

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

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2010

**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE
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FOR THE YEAR ENDED 31 DECEMBER 2010

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SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 31 DECEMBER 2010

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

Legal and administrative details

Directors

Under the Memorandum and Articles of Association all members of the board are legally regarded as directors. They are also regarded as Trustees for the purposes of charity law. The names of those who served as directors during the year, and up to the date the financial statements were approved, are set out below. No director had any beneficial interest in the company during 2009 or 2010. Trustee indemnity insurance was in place throughout the year and at 31 December, at a cost of £4,837 plus an errors & omissions policy at £2,474 (2009: £4,837 & £2,441 respectively).

Membership of the board and principal committees

Chairman	Mr John Kempzell FCA*		
Vice Chairman	Mr Brian Warnes FCA* # - to 22/3/11		
Ex Officio Members	The Lord Bishop of Southwark	(Rt Rev Tom Butler) to 5/03/10	
	The Lord Bishop of Southwark	(Rt Rev Christopher Chessun) from 6/03/11	
	The Archdeacon of Croydon	(Ven Tony Davies) #	
	The Archdeacon of Lambeth	(Ven Christopher Skilton)	
	The Archdeacon of Lewisham & Greenwich	(Ven Christine Hardman)	
	The Archdeacon of Reigate*	(Ven Daniel Kajumba)	
	The Archdeacon of Southwark*	(Ven Michael Igrave)	
	The Archdeacon of Wandsworth*	(Ven Stephen Roberts)	
Elected members			
26 Laity by Deanery Synod			
Plumstead	Mr David Plummer	Battersea	Vacant
Charlton	Mr David Thompson	Tooting	Vacant
Eltham & Mottingham	Linda Chilton to 31/12/10	Wandsworth	Mr Andrew Simon #
	Bob Love from 8/2/11		
East Lewisham	Mr Brian Warnes* to 22/3/11	Richmond & Barnes	Mr Philip Bladen
	Mr Bill Bishop from 21/10/10		
West Lewisham	Mr Andrew McMurtrie* #	Kingston	Mr Chris Gretton from 1/1/11
			Mr John Henson MBE* to 31/12/10
Deptford	Mr Nicholas Taylor*	Croydon North	Mrs Eleanor Lewis
Bermondsey	Vacancy	Croydon Addington	Mr Ian Harley+
Southwark & Newington	Mr Christian Hansen+	Croydon Central	Mr Stephen Willmer+
Camberwell	Miss Cleo Sones	Croydon South	Mr Martin Day
Dulwich	Mr Alistair Read	Sutton	Mr Ian Akhurst*
Lambeth North	Mr Roger Hird	Caterham	Mr Christopher Clementi #
Lambeth South	Mr Colin Hart	Godstone	Mr Michael Lawrence to 27/1/11
Merton	Mr Brian K Wilson*	Reigate	Mr Timothy Neale+

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

12 Clergy by Archdeaconry

Lewisham	Rev Dr Nicholas Cranfield to 31/12/10 Rev Stephen Cook
Southwark	Rev Mark Steadman Vacancy
Lambeth	Rev Peter Milligan* Rev Mary Bide
Wandsworth	Rev Barry Nichols # Vacant
Croydon	Rev Derek Brice Rev Vickie Sims
Reigate	Rev William Campen* Rev Jeremy Garton
Bishop's Nominees	Mr John Kempzell FCA Mr Daniel Fenuga to 31/12/10 Mr Roger Squire from 12/5/10 # Rev Dr John Thewlis Rev Jane Kustner Mr John Henson from 1/1/11

Executive & Glebe Committee (as at 31 December 2010)

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

Audit Committee (as at 31 December 2010)

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

Investment Committee (as at 31 December 2010)

As marked by # above, Chair, Rev Barry Nichols

Senior staff and principal advisors

Diocesan Secretary to the Board:

Mr Simon J B Parton

Registered Address:

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

Diocesan Surveyor:

Mr Eric Greber, MRICS

Deputy Diocesan Secretary:

Mr Andrew Lane

Director of Communications & Resources:

Ms Wendy Robins

Financial Controller:

Mr Robert Dallimore, MSc. ACMA

Auditors:

haysmacintyre
Fairfax House
15 Fulwood Place
London WC1V 6AY

Bankers:

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

Bankers (cont.)	Barclays Bank Plc 1 Churchill Place London, E14 5HP
Solicitors:	Winckworth Sherwood Minerva House 5 Montague Close London SE1 9BB
Investment Fund Managers:	Black Rock Investment Management (UK) Ltd 33 King William Street London EC4R 9AS
	Cazenove Capital Management Ltd 12 Moorgate London EC2 6DA
	CCLA Investment Management Ltd 80 Cheapside London ECV 6DV
	J O Hambro Capital Management Ltd Ryder Court, 14 Ryder Street London SW1Y 6QB
	M&G Securities Ltd The M&G Group Laurence Poultney Hill London EC4R OHH
	UBS Global Asset Management (UK) Ltd 21 Lombard Street London EC3V 9AH

SUMMARY INFORMATION ABOUT THE STRUCTURE OF THE CHURCH OF ENGLAND

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

The Church of England is organised as two provinces; each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses of which there are 43 in England.

Each diocese in England is divided into parishes. Each parish is overseen by a parish priest (usually called a vicar or rector). From ancient times through to today, they and their bishop are responsible for the 'cure of souls' in their parish. Her Majesty the Queen, who is the Supreme Governor of the Church of England, appoints archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The two archbishops and 24 senior bishops sit in the House of Lords.

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

The three National Church Institutions

The Archbishops' Council, the Church Commissioners and the Church of England Pensions Board are sometimes referred to as the three National Church Institutions.

