and the overall financial strategy for the Diocese, in its primary object to promote, assist and advance the work of the Church of England within the Diocese of Southwark, are set by the Diocesan Synod and the SDBF. The responsibility for ensuring that these priorities and strategies are delivered is delegated to the Diocesan Secretary who reports to the Bishop of Southwark and is also accountable to Trustees through the Chair of the SDBF. The Policy and Finance Committee, which is the standing committee of the Council of Trustees, holds the work of the Diocesan Secretary to account. The company meets once a year in a General Meeting to receive and approve the Annual Report and Financial Statements, appoint the auditors and elect the Chair and Vice Chair, nominated by the Bishop of Southwark.

Each year the Diocesan Synod receives and agrees the annual budget, prepared and approved by the Board. The Diocesan Council of Trustees (DBF) holds five meetings each year, including one all-day meeting to consider the annual budget and objectives. Trustees formulate and coordinate policies on mission, ministry and finance by:

- initiating proposals for action by the Synod and advising it on matters of policy

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

The Trustees are assisted in their work by two committees.

**The Policy and Finance Committee (PFC)** is the standing committee of the DCT and monitors management accounts and budget, the use of assets and investment policies, and exercises the authority delegated to it by the Trustees in areas such as grants and loans. It also undertakes the Board's responsibilities under the Parsonages Measures 1938 and 1947; the Repair of Benefice Buildings Measure 1972; the Parochial Church Councils (Powers) Measure 1956, as amended, and the Incumbents and Churchwardens (Trusts) Measure 1964 (with respect to parochial property); the Endowment and Glebe Measure 1976 (with regard to property assets); and the Mission and

Pastoral Measure 2011 (with regard to redundant churches). In addition, this committee considers and initiates areas of strategic policy where proposals are at an early stage of development prior to submission to the Board. It meets five times a year including one all-day meeting which particularly examines the forthcoming budget, work plans and annual objectives. It holds the work of the Diocesan Secretary to account and, through her, the work of the executive team.

**The Audit and Risk Committee** scrutinises performance, oversees issues of financial probity, reviews the work of external audit, prepares the response to the external auditor's management letter, scrutinises the effectiveness of governance and reviews the risk register and major areas of risk. It meets four times a year. Following a 2018 review of the implementation of the governance changes in 2015, the committee changed its name in 2019. It was previously known as Audit and Governance.

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

### **Trustee recruitment, selection and induction**

Board Trustees (DBF) are also members of the Bishop's Council, DMPC and

Diocesan Parsonages Board and are selected as set out above. Potential Trustees complete skills audits, there is a role description and Trustees are given induction at the outset of the triennium and at other times as appropriate, such as when Trustees are elected or appointed during the triennium. They are also informed, before seeking membership and at all other relevant times, of the role and function of each committee and constituent element of the DCT. Some staff hold the title of 'Director' but this relates to their function within the organisation and has no legal meaning within the terminology associated with the Companies Act. All Trustees are required to sign the Diocesan Declaration of Eligibility, Responsibility and Conflicts of Interest statement forms. A Handbook of Governance is given to each Trustee.

### **Remuneration of key management personnel**

Remuneration of the Diocesan Secretary is determined annually by the Remuneration Committee, which also receives reports of the Diocesan Secretary's remuneration recommendations for members of the Senior Management Team, which the Remuneration Committee then considers for approval. The committee is a sub-committee of the PFC, formally reporting through to the Board. It is chaired by the Bishop of Southwark and includes the Chair and Vice-Chair of the SDBF and any external consultants as they determine. The committee in 2019 included the Chair of the PFC.

### **Delegation of day-to-day delivery**

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

### **Funds held as Diocesan Authority**

The Board acts as Diocesan Authority or Custodian Trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956, as amended, and the Incumbents and Churchwardens (Trusts) Measure 1964 where the Managing Trustees are PCCs and others. These assets are not aggregated in the financial statements as the SDBF does not control them, and they are segregated from the SDBF's own assets by means of a separate bank account, separately identified investment holdings and a separate accounting system. Further details of financial trust assets, whose market value amounted to £16.5m at 31 December 2019 (2018: £14.5m), are available from the SDBF on request, and are summarised in Note 29 (see page 83). Where properties are held as Diocesan Authority, the deeds are identified as such and held in safe custody by the SDBF's solicitor, Winckworth Sherwood LLP.

# Structure and governance (continued)

## Section 172 statement

This section serves as our Section 172 statement and should be read in conjunction with the Strategic Report on pages 12-31. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision-making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions.

The majority of Directors are elected from the parishes and communities served by the Diocese, ensuring coverage geographically across the Diocese through elections from the Diocesan Synod. The presentations by the Chair of the Board to Diocesan Synod, covering budgets, objectives and the Annual Report, are examples of this.

Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company in the context of being a DBF among some 40 others across the Church of England, and also in being a charity with charitable objectives focused on mission and ministry. Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail this year how the Board engages with our stakeholders, to comply with the requirement to include a statement setting out how our Directors have discharged this duty.

- The Directors are fully aware of their responsibilities to promote

the success of the Company in accordance with Section 172 of the Companies Act 2006.

- The Board regularly reviews our principal stakeholders and how we engage with them, particularly the parishes and Deaneries across the Diocese which comprise the electing body of Synod. In effect, the Directors through the DBF are the standing committee of Synod, and the Chairs of both the House of Laity and the House of Clergy are on the Board, as are representatives of both parish clergy and lay people in parishes.
- The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. In our Strategic Report (page 23) we set out some of our other principal stakeholders, how and why we engage, and detail engagement outcomes. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision-making.
- The SDBF has good relationships with its suppliers, parishes and others. Committees of the DBF include members who hold roles in parishes; and engagement with parishes, including with volunteer lay officers and clergy, includes annual meetings across the Diocese, organised on an Archdeaconry and Deanery basis.
- The Diocesan Secretary is effectively the Chief Executive Officer and is held accountable to the Board through regular meetings at least monthly with the Chair and Vice Chair, and through the Policy and Finance Committee where a range of employees attend, and through the Board meetings, any of which can be attended by employees from the Senior Management Team.
- Directors of the Board include the six Archdeacons and four Bishops and they have regular and open contact with employees at all levels of the organisation. All heads of departments have team meetings and individual meetings with staff and there are also all-staff meetings.
- The Senior Management Team has been designated as "senior management" for the purposes of the 2018 Code but not for the purposes of section 414C(8) of the Companies Act 2006. It comprises the senior functional management roles and together is made up of those with responsibility for interacting with the Company's principal stakeholders.
- The Board has had in place since 2015 measures to ensure that stakeholder interests are always taken into account. Where external legal advice is required, the Directors can consult with the Diocesan Registrar or ask senior staff such as the Diocesan Secretary or Deputy Diocesan Secretary to do so on their behalf.

# Trustees' responsibilities

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

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

- select suitable accounting policies and apply them consistently
- observe methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose, with reasonable



accuracy, at any time the financial position of the charitable company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Statement of disclosure to the auditor

So far as the Trustees are aware:

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

## Appointment of auditor

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

# Administrative details

## **Trustees**

No Trustee had any beneficial interest in the Company during 2019. The following Trustees were in post during the period 1 January 2019 to the date of approval of these financial statements.

## **President**

The Right Revd Christopher Chessun,  
*The Bishop of Southwark*

## **Ex-officio**

The Right Revd Jonathan Clark,  
*The Bishop of Croydon*

The Right Revd Dr Richard Cheetham,  
*The Bishop of Kingston*

The Right Revd Dr Karowei Dorgu,  
*The Bishop of Woolwich*

The Venerable Christopher Skilton (to 29 February 2020),  
*The Archdeacon of Croydon*

The Venerable Dr Rosemarie Mallett  
(installed as Archdeacon from 15 March 2020),  
*The Archdeacon of Croydon*

The Venerable Simon Gates,  
*The Archdeacon of Lambeth*

The Venerable Alastair Cutting,  
*The Archdeacon of Lewisham & Greenwich*

The Venerable Moira Astin,  
*The Archdeacon of Reigate*

The Venerable Dr Jane Steen,  
*The Archdeacon of Southwark*

The Venerable John Kiddle,  
*The Archdeacon of Wandsworth*

## **Chair of the House of Clergy of Diocesan Synod**

The Venerable Dr Rosemarie Mallett

## **Chair of the House of Laity of Diocesan Synod**

Mr Adrian Greenwood

## **Appointed by the Bishop of Southwark**

Mr Alan Saunders,  
*Chair of the Board of Finance*

Mrs Lotwina Farodoye,  
*Vice Chair of the Board of Finance*

## **Elected by Synod (House of Clergy)**

The Revd Canon Peter Farley-Moore  
The Revd Jonathan Macy  
The Revd Gregory Prior  
The Revd Katie Thomas (from 22 January 2019)  
The Revd Alison Way (to 22 January 2020)  
The Revd Canon Leslie Wells

## **Elected by Synod (House of Laity)**

Mr Bill Bishop  
Sir David Beamish  
Mrs Rebecca Chapman  
Mrs Jacqueline Dean  
Mr John Dewhurst  
Mr Christopher Elliott (to 9 July 2019)  
Ms Despina Francois  
Ms Vasanthini Gnanadoss  
Mr Joseph Goswell (from 29 November 2019)  
Mr Alex Helliwell  
Dr David Keiller  
Ms Solabomi Ogun  
Mr Colin Plant

## **Lay persons elected as specialists**

Dr Nicholas Burt  
Mr Philip Fletcher  
Mr Michael Hartley  
Mr Andrew McMurtrie  
Captain Nicholas Lebey CA (from 22 January to 22 July 2019)  
Mr Nicholas Stansbury (from 4 March 2020)

## **Senior staff**

Ms Ruth Martin (Lay Canon),  
*Diocesan Secretary*  
The Revd Canon Stephen Roberts,  
*Deputy Diocesan Secretary*  
Mr Anthony Demby,  
*Director of Finance and Financial Assets*  
Mr David Norris (to 15 November 2019),  
*Director of Property Services*  
Mr David Loft,  
*Director of Human Resources*  
Mr Mark Charlton,  
*Director of Information Technology*  
The Revd Canon Wendy Robins,  
*Director of Press and Communications*  
Mrs Jacqueline Pontin,  
*Director of Strategic and Operational Projects*

**Registered office**

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

**Advisers****Bankers**

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

HSBC UK Bank plc  
133 Regent Street, London W1B 4HX

HSBC Private Bank (UK) Limited  
8 Cork Street, London W1S 3LJ

**Independent Auditor**

Haysmacintyre LLP  
10 Queen Street Place, London EC4R 1AG

**Solicitors**

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

**Investment Fund Managers**

Cazenove Capital Management Ltd  
1 London Wall Place, London EC2Y 5AU

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

JO Hambro Capital Management Ltd  
1 St James's Market, London SW1Y 4AH

M&G Securities Ltd  
10 Fenchurch Avenue, London EC3M 5AG

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

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

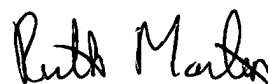
**Insurers**

Ecclesiastical Insurance Group plc  
Beaufort House, Brunswick Road, Gloucester GL1 1JZ

In approving this Trustees' Report, the Trustees are also approving the Strategic Report included on pages 12-31 in their capacity as Company Directors.

**By order of the Trustees**

**Alan Saunders**  
Chair of the Board of Finance  
13 May 2020



**Ruth Martin (Lay Canon)**  
Secretary  
13 May 2020

# Financial Statements

# Independent auditor's report

We have audited the financial statements of The South London Church Fund & Southwark Diocesan Board of Finance for the year ended 31 December 2019, which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the Notes to the Financial Statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2019, 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.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of Trustees for the financial statements**

As explained more fully in the Trustees' Responsibilities statement, 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from

material misstatement, whether owing to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether owing to fraud or error; and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



# Independent auditor's report (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt on the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## **Other information**

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the

Trustees' Annual Report (which incorporates the Strategic Report and the Directors' Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Trustees' Annual Report (which incorporates the Strategic Report and the Directors' Report) has been prepared in accordance with applicable legal requirements.

## **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.

### ***Use of our report***

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.



**David Sewell**  
*Senior Statutory Auditor*

For and on behalf of Haysmacintyre LLP,  
Statutory Auditor  
10 Queen Street Place,  
London EC4R 1AG

**13 May 2020**

# Statement of Financial Activities

## for the year ended 31 December 2019

		Unrestricted funds		Restricted funds	Endowment funds	Total funds 2019	Total funds 2018
		General	Designated				
	Note	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income and endowments from:</b>							
Donations	3						
Parish contributions		16,413	-	-	-	16,413	16,448
Archbishops' Council		283	-	840	-	1,123	848
Other donations		1,555	76	-	-	1,631	1,557
Charitable activities	4	1,360	-	-	-	1,360	1,351
Other activities	5	148	-	-	-	148	126
Investments	6	2,213	-	145	-	2,358	2,367
Other	7	195	1,373	-	-	1,568	4,450
<b>Total</b>		<b>22,167</b>	<b>1,449</b>	<b>985</b>	<b>-</b>	<b>24,601</b>	<b>27,147</b>
<b>Expenditure on:</b>							
Raising funds	8	9	-	-	15	24	22
Charitable activities	9	20,142	(40)	584	1	20,687	24,073
<b>Total</b>		<b>20,151</b>	<b>(40)</b>	<b>584</b>	<b>16</b>	<b>20,711</b>	<b>24,095</b>
<b>Net income/(expenditure) before investment gains</b>		<b>2,016</b>	<b>1,489</b>	<b>401</b>	<b>(16)</b>	<b>3,890</b>	<b>3,052</b>
Net gains/(losses) on investments	16	305	-	367	2,167	2,839	(3,325)
<b>Net income/(expenditure)</b>		<b>2,321</b>	<b>1,489</b>	<b>768</b>	<b>2,151</b>	<b>6,729</b>	<b>(273)</b>
<b>Transfers between funds</b>	14	<b>(965)</b>	<b>(3,163)</b>	<b>(200)</b>	<b>4,328</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains:</b>							
Gains/(losses) on revaluation of fixed assets	15	-	772	-	914	1,686	(3,257)
<b>Net movement in funds</b>		<b>1,356</b>	<b>(902)</b>	<b>568</b>	<b>7,933</b>	<b>8,415</b>	<b>(3,530)</b>
Total funds brought forward		5,457	46,686	2,930	228,504	283,577	287,107
<b>Total funds carried forward</b>	20	<b>6,813</b>	<b>45,784</b>	<b>3,498</b>	<b>235,897</b>	<b>291,992</b>	<b>283,577</b>

All activities derive from continuing activities. The notes on pages 49-83 form part of the financial statements. A full compendium of the prior year Statement of Financial Activities (SoFA) is included at Note 28 (see page 82).

# Income and expenditure account for the year ended 31 December 2019

	2019	2018
	£'000	£'000
<b>Total income</b>	24,601	26,669
<b>Total expenditure</b>	(20,695)	(24,042)
<b>Operating surplus for the year</b>	<b>3,906</b>	<b>2,627</b>
Net gains/(losses) on investments	672	(1,185)
<b>Net income for the year</b>	<b>4,578</b>	<b>1,442</b>
<b>Other comprehensive income:</b>		
Revaluation of fixed assets	772	(1,325)
Net assets transferred to endowments	(4,328)	(4,712)
<b>Total comprehensive income/(expenditure)</b>	<b>1,022</b>	<b>(4,595)</b>

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

# Balance sheet as at 31 December 2019

Company Number 236594			2019	2018
	Note	£'000	£'000	£'000
<b>Fixed assets:</b>				
Tangible assets	15	269,379		267,533
Investments	16	29,169		26,330
<b>Total</b>		<b>298,548</b>		<b>293,863</b>
<b>Current assets:</b>				
Debtors	17	1,171		1,992
Cash on deposit		669		1,336
Cash at bank and in hand		803		280
<b>Total</b>		<b>2,642</b>		<b>3,608</b>
Creditors: amounts falling due within one year	18	(2,250)		(3,245)
<b>Net current assets</b>		<b>391</b>		<b>363</b>
<b>Total assets less current liabilities</b>		<b>298,939</b>		<b>294,226</b>
<b>Creditors: amounts falling due after more than one year:</b>				
Pension scheme liabilities	19	(1,154)		(5,318)
Other creditors	19	(5,794)		(5,331)
<b>Net assets</b>		<b>291,992</b>		<b>283,577</b>
<b>Funds:</b>				
Endowment funds		235,897		228,504
Restricted income funds		3,498		2,930
<b>Unrestricted income funds:</b>				
General Fund		6,813		5,457
Designated funds		45,784		46,686
<b>Total funds</b>	<b>21</b>	<b>291,992</b>		<b>283,577</b>

The financial statements were approved by the Board of Trustees and authorised for issue on **13 May 2020** and signed on behalf of the Board by:



**Alan Saunders**  
Chair of the Board of Finance

# Statement of cash flows for the year ended 31 December 2019

	2019	2018
	£'000	£'000
<b>Net cash outflow from operating activities</b>	<b>(3,784)</b>	<b>(6,096)</b>
<b>Cash flows from investing activities:</b>		
Dividends, interest and rent from investments	2,358	2,367
<b>Proceeds from the sale of:</b>		
Tangible fixed assets	6,790	5,533
Investments	-	1,042
<b>Purchase of:</b>		
Tangible fixed assets	(5,741)	(5,545)
Fixed asset investments	-	(1,000)
<b>Net cash provided by investing activities</b>	<b>3,407</b>	<b>2,397</b>
<b>Cash flows from financing activities:</b>		
Repayment of borrowing	(767)	(19)
Cash inflow from new borrowing	1,000	-
<b>Net cash provided by/(used in) financing activities</b>	<b>233</b>	<b>(19)</b>
Change in cash and cash equivalents in the reporting period	(144)	(3,718)
Cash and cash equivalents at 1 January	1,616	5,334
<b>Cash and cash equivalents at 31 December</b>	<b>1,472</b>	<b>1,616</b>

# Notes to the statement of cash flows for the year ended 31 December 2019

Reconciliation of net income/(expenditure) to net cash flow from operating activities	2019 £'000	2018 £'000
Net income/(expenditure) before investment gains for the year	3,890	3,052
<b>Adjustments for:</b>		
Depreciation charges	109	72
Dividends, interest and rent from investments	(2,358)	(2,367)
Movement in pension deficit recovery creditor less contributions paid	(4,164)	(822)
Increase in value of Value-Linked Loans	-	(5)
Profit on sale of fixed assets	(1,568)	(4,450)
Decrease/(increase) in debtors	821	(1,063)
Decrease in creditors	(514)	(513)
<b>Net cash used in operating activities</b>	<b>(3,784)</b>	<b>(6,096)</b>

Analysis of cash and cash equivalents	2019 £'000	2018 £'000
Cash in hand	803	280
Notice deposits (less than three months)	669	1,336
<b>Total</b>	<b>1,472</b>	<b>1,616</b>

Analysis of changes in net debt	At 1 January 2019 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 December 2019 £'000
Cash	1,616	(144)	-	1,472
Loans falling due within one year	(780)	767	(287)	(300)
Loans falling due after one year	(5,331)	(1,000)	537	(5,794)
<b>Total</b>	<b>(4,495)</b>	<b>(377)</b>	<b>250</b>	<b>(4,622)</b>

# Notes to the financial statements

## I. Accounting policies

### a. General information

The South London Church Fund & Southwark Diocesan Board of Finance (SDBF) is a charitable company limited by guarantee, incorporated in England and Wales and registered with the Charity Commission. In the event of the charitable company being wound up the liability in respect of the guarantee is limited to £1. The SDBF meets the definition of a public benefit entity under FRS 102.

### b. Accounting convention and basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom (FRS 102), the Statement of Recommended Practice for Charities (SORP 2015, second edition 2019) and with regard to the Diocesan Annual Report and Financial Statements Guide (fifth edition, 2015).

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

### c. Going concern

In light of the COVID-19 epidemic, the Directors/ Trustees have reviewed forecasts for the period to the end of 2021 and consider that there are no material uncertainties regarding the SDBF's ability to continue as a going concern.

### d. Income

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

- i) **Parish share** is recognised as income of the year to which pledges have been made. Amounts not received are not recognised as debtors as parish share pledges represent a commitment that is not legally enforceable.
- ii) **Rent receivable** is recognised as income in the period to which it relates.

- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants received** that are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are not recognised in the SoFA and are included in creditors.
- v) **Parochial fees** are recognised as income when receivable.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets** are included within other income. Losses on disposal are included within other expenditure.
- viii) **Diocesan Stipendiary Fund income** is governed by the Diocesan Stipends Fund Measure 1953, as amended, and is restricted to the payment of clergy stipends. The income is fully expended within the year of receipt. The income and the related stipend expenditure are both included in the unrestricted column of the SoFA.

### e. Expenditure

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

- i) **Costs of raising funds** are costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** comprises expenditure on contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the Diocese, and expenditure relating to the running of the Diocesan Retreat House.
- iii) **Grants payable** are charged in the year in which the grant is awarded. Where the grant is conditional on the recipient meeting performance or other discretionary requirements to the satisfaction of the SDBF it is recognised as expenditure when these have been met. Grants made subject to such conditions that have not been met at the year-end are noted as a commitment but not accrued as expenditure.



# Notes to the financial statements

## 1. Accounting policies (continued)

### e. *Expenditure (continued)*

- iv) **Support costs** comprise central management, administration and governance costs. The amount spent on raising funds and other activities is considered by the Trustees to be immaterial and all support costs are included within charitable activities. Costs are charged directly to the activity to which they relate, but where this is not possible, they are apportioned on the basis of staff time cost.
- v) **Pension contributions.** The SDBF participates in two defined benefit pension schemes (see Note 26 on pages 78-81): the Church of England Funded Pensions Scheme for clergy and the Church Workers Pension Fund (CWPF) for SDBF lay staff. The SDBF closed the Defined Benefit Scheme section of the CWPF to new members in July 2013.

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

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

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

### f. *Tangible fixed assets and depreciation* *Freehold and leasehold properties*

Freehold and leasehold properties are initially recognised at cost and subsequently measured at Fair Value at each reporting date. Leasehold properties are not amortised over the term of the lease period on the grounds of materiality because of the very long lengths of the leases and the limited number of leasehold properties. The SDBF has appointed a firm of chartered surveyors to undertake a full valuation of

its freehold and leasehold properties on a rolling basis over a five-year period. The results of these valuations are extrapolated across the remaining portfolio to ensure that the carrying value of freehold properties approximates Fair Value. The revaluation gains or losses are reported within other recognised gains and losses in the SoFA.

### *Assets under construction*

Assets under construction are recorded at cost during construction. On completion they are transferred to either the Board Property Fund or Diocesan Stipendiary Fund where the properties are measured at Fair Value or the Parsonage Fund where the property is carried at the cost of construction.

### *Properties subject to value-linked loans*

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

### *Benefice houses*

The SDBF has followed the requirements of FRS 102 in its accounting treatment of benefice houses (parsonages). FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The SDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to carry them at cost. For benefice houses owned at 1 January 2015 the SDBF has adopted the estimated reinstatement cost as at 1 January 2014 as deemed cost. Benefice houses purchased or built after 1 January 2015 are included at purchase or build cost. Benefice houses transferred from the Diocesan Stipendiary Fund are included at the carrying value at the date of transfer.

## I. Accounting policies (continued)

### f. **Tangible fixed assets and depreciation (continued)**

#### **Depreciation on buildings**

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

#### **Leasehold improvements**

Improvements made to leasehold properties are amortised in the SoFA over the term of the lease or the break clause where there is an expectation that this will be exercised.

### g. **Other tangible fixed assets**

Other tangible assets are recognised at cost less accumulated depreciation and any accumulated impairment losses.

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

- furniture and equipment, 10-25% per annum, straight-line basis.

### h. **Other accounting policies**

- Fixed asset investments** are included in the balance sheet at market value and the gain or loss taken to the SoFA.
- Leases.** The SDBF has entered into operating lease arrangements for the use of certain property assets, the rental for which is charged in full as expenditure in the year to which it relates. Rent-free periods given as part of an operating lease are amortised in the SoFA over the lease term or break clause where there is an expectation that this will be utilised.

### i. **Financial instruments: assets and liabilities**

#### **Concessionary loans**

The SDBF makes loans to further its charitable purposes, typically being loans to parishes, at nil interest or at rates below prevailing market rates. It is also in receipt of loans that are interest-free or at rates below prevailing market rates from the Church Commissioners for England and the Central Board of Finance. Such loans are classified as concessionary loans and accounted for in accordance with Section 34 of FRS 102 whereby the loans are initially recognised and measured at the amount paid or received and subsequently adjusted to reflect any repayments, accrued interest and any subsequent impairment.

#### **Debtors**

Debtors are recognised at the settlement amount due.

#### **Cash and cash equivalents**

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

#### **Creditors and provisions**

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

#### **Value-linked loans**

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

# Notes to the financial statements

## 1. Accounting policies (continued)

### j. Funds

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

- **Unrestricted funds** are the SDBF's corporate funds and are freely available for any purpose within the SDBF's charitable objects at the discretion of the Trustees. There are two types of unrestricted funds:
  - ◊ **general funds** which the SDBF intends to use for the general purposes of the SDBF
  - ◊ **designated funds** set aside out of unrestricted funds by the SDBF for a purpose specified by the Trustees.

- **Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- **Endowment funds** are those held on trust and administered by the SDBF to be retained for the benefit of the charitable company as a capital fund. In the case of the Parsonage Capital Fund, there are discretionary powers to convert capital into income and this fund is classified as expendable endowment. The Ministry Fund and the Diocesan Stipendiary Fund are endowment funds where there is no provision for expenditure of capital and these are classified as permanent endowments.