The Archbishops' Council was established in 1999 *to co-ordinate, promote, aid and further the mission of the Church of England*. Its task is to give a clear sense of direction to the Church nationally and support the Church locally by acting as a policy discussion forum.

The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. The costs of episcopal administration through the diocesan and suffragan bishops are met by the Church Commissioners.

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

The Cathedral

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

THE DIOCESE

Diocesan Synod

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

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

Deanery Synods

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

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

The Bishop's Council

The Bishop's Council has the following functions:

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

Parochial Church Council (PCC)

The PCC is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. The PCC is made up of the incumbent as chair, the churchwardens and a number of elected and ex officio members. Each PCC is a charity, which prior to September 2009 are excepted from registration with the Charity Commission. The Charities Act 2006 allows PCCs to be registered with the Charity Commission, with a phased implementation process starting with PCCs with income over £100,000 registering from September 2009. Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

Parishes

A benefice is a parish or group of parishes served by an incumbent who typically receives a stipend and the benefit of free occupation and use of a parsonage house from the diocese for carrying out spiritual duties.

A deanery is a group of parishes over which an area dean has oversight and an archdeaconry is a group of deaneries for which an archdeacon is responsible.

The diocese is then the principal pastoral and in turn financial and administrative resource of the Church of England, encompassing the various archdeaconries under the spiritual leadership of the Diocesan Bishop.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

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

Company Registration Number:	236594
Registered Charity Number:	249678
Governing Document:	Memorandum & Articles of Association

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

Committee structure

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

- The Executive & Glebe, which manages the development, retention or disposal of glebe and board properties. It also reviews the Fairer Shares parish apportionment formula and processes which ensure the fair evaluation and regular collection of parish contributions. The committee also has an overview of financial management and up to April 2010 investment .
- From May 2010 a separate Investment Committee was formed which in turn reported to the Board of Finance. It has reviewed investment strategy, proposed alternative investment managers, monitored investment performance, and has made recommendations to the Board of Finance.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

- The Parsonages and Property Maintenance Committee, gives direction to the repair of parsonage, glebe and board properties. The committee also monitors the possible replacement of parsonages.
- The Audit Committee liaises with the Auditors and reports to the Board on matters of internal control, financial accounting and governance.
- The Communications & Resources Committee has the responsibility of looking after press, publicity, publications and communication as well as overseeing the central gift aid scheme and provides stewardship support to parishes.
- The Policy & Resources Committee was formed and met initially in February 2010. It reviewed the interface between the Bishop's Council as the policy making body of the diocese and the Board of Finance. It developed guidelines and recommendations for submissions to the Stipend & Budget Committee.
- The Stipend & Budget Committee generally meets during the early summer, to review the budget submissions covering income, spending department budgets and their consolidation into the annual budget submission.

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

Appointment of Trustees

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

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

Trustees' responsibilities

Company law requires the trustees, who are the directors, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the income and expenditure of the charitable company for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees also confirm that, so far as each of the Trustees is aware at the time the report is approved:

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

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts have been prepared in accordance with company law and Statement of Recommended Practice Accounting and reporting by Charities (the Charities SORP). This trustees report contains all the information that is necessary to meet statutory requirements. Further details of Diocesan activities are given in the Diocese of Southwark Annual

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Review 2010, which from mid 2011, will be available from the Communications and Resources Department, Trinity House.

Related parties

General Synod, Church Commissioners and Archbishops' Council

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

Parochial Church Councils (PCCs)

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

Southwark DBF Trading Ltd

The Board operates a subsidiary company being Southwark DBF Trading Ltd. In July 2010 this subsidiary sold two properties developed on former parsonage land. Turnover in the year to December 2010 was £898,148 (2009 £41,465). The resulting residual overall profit of £186,084 was Gift Aided to the Main Charity.

Connected charities:

Diocesan Board of Education

The Diocesan Board of Education is a separate registered charity (Registered Number 313001) that supports 106 schools; 91 primary, 12 secondary and 3 Church of England academies. The Board of Education supports the provision and improvement of education in all Church of England schools within the Diocese of Southwark. It specifically seeks to develop the Christian ethos and distinctiveness of church schools; to promote religious education and collective worship; to advise school governors and trustees and support the maintenance and improvement of school buildings and facilities. The main grant from the Diocese in 2010 was £238,477 (2009:£ 263,477). The Board of Education also supports the provision and development of education chaplaincy in higher and further education institutions.

The Ven Chris Skilton is a Trustee of the Board of Finance and the Board of Education. The Rt Rev Dr Tom Butler was a Trustee of both charities until his retirement on 6th March 2010. Bob Love was a Board of Education Trustee to July 2010.

Southwark Diocesan Welcare

Southwark Diocesan Welcare is a separate registered charity (Registered Number 1107859) that provides services for parents & children with the objective of promoting the Christian faith as expressed in the social mission of the church in the Anglican Diocese of Southwark. The independently registered charity operates in various locations of the Diocese. The charity is supported by a grant in the year to December 2010 of £176,750 (2009 £196,750). Two Trustees of Welcare are also Trustees of the Board.

The Ven Daniel Kajumba and Mr Andrew Simon both Trustees of the Board of Finance and Southwark Diocesan Welcare.

Southwark & London Diocesan Housing Association

Southwark & London Diocesan Housing Association is a charity that is exempt from registration but is registered with the Tenant Services Authority (number LH 3934). The Bishop of Southwark and the Bishop of London are joint presidents of Southwark & London Diocesan Housing Association (SLDHA). The Ven Michael Iprgrave is Vice Chair of SLDHA and a Trustee of the Board of Finance. During the year the Board received a contribution toward shared costs from the association of £33,000 (2009: £34,000). The staff of SLDHA