## 2. Critical accounting estimates and judgements

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

The key area of estimation is the measurement of the SDBF's property assets at Fair Value. The Charity SORP requires entities that have adopted a policy of revaluation to undertake valuations on a regular basis to ensure that the carrying amount of the revalued assets does not differ materially from Fair Value at the end of the reporting period. The SDBF engages a firm of chartered surveyors for the valuation of its freehold properties, excluding benefice houses,

on a rolling basis over a five-year period. In order to ensure that the carrying value of the freehold properties excluding benefice houses approximates to Fair Value, the results of the proportion of the properties valued in the year are extrapolated across the remainder of the property portfolio excluding benefice houses to arrive at year-end Fair Value.

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

### 3. Donations

#### Parish contributions

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

	2019 £'000	2018 £'000
<b>Unrestricted General Fund:</b>		
Current year receipts from parishes	16,357	16,290
Previous year receipts from parishes	56	158
<b>Total income</b>	<b>16,413</b>	<b>16,448</b>

#### Church Commissioners and Archbishops' Council

2019	Unrestricted General Fund £'000	Restricted funds £'000	Total funds 2019 £'000
Strategic Development grant	-	257	257
Ordinand training grant	-	583	583
Area Bishops grant	283	-	283
<b>Total</b>	<b>283</b>	<b>840</b>	<b>1,123</b>

2018	Unrestricted General Fund £'000	Restricted funds £'000	Total funds 2018 £'000
Strategic Development grant	-	197	197
Ordinand training grant	-	350	350
Area Bishops grant	301	-	301
<b>Total</b>	<b>301</b>	<b>547</b>	<b>848</b>

The Church Commissioners' Area Bishops grant is used to support the administrative costs of the Area Bishops.

Two restricted grants were received: from the Church Commissioners, a Strategic Development grant towards the cost of resourcing mission in the Vauxhall, Nine Elms and Battersea area and through Fresh Expressions across the Diocese; and from the Archbishops' Council, a block grant for Ordinand training and a further Strategic Development grant.

# Notes to the financial statements

## 3. Donations (continued)

### Other donations

2019	Unrestricted funds		Total funds 2019 £'000
	General	Designated	
	£'000	£'000	
<b>Unrestricted General Fund:</b>			
All Churches Trust grant	258	-	258
Trust for London grant	1,147	-	1,147
Legacy income	-	76	76
Other grants and donations	150	-	150
<b>Total</b>	<b>1,555</b>	<b>76</b>	<b>1,631</b>

2018	Unrestricted funds		Total funds 2018 £'000
	General	Designated	
	£'000	£'000	
<b>Unrestricted General Fund:</b>			
All Churches Trust grant	258	-	258
Trust for London grant	1,053	-	1,053
Legacy income	166	-	166
Other grants and donations	75	5	80
<b>Total</b>	<b>1,552</b>	<b>5</b>	<b>1,557</b>

#### 4. Charitable activities

	2019 £'000	2018 £'000
<b>Unrestricted General Fund:</b>		
Statutory fees	421	499
Reimbursement of stipends	499	637
Other income	150	106
Diocesan Retreat House	169	109
<b>Total</b>	<b>1,360</b>	<b>1,351</b>

#### 5. Other trading activities

	2019 £'000	2018 £'000
<b>Unrestricted General Fund:</b>		
Room hire and recharges	148	126
<b>Total</b>	<b>148</b>	<b>126</b>

#### 6. Investment income

2019	Unrestricted General Fund £'000	Restricted funds £'000	Total funds 2019 £'000
Dividends receivable	1,328	145	1,473
Interest receivable	29	-	29
Rents receivable	856	-	856
<b>Total</b>	<b>2,213</b>	<b>145</b>	<b>2,358</b>

2018	Unrestricted General Fund £'000	Restricted funds £'000	Total funds 2018 £'000
Dividends receivable	1,222	173	1,395
Interest receivable	27	-	27
Rents receivable	945	-	945
<b>Total</b>	<b>2,194</b>	<b>173</b>	<b>2,367</b>

# Notes to the financial statements

## 7. Other income

2019	Unrestricted funds				Total funds 2019 £'000
	General	Designated	Restricted funds	Endowment funds	
	£'000	£'000	£'000	£'000	
Gain on disposal of other properties	195	-	-	-	195
Gain on disposal of benefice houses	-	1,373	-	-	1,373
<b>Total</b>	<b>195</b>	<b>1,373</b>	<b>-</b>	<b>-</b>	<b>1,568</b>

2018	Unrestricted funds				Total funds 2018 £'000
	General	Designated	Restricted funds	Endowment funds	
	£'000	£'000	£'000	£'000	
Other gains	-	-	-	447	447
Loss on disposal of investments	-	-	-	(42)	(42)
Gain on disposal of other properties	1,315	-	-	73	1,388
Gain on disposal of benefice houses	-	2,657	-	-	2,657
<b>Total</b>	<b>1,315</b>	<b>2,657</b>	<b>-</b>	<b>478</b>	<b>4,450</b>

## 8. Fundraising costs

2019	Unrestricted funds				Total funds 2019 £'000
	General	Designated	Restricted funds	Endowment funds	
	£'000	£'000	£'000	£'000	
Property rental costs	9	-	-	15	24
<b>Total</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>24</b>

2018	Unrestricted funds				Total funds 2018 £'000
	General	Designated	Restricted funds	Endowment funds	
	£'000	£'000	£'000	£'000	
Property rental costs	5	-	-	17	22
<b>Total</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>22</b>



# Notes to the financial statements

## 9. Charitable activities

2019	Unrestricted funds				Total funds 2019 £'000
	General	Designated	Restricted funds	Endowment funds	
	£'000	£'000	£'000	£'000	
<b>Contributions to Archbishops' Council:</b>					
Training for Ministry	675	-	-	-	675
National Church responsibilities	663	-	-	-	663
Retired clergy housing costs	255	-	-	-	255
	<b>1,593</b>	-	-	-	<b>1,593</b>
<b>Resourcing mission and ministry:</b>					
Parish Ministry:					
Stipends and National Insurance	9,644	-	7	-	9,651
Pension contributions	3,139	-	2	-	3,141
Defined benefit pension scheme movement	(4,164)	-	-	-	(4,164)
Housing costs	3,644	-	-	-	3,644
Removal and resettlement grants	900	-	-	-	900
Other expenses	3,126	-	-	1	3,127
	<b>16,289</b>	-	<b>9</b>	<b>1</b>	<b>16,299</b>
Support for parish ministry	1,951	(40)	575	-	2,486
Diocesan Retreat House	309	-	-	-	309
	<b>18,549</b>	<b>(40)</b>	<b>584</b>	<b>1</b>	<b>19,094</b>
<b>Total</b>	<b>20,142</b>	<b>(40)</b>	<b>584</b>	<b>1</b>	<b>20,687</b>

## 9. Charitable activities (continued)

2018	Unrestricted funds				Total funds 2018 £'000
	General	Designated	Restricted funds	Endowment funds	
	£'000	£'000	£'000	£'000	
<b>Contributions to Archbishops' Council:</b>					
Training for Ministry	663	-	-	-	663
National Church responsibilities	638	-	-	-	638
Retired clergy housing costs	240	-	-	-	240
	<b>1,541</b>	-	-	-	<b>1,541</b>
<b>Resourcing mission and ministry:</b>					
Parish Ministry:					
Stipends and National Insurance	9,324	-	82	-	9,406
Pension contributions	2,985	-	27	-	3,012
Defined benefit pension scheme movement	(822)	-	-	-	(822)
Housing costs	4,323	-	-	-	4,323
Removal and resettlement grants	904	-	-	-	904
Other expenses	2,957	-	-	36	2,993
	<b>19,671</b>	-	<b>109</b>	<b>36</b>	<b>19,816</b>
Support for parish ministry	2,055	50	340	-	2,445
Diocesan Retreat House	271	-	-	-	271
	<b>21,997</b>	<b>50</b>	<b>449</b>	<b>36</b>	<b>22,532</b>
<b>Total</b>	<b>23,538</b>	<b>50</b>	<b>449</b>	<b>36</b>	<b>24,073</b>

# Notes to the financial statements

## 10. Analysis of expenditure including allocation of support costs

2019	Activities undertaken directly	Grant funding of activities	Support costs	Total costs 2019
	£'000	£'000	£'000	£'000
<b>Charitable activities:</b>				
Contributions to Archbishops' Council	-	1,593	-	1,593
Resourcing parish ministry	15,265	1,116	1,824	18,205
Education and social responsibility	-	580	-	580
Diocesan Retreat House	309	-	-	309
<b>Total</b>	<b>15,574</b>	<b>3,289</b>	<b>1,824</b>	<b>20,687</b>

2018	Activities undertaken directly	Grant funding of activities	Support costs	Total costs 2018
	£'000	£'000	£'000	£'000
<b>Charitable activities:</b>				
Contributions to Archbishops' Council	-	1,541	-	1,541
Resourcing parish ministry	18,582	1,255	1,936	21,773
Education and social responsibility	-	488	-	488
Diocesan Retreat House	271	-	-	271
<b>Total</b>	<b>18,853</b>	<b>3,284</b>	<b>1,936</b>	<b>24,073</b>

## 11. Analysis of support costs

2019	Unrestricted General Fund £'000	Endowment funds £'000	Total funds 2019 £'000
Central administration	1,726	1	1,727
<b>Governance:</b>			
External audit	35	-	35
Registrar and Chancellor	55	-	55
Synodical costs	6	-	6
<b>Total</b>	<b>1,823</b>	<b>1</b>	<b>1,824</b>

2018	Unrestricted General Fund £'000	Endowment funds £'000	Total funds 2018 £'000
Central administration	1,769	36	1,805
<b>Governance:</b>			
External audit	43	-	43
Registrar and Chancellor	60	-	60
Synodical costs	28	-	28
<b>Total</b>	<b>1,900</b>	<b>36</b>	<b>1,936</b>

# Notes to the financial statements

## 12. Analysis of grants made

2019	Number	Individuals £'000	Institutions £'000	2019 total £'000
<b>From unrestricted funds for National Church responsibilities:</b>				
Contributions to Archbishops' Council	1	-	1,593	1,593
	-	-	1,593	1,593
<b>From unrestricted funds:</b>				
Southwark Diocesan Board of Education	1	-	334	334
Southwark Diocesan Welcare	1	-	206	206
Southwark Cathedral	1	-	18	18
Parishes for mission	145	-	222	222
Other institutions for mission	47	-	93	93
Individuals for mission	10	13	-	13
Clergy for settling in/first appointment	68	229	-	229
Clergy for study/sabbatical	30	30	-	30
Ordinands in training	61	525	-	525
	365	797	873	1,670
<b>From restricted funds for various purposes within resourcing parish ministry:</b>				
Mission and growth (Strategic Development Fund)	1	-	3	3
Education and development of women clergy (Gilmore Fund)	29	10	-	10
Clergy and lay training (Dartmouth House Fund)	16	13	-	13
	46	23	3	26
<b>Total</b>	<b>411</b>	<b>820</b>	<b>2,469</b>	<b>3,289</b>

## 12. Analysis of grants made (continued)

2018	Number	Individuals £'000	Institutions £'000	2018 total £'000
<b>From unrestricted funds for National Church responsibilities:</b>				
Contributions to Archbishops' Council	1	-	1,541	1,541
	1	-	1,541	1,541
<b>From unrestricted funds:</b>				
Southwark Diocesan Board of Education	2	-	337	337
Southwark Diocesan Welcare	1	-	202	202
Southwark Cathedral	1	-	18	18
Parishes for mission	103	-	249	249
Other institutions for mission	50	-	149	149
Individuals for mission	17	7	-	7
Parishes for fabric repairs	1	-	3	3
Clergy for settling in/first appointment	77	199	-	199
Clergy for study/sabbatical	19	18	-	18
Ordinands in training	62	546	-	546
	333	770	958	1,728
<b>From restricted funds for various purposes within resourcing parish ministry:</b>				
Education and development of women clergy (Gilmore Fund)	48	15	-	15
	48	15	-	15
<b>Total</b>	<b>382</b>	<b>785</b>	<b>2,499</b>	<b>3,284</b>

# Notes to the financial statements

## 13. Staff costs

	2019 £'000	2018 £'000
<b>Employee costs during the year were as follows:</b>		
Wages and salaries	2,435	2,216
National Insurance contributions	259	250
Pension costs	490	460
Termination payments	-	19
	<b>3,184</b>	<b>2,945</b>
<b>The average number of persons employed during the year, including temporary staff:</b>	<b>2019 Number</b>	<b>2018 Number</b>
Administration and financial management	22	19
Property	11	13
Vocations, ministry, safeguarding and Diocesan Retreat House	28	33
Mission and public policy	26	25
	<b>87</b>	<b>90</b>
<b>The average number of persons employed during the year based on full-time equivalents:</b>	<b>2019 Number</b>	<b>2018 Number</b>
Administration and financial management	17.6	15.8
Property	9.6	10.5
Vocations, ministry, safeguarding and Diocesan Retreat House	17.3	16.3
Mission and public policy	20.6	19.5
	<b>65.1</b>	<b>62.1</b>

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

	2019 Number	2018 Number
£60,001-£70,000	5	2
£70,001-£80,000	1	2
£80,001-£90,000	-	1
£90,001-£100,000	1	-
£110,001-£120,000	-	1
<b>Total</b>	<b>7</b>	<b>6</b>

### 13. Staff costs (continued)

#### **Remuneration of key management personnel**

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the Trustees, for planning, directing and controlling the activities of the Diocese. During 2019 they were:

Diocesan Secretary and Company Secretary	Ms Ruth Martin (Lay Canon)
Deputy Diocesan Secretary	The Revd Canon Stephen Roberts
Director of Finance and Financial Assets	Mr Anthony Demby
Director of Property Services	Mr David Norris (to 15 November 2019)
Director of Human Resources	Mr David Loft
Director of Information Technology	Mr Mark Charlton
Director of Press and Communications	The Revd Canon Wendy Robins
Director of Strategic and Operational Projects	Mrs Jacqueline Pontin

Remuneration, employer's National Insurance and pensions for these eight employees (2018: eight) was £710,000 (2018: £704,000).

#### **Trustees' emoluments**

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out-of-pocket expenses totalling £6,000 (2018: £12,000) in respect of General and Diocesan Synod duties and other duties as Trustees. The following table gives details of the Trustees who were in receipt of a stipend and/or housing provided by the SDBF during the year.

	Stipend	Housing
The Right Revd Christopher Chessun	No	No
The Right Revd Dr Richard Cheetham	No	Yes
The Right Revd Jonathan Clark	No	Yes
The Right Revd Dr Karowei Dorgu	No	Yes
The Venerable Moira Astin	Yes	Yes
The Venerable Alastair Cutting	Yes	Yes
The Venerable Simon Gates	Yes	Yes
The Venerable John Kiddle	Yes	Yes
The Venerable Dr Rosemarie Mallett	Yes	Yes
The Venerable Christopher Skilton	Yes	Yes
The Venerable Dr Jane Steen	Yes	Yes
The Revd Canon Peter Farley-Moore	Yes	Yes
The Revd Jonathan Macy	Yes	Yes
The Revd Gregory Prior	Yes	Yes
The Revd Alison Way	Yes	Yes
The Revd Canon Leslie Wells	Yes	Yes



# Notes to the financial statements

## 13. Staff costs (continued)

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

The SDBF paid an average of 292 (2018: 290) stipendiary clergy as office-holders holding parochial or Diocesan appointments in the Diocese, and the costs were as follows:

	2019 £'000	2018 £'000
Stipends	8,899	8,676
National Insurance contributions	713	692
Apprenticeship levy	39	38
Pension costs – current year	3,141	3,012
<b>Total</b>	<b>12,792</b>	<b>12,418</b>

The stipends of the Diocesan Bishop and Area Bishops are paid and funded by the Church Commissioners and are in the range £36,930-£45,270 (2018 range: £36,210-£44,380). The annual rate of stipend, funded by the SDBF, paid to Archdeacons in 2019 was in the range £36,272-£37,673 (2018 range: £35,561-£36,934) and other clergy who were Trustees were paid in the range £25,376-£27,071 (2018 range: £25,125-£26,540). The Archbishops' Council has estimated the value to the occupant, gross of income tax and National Insurance, of Church-provided housing in the Diocese in 2019 at £26,940 (2018: £28,100).

## 14. Analysis of transfers between funds

2019	Unrestricted funds			
	General	Designated	Restricted funds	Endowment funds
	£'000	£'000	£'000	£'000
From General Fund to Diocesan Stipendiary Fund for reduction in CEFPS pension scheme deficit	(4,164)	-	-	4,164
From Strategic Development Fund to General Fund for project costs	200	-	(200)	-
From Parsonage Capital Fund to Diocesan Pastoral Account for the sale of benefice houses	-	1,980	-	(1,980)
From Diocesan Pastoral Account to Parsonage Capital Fund for benefice house additions	-	(2,144)	-	2,144
From Diocesan Pastoral Account to General Fund for exceptional property costs	42	(42)	-	-
From Board Property Fund to General Fund for sale of property	1,863	(1,863)	-	-
From Southwark Vision Development Fund to General Fund for project costs	254	(254)	-	-
From Multi-Academy Trust Fund to General Fund for closure of fund	840	(840)	-	-
<b>Total</b>	<b>(965)</b>	<b>(3,163)</b>	<b>(200)</b>	<b>4,328</b>

2018	Unrestricted funds			
	General	Designated	Restricted funds	Endowment funds
	£'000	£'000	£'000	£'000
From General Fund to Diocesan Stipendiary Fund for reduction in CEFPS pension scheme deficit	(822)	-	-	822
From General Fund to Southwark Vision Development Fund for funding	(612)	612	-	-
From Strategic Development Fund to General Fund for project costs	75	-	(75)	-
From Parsonage Capital Fund to Diocesan Pastoral Account for the sale of benefice houses	-	1,470	-	(1,470)
From Diocesan Pastoral Account to Parsonage Capital Fund for benefice house additions	-	(6,690)	-	6,690
From Diocesan Pastoral Account to General Fund for exceptional property costs	379	(379)	-	-
From Dartmouth House Fund to General Fund for Diocesan Retreat House costs	100	-	(100)	-
From Board Property Fund to General Fund for sale of property	531	(531)	-	-
From Diocesan Stipendiary Fund to Board Property Fund for transfer of property	-	1,330	-	(1,330)
<b>Total</b>	<b>(349)</b>	<b>(4,188)</b>	<b>(175)</b>	<b>4,712</b>

# Notes to the financial statements

## 15. Tangible fixed assets

	Freehold & leasehold properties	Leasehold improvements	Furniture & equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>				
At 1 January 2019	267,089	292	440	267,821
Additions	5,663	62	16	5,742
Disposals	(5,468)	-	(3)	(5,473)
Revaluation/impairment	1,686	-	-	1,686
<b>At 31 December 2019</b>	<b>268,969</b>	<b>354</b>	<b>453</b>	<b>269,777</b>
<b>Depreciation:</b>				
At 1 January 2019	-	88	200	288
Charge for the year	-	27	82	109
<b>At 31 December 2019</b>	<b>-</b>	<b>115</b>	<b>283</b>	<b>398</b>
<b>Net book value at 31 December 2019</b>	<b>268,969</b>	<b>239</b>	<b>171</b>	<b>269,379</b>
<b>Net book value at 31 December 2018</b>	<b>267,089</b>	<b>204</b>	<b>240</b>	<b>267,533</b>

Freehold and leasehold properties in the balance sheet are all vested in the SDBF, except for benefice houses which are vested in the incumbent. With the exception of benefice houses, which are stated at deemed cost, all properties in the current and prior year are stated at fair value. The carrying value of benefice houses held at deemed cost at the balance sheet date is £143,609,000 (2018: £142,845,000).

All properties other than benefice houses were revalued to fair value at 31 December 2015 and are subject to revaluation on a five-year cycle. Properties with a fair value of £20,407,000 at 31 December 2019 (2018: £31,110,000) were revalued. The revaluation was carried out by Rapleys LLP in accordance with Royal Institute of Chartered Surveyors' professional standards and valuation practice statements and resulted in an increase in the value of these properties excluding impairments of £590,000 (2018: £894,000 decrease). An impairment review was carried out on certain parsonage houses resulting in a write down in value of £950,000 (2018: £nil).

In order to maintain consistency with the SDBF's accounting policy of measuring properties other than benefice houses at fair value, the results of this valuation have been extrapolated across those assets not revalued at the balance sheet date. This has resulted in an additional revaluation gain in the year of £2,047,000 (2018: £2,223,000 loss).

## 15. Tangible fixed assets (continued)

The carrying value of leasehold properties included within freehold and leasehold properties amounts to £1,613,000 (2018: £1,589,000).

The carrying value of assets under construction included within freehold and leasehold properties amounts to £1,240,000 (2018: £2,179,000).

Certain properties have been purchased with the help of value-linked loans from the Church Commissioners. The properties are revalued to fair value annually. On disposal the agreed share of the net sale proceeds will be remitted to the Church Commissioners and the related loan liability extinguished. During the year one property with a carrying value of £250,000 was disposed of (2018: £nil). The value of such properties included above amounts to £2,905,000 (2018: £3,155,000). The revaluation gain on these properties amounts to £nil (2018: £5,000) and has been netted off against the matching movement in the linked liability.

## 16. Fixed assets investments

	At 1 January 2019 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in market value £'000	At 31 December 2019 £'000
<b>Unrestricted funds:</b>						
Unit trusts and similar funds	3,176	-	-	185	120	3,481
<b>Restricted funds:</b>						
Unit trusts and similar funds	2,438	-	-	(185)	552	2,805
<b>Endowment funds:</b>						
Unit trusts and similar funds	20,716	-	-	-	2,167	22,883
<b>Total</b>	<b>26,330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,839</b>	<b>29,169</b>

# Notes to the financial statements

## 17. Debtors

	2019 £'000	2018 £'000
<b>Due within one year:</b>		
Concessionary loans to parishes	113	79
Loans to others	25	21
Other debtors and prepayments	574	1,366
	<b>712</b>	<b>1,466</b>
<b>Due after more than one year:</b>		
Concessionary loans to parishes	453	513
Other debtors	6	13
	<b>459</b>	<b>526</b>
<b>Total debtors</b>	<b>1,171</b>	<b>1,992</b>

## 18. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loan repayment instalments due in one year	300	300
Church Commissioners' other loan	-	480
Other taxes and social security	73	82
Other creditors and accruals	878	1,383
Church of England Funded Pension Scheme	1,000	1,000
<b>Total creditors: amounts falling due within one year</b>	<b>2,251</b>	<b>3,245</b>

## 19. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
<b>Loans repayable in instalments due after more than one year:</b>		
Commercial loans	1,889	1,176
CBF other loan	1,000	1,000
Church Commissioners' value-linked loans	2,905	3,155
	<b>5,794</b>	<b>5,331</b>
<b>Pension scheme liabilities:</b>		
Church of England Funded Pension Scheme	1,154	5,318
	<b>1,154</b>	<b>5,318</b>
<b>Total creditors: amounts falling due after more than one year</b>	<b>6,948</b>	<b>10,649</b>
	2019 £'000	2018 £'000
<b>The maturity of the above loans may be analysed as follows:</b>		
Between two and five years	2,889	2,176
In five years and more	2,905	3,155
	<b>5,794</b>	<b>5,331</b>

The commercial loans comprise a five-year loan repayable in monthly instalments and a two-year loan repayable at the end of the term, both with HSBC UK Bank plc. The loans are secured against Board freehold property with a carrying value of £9.8m. Interest is charged at 1.5% above base rate.

The CBF other loan is a 10-year loan repayable at the end of the term under the Diocesan Loan Scheme. Interest is charged at 0.55% per annum above the CBF Church of England Deposit Fund Rate.

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

# Notes to the financial statements

## 20. Summary of fund movements

2019	Balances at 1 January 2019 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and losses £'000	Balances at 31 December 2019 £'000
<b>Unrestricted funds:</b>						
General	5,457	22,167	(20,151)	(965)	305	6,813
	<b>5,457</b>	<b>22,167</b>	<b>(20,151)</b>	<b>(965)</b>	<b>305</b>	<b>6,813</b>
<b>Designated funds:</b>						
Diocesan Pastoral Account	1,606	1,373	-	(206)	-	2,773
Board Property Fund	43,663	-	-	(1,863)	772	42,572
Multi-Academy Trust Fund	800	-	40	(840)	-	-
Southwark Vision Development Fund	617	76	-	(254)	-	439
	<b>46,686</b>	<b>1,449</b>	<b>40</b>	<b>(3,163)</b>	<b>772</b>	<b>45,784</b>
<b>Restricted funds:</b>						
Strategic Development Fund	-	257	(57)	(200)	-	-
Ordinand Training Fund	50	583	(503)	-	-	130
Gilmore Fund	323	17	(11)	-	49	378
Dartmouth House Fund	2,557	128	(13)	-	318	2,990
	<b>2,930</b>	<b>985</b>	<b>(584)</b>	<b>(200)</b>	<b>367</b>	<b>3,498</b>
<b>Endowment funds:</b>						
Ministry Fund	3,787	-	-	-	454	4,241
Diocesan Stipendiary Fund	85,073	-	(16)	4,164	1,712	90,933
Parsonage Capital Fund	139,644	-	-	164	915	140,723
	<b>228,504</b>	<b>-</b>	<b>(16)</b>	<b>4,328</b>	<b>3,081</b>	<b>235,897</b>
<b>Total funds</b>	<b>283,577</b>	<b>24,601</b>	<b>(20,711)</b>	<b>-</b>	<b>4,525</b>	<b>291,991</b>

## 20. Summary of fund movements (continued)

2018	Balances at 1 January 2018 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and losses £'000	Balances at 31 December 2018 £'000
<b>Unrestricted funds:</b>						
General	6,787	23,287	(23,543)	(349)	(725)	5,457
	<b>6,787</b>	<b>23,287</b>	<b>(23,543)</b>	<b>(349)</b>	<b>(725)</b>	<b>5,457</b>
<b>Designated funds:</b>						
Diocesan Pastoral Account	4,550	2,657	-	(5,601)	-	1,606
Board Property Fund	44,187	-	-	801	(1,325)	43,663
Multi-Academy Trust Fund	850	-	(50)	-	-	800
Southwark Vision Development Fund	-	5	-	612	-	617
	<b>49,587</b>	<b>2,662</b>	<b>(50)</b>	<b>(4,188)</b>	<b>(1,325)</b>	<b>46,686</b>
<b>Restricted funds:</b>						
Strategic Development Fund	-	197	(122)	(75)	-	-
Ordinand Training Fund	11	351	(312)	-	-	50
Gilmore Fund	371	17	(15)	-	(50)	323
Dartmouth House Fund	2,912	155	-	(100)	(410)	2,557
	<b>3,294</b>	<b>720</b>	<b>(449)</b>	<b>(175)</b>	<b>(460)</b>	<b>2,930</b>
<b>Endowment funds:</b>						
Ministry Fund	4,282	-	-	-	(495)	3,787
Diocesan Stipendiary Fund	89,626	32	(22)	(986)	(3,577)	85,073
Parsonage Capital Fund	133,531	446	(31)	5,698	-	139,644
	<b>227,439</b>	<b>478</b>	<b>(53)</b>	<b>4,712</b>	<b>(4,072)</b>	<b>228,504</b>
<b>Total funds</b>	<b>287,107</b>	<b>27,147</b>	<b>(24,095)</b>	<b>-</b>	<b>(6,582)</b>	<b>283,577</b>



# Notes to the financial statements

## 21. Summary of assets by fund

2019	Fixed assets tangible	Investments	Current assets	Creditors	Net assets
	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted funds:</b>					
General	3,315	3,481	7,061	(7,044)	6,813
	<b>3,315</b>	<b>3,481</b>	<b>7,061</b>	<b>(7,044)</b>	<b>6,813</b>
<b>Designated funds:</b>					
Diocesan Pastoral Account	-	-	2,774	-	2,774
Board Property Fund	45,997	-	(3,426)	-	42,571
Multi Academy Trust Fund	-	-	-	-	-
Southwark Vision Development Fund	-	-	439	-	439
	<b>45,997</b>	<b>-</b>	<b>(213)</b>	<b>-</b>	<b>45,784</b>
<b>Restricted funds:</b>					
Strategic Development Fund	-	-	-	-	-
Ordinand Training Fund	-	-	130	-	130
Gilmore Fund	-	363	15	-	378
Dartmouth House Fund	-	2,442	548	-	2,990
	<b>-</b>	<b>2,805</b>	<b>693</b>	<b>-</b>	<b>3,498</b>
<b>Endowment funds:</b>					
Ministry Fund	-	3,451	790	-	4,241
Diocesan Stipendiary Fund	76,458	19,432	(2,803)	(2,154)	90,933
Parsonage Capital Fund	143,609	-	(2,886)	-	140,723
	<b>220,067</b>	<b>22,883</b>	<b>(4,899)</b>	<b>(2,154)</b>	<b>235,897</b>
<b>Total funds</b>	<b>269,379</b>	<b>29,169</b>	<b>2,642</b>	<b>(9,198)</b>	<b>291,992</b>

## 21. Summary of assets by fund (continued)

2018	Fixed assets tangible	Investments	Current assets	Creditors	Net assets
	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted funds:</b>					
General	3,599	3,176	6,258	(7,576)	5,457
	<b>3,599</b>	<b>3,176</b>	<b>6,258</b>	<b>(7,576)</b>	<b>5,457</b>
<b>Designated funds:</b>					
Diocesan Pastoral Account	-	-	1,606	-	1,606
Board Property Fund	45,919	-	(2,256)	-	43,663
Multi Academy Trust Fund	-	-	800	-	800
Southwark Vision Development Fund	-	-	617	-	617
	<b>45,919</b>	<b>-</b>	<b>767</b>	<b>-</b>	<b>46,686</b>
<b>Restricted funds:</b>					
Ordinand Training Fund	-	-	50	-	50
Gilmore Fund	-	313	10	-	323
Dartmouth House Fund	-	2,125	432	-	2,557
	<b>-</b>	<b>2,438</b>	<b>492</b>	<b>-</b>	<b>2,930</b>
<b>Endowment funds:</b>					
Ministry Fund	-	2,997	790	-	3,787
Diocesan Stipendiary Fund	75,170	17,719	(1,498)	(6,318)	85,073
Parsonage Capital Fund	142,845	-	(3,201)	-	139,644
	<b>218,015</b>	<b>20,716</b>	<b>(3,909)</b>	<b>(6,318)</b>	<b>228,504</b>
<b>Total funds</b>	<b>267,533</b>	<b>26,330</b>	<b>3,608</b>	<b>(13,894)</b>	<b>283,577</b>

# Notes to the financial statements

## 22. Description of funds

<b>General Fund</b>	The fund represents the unrestricted undesignated fund available for any of the SDBF's purposes.
<b>Diocesan Pastoral Account</b>	This is a designated fund for the purposes defined in the Mission and Pastoral Measure 2011. It represents capital receipts released following the sale of benefice houses (parsonages) and redundant churches. To the extent that any remaining funds are not required, or are not likely to be required, for these purposes then the funds may be applied to any general purpose of the SDBF.
<b>Board Property Fund</b>	This fund is a designated fund. It represents the fair value of properties held by the SDBF at the year end.
<b>Multi-Academy Trust Fund</b>	This is a designated fund to provide initial financial support for the Multi-Academy Trust set up by the Southwark Diocesan Board of Education (SDBE).
<b>Southwark Vision Development Fund</b>	This is a designated fund to support Southwark Vision 2017-25 across the Diocese.
<b>Strategic Development Fund</b>	This is a restricted fund. It represents grants received from the Church Commissioners and Archbishops' Council for specific projects to fund mission and growth across the Diocese.
<b>Ordinand Training Fund</b>	This is a restricted fund. It represents the block grant received from the Archbishops' Council to fund Ordinand training.
<b>Gilmore Fund</b>	The Isabella Gilmore Fund is a restricted fund for the purpose of the education and development of licensed, commissioned or ordained women.
<b>Dartmouth House Fund</b>	This is a restricted fund for the purpose of facilitating clergy and lay training, retreats or conferences to assist and promote the work of the Church of England in the Diocese of Southwark and to use the monies to acquire any buildings which may be necessary to forward such purposes, subject always to the consent in writing of the Bishop of Southwark.
<b>Ministry Fund</b>	This is a permanent endowment fund held under the Endowments and Glebe Measure 1976 from which the income arising and/or benefit of use of the asset has been passed to the SDBF for the purpose of supporting clergy stipends within the Diocese. Investment income from the fund is credited to the General Fund where it is used only to fund clergy stipend payments.
<b>Diocesan Stipendiary Fund</b>	This is a permanent endowment fund. It represents the glebe assets of benefices from which the income arising and/or benefit of use has been passed to the SDBF under the provisions of the Mission and Pastoral Measure 2011. Investment income from the fund is credited to the General Fund where it is used only to fund clergy stipend payments.
<b>Parsonage Capital Fund</b>	This is an expendable endowment fund. It represents the capital assets relating to benefice houses (parsonages) but which under the Repairs of Benefice Buildings Measure 1972 are maintained by the Diocese. Under the Mission and Pastoral Measure 2011, capital receipts released following the sale of benefice houses are held in the Diocesan Pastoral Account, a designated fund. To the extent that the funds are not required for future building or improvement works to benefice houses the funds may be applied to any general purpose of the SDBF.

## 23. Capital commitments

At 31 December 2019, the SDBF had capital expenditure commitments authorised but not contracted for of £nil (2018: £nil), and contracted for but not yet due of £234,000 (2018: £684,000).

## 24. Operating leases

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

	2019 £'000	2018 £'000
<b>Minimum lease payments payable:</b>		
Within one year of the balance sheet date	257	260
In the second to fifth years inclusive of the balance sheet date	33	97
More than five years from the balance sheet date	-	2
<b>Total</b>	<b>290</b>	<b>359</b>

Total lease rental payments expensed in the year are £471,000 (2018: £436,000).

	2019 £'000	2018 £'000
<b>Minimum lease payments receivable:</b>		
Within one year of the balance sheet date	536	372
In the second to fifth years inclusive of the balance sheet date	267	265
More than five years from the balance sheet date	789	855
<b>Total</b>	<b>1,592</b>	<b>1,492</b>

## 25. Post balance sheet events and contingent liabilities

The COVID-19 pandemic and the counter-measures taken to suppress it have caused significant disruption to the UK and global economy and to financial markets. As at 30 April 2020, the value of the financial investments held by the SDBF have fallen by 25.7% to £21.6m. The value of the properties held in the Board Property Fund and Diocesan Stipendiary Fund have also been affected but could not be quantified at the date these financial statements were signed.

There were no contingent liabilities at the balance sheet date.

# Notes to the financial statements

## 26. Pensions

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

### **Church of England Funded Pensions Scheme**

The SDBF participates in the CEFPS for stipendiary clergy, a defined benefit pension scheme. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Responsible Bodies.

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the scheme's assets and liabilities to each specific Responsible Body, and that contributions are accounted for as if the scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (**2019: £2,184,000, 2018: £2,095,000**), plus the figures highlighted in the table opposite as being recognised in the SoFA, giving a total charge of **£3,141,000 for 2019 (2018: £3,012,000)**.

A valuation of the scheme is carried out once every three years. The most recent scheme valuation completed was carried out at 31 December 2018. The 2018 valuation revealed a deficit of £50m, based on assets of £1,818m and a funding target of £1,868m, assessed using the following assumptions:

- an average discount rate of 3.2%
- RPI inflation of 3.4% per annum (and pension increases consistent with this)
- an increase in pensionable stipends of 3.4% per annum
- mortality in accordance with 95% of the S3NA\_VL tables, with allowance for improvement in mortality rates in line with the CMI 2018 extended model, with a long-term annual rate of improvement of 1.5%, a smoothing parameter of 7 and an initial additional mortality improvement of 0.5% per annum.

Following the 31 December 2018 valuation, a recovery plan was put in place until 31 December 2022 and the deficit repair contributions payable (as a percentage of pensionable stipends) are as set out in the table below.

	January 2018 to December 2020	January 2021 to December 2022
<b>Deficit repair contributions</b>	11.9%	7.1%

As at 31 December 2017 and 31 December 2018, the deficit recovery contributions under the recovery plan in force at the time were 11.9% of pensionable stipends until December 2025. As at 31 December 2019, the deficit recovery contributions under the recovery plan in force were as set out in the table above.

## 26. Pensions (continued)

### Church of England Funded Pensions Scheme (continued)

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

Section 28.1 IA of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

	2019	2018
	£'000	£'000
Balance sheet liability as at 1 January	6,318	7,140
Contributions paid	(957)	(917)
Interest cost (recognised in the SoFA)	123	94
Remaining change to the balance sheet liability* (recognised in the SoFA)	(3,330)	1
<b>Balance sheet liability as at 31 December</b>	<b>2,154</b>	<b>6,318</b>

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

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

	December 2019	December 2018	December 2017
Discount rate	1.1% pa	2.1% pa	1.4% pa
Price inflation	2.8% pa	3.1% pa	3.0% pa
Increase to total pensionable payroll	1.3% pa	1.6% pa	1.5% pa

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

### Church Workers' Pension Fund

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

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

# Notes to the financial statements

## 26. Pensions (continued)

### *Church Workers' Pension Fund (continued)*

#### **Defined Benefits Scheme**

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

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

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

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. This means that contributions are accounted for as if the DBS were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (**2019: £238,000, 2018: £183,000**), plus the figures in relation to the DBS deficit highlighted in the table overleaf as being recognised in the SoFA, giving a total charge of **£238,000 for 2019 (2018: £183,000)**.

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

A valuation of the DBS is carried out once every three years, the most recent having been carried out as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £26.2m.

Following the valuation, the Employer has entered into an agreement with the CWPF to pay a contribution rate of 39.2% of pensionable salary and expenses of £12,000 per year.

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

The next valuation of the scheme will be carried out as at December 2019.

#### **Pension Builder Scheme**

The SDBF participates in the Pension Builder Scheme section of CWPF for lay staff. The scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

## **26. Pensions (continued)**

### ***Church Workers' Pension Fund (continued)***

#### **Pension Builder Scheme (continued)**

The CWPF has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

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

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

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and contributions are accounted for as if the scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2019: £239,000, 2018: £224,000).

A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2016.

For the Pension Builder Classic section, the valuation revealed a deficit of £14.2m on the ongoing assumptions used. At the most recent review, the Pensions Board chose not to grant a discretionary bonus, which will have acted to improve the funding position. There is no requirement for deficit payments at the current time.

For the Pension Builder 2014 section, the valuation revealed a surplus of £1.8m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

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

## **27. Related party transactions**

The SDBF has a number of related party relationships with connected organisations as detailed on page 23 of this annual report. Grants made in the current and previous year to these related parties are disclosed in Note 12 (see pages 62-63) to these accounts.



# Notes to the financial statements

## 28. Prior year Statement of Financial Activities

2018	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2018
	General	Designated			
	£'000	£'000	£'000	£'000	£'000
<b>Income and endowments from:</b>					
Donations					
Parish contributions	16,448	-	-	-	16,448
Archbishops' Council	301	-	547	-	848
Other donations	1,552	5	-	-	1,557
Charitable activities	1,351	-	-	-	1,351
Other activities	126	-	-	-	126
Investments	2,194	-	173	-	2,367
Other	1,315	2,657	-	478	4,450
<b>Total</b>	<b>23,287</b>	<b>2,662</b>	<b>720</b>	<b>478</b>	<b>27,147</b>
<b>Expenditure on:</b>					
Raising funds	5	-	-	17	22
Charitable activities	23,538	50	449	36	24,073
<b>Total</b>	<b>23,543</b>	<b>50</b>	<b>449</b>	<b>53</b>	<b>24,095</b>
<b>Net income/(expenditure) before investment gains</b>	<b>(256)</b>	<b>2,612</b>	<b>271</b>	<b>425</b>	<b>3,052</b>
Net losses on investments	(725)	-	(460)	(2,140)	(3,325)
<b>Net (expenditure)/income</b>	<b>(981)</b>	<b>2,612</b>	<b>(189)</b>	<b>(1,715)</b>	<b>(273)</b>
Transfers between funds	(349)	(4,188)	(175)	4,712	-
<b>Other recognised gains:</b>					
Losses on revaluation of fixed assets	-	(1,325)	-	(1,932)	(3,257)
<b>Net movement in funds</b>	<b>(1,330)</b>	<b>(2,901)</b>	<b>(364)</b>	<b>1,065</b>	<b>(3,530)</b>
Total funds brought forward	6,787	49,587	3,294	227,439	287,107
<b>Total funds carried forward</b>	<b>5,457</b>	<b>46,686</b>	<b>2,930</b>	<b>228,504</b>	<b>283,577</b>

## 29. Funds held as Diocesan Authority

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

	2019 £'000	2018 £'000
CBF Church of England Investment Fund	9,511	8,126
M&G Equities Investment Fund for Charities	1,992	1,706
CBF Church of England Global Equity Income Fund	714	579
Other CBF Church of England funds	463	413
Other Common Investment and OEIC holdings	1,294	1,553
Direct holdings in UK equities and gilts	334	341
CBF Church of England Deposit Fund	2,225	1,782
<b>Total assets held as Diocesan Authority</b>	<b>16,533</b>	<b>14,500</b>

## 30. Subsidiary undertaking

The SDBF is the beneficial owner of a subsidiary undertaking, Southwark DBF Trading, a company limited by guarantee, which is registered in England and supplies property and administrative services to the SDBF. The company did not trade during the current or prior year and had no assets or liabilities at the Balance Sheet date (2018: £nil).

# Appendix

Acronym	Meaning
AVA	Average Weekly Attendance
BAME	Black, Asian and minority ethnic
BAP	National Bishops' Advisory Panel
CBF	Central Board of Finance
CEFPS	Church of England Funded Pensions Scheme
CWPF	Church Workers' Pension Fund
CYP	Children and young people
DAC	Diocesan Advisory Committee
DBF	Diocesan Board of Finance
DBS	Disclosure and Barring Service
DCT	Diocesan Council of Trustees
DMPC	Diocesan Mission and Pastoral Committee
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
fxC	Fresh Expression of Church
GDPR	General Data Protection Regulation
HR	Human resources
IICSA	Independent Inquiry into Child Sexual Abuse
ISAs (UK)	International Standards on Auditing (UK)
LL&LMAG	Lay Leadership & Lay Ministry Group
MAP	Mission Action Plan
MAT	Multi Academy Trust
PCC	Parochial Church Council
PFC	Policy and Finance Committee
PSF	Parish Support Fund
SDBE	Southwark Diocesan Board of Education
SDBF	South London Church Fund & Southwark Diocesan Board of Finance
SDF	Strategic Development Funding
SIR	Serious Incident Reporting
SMT	Senior Management Team
SoFA	Statement of Financial Activities
SORP	Statement of Recommended Practice for Charities
SPA	Southwark Pastoral Auxiliary
uSa	Usual Sunday Attendance

# Notes

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# Notes

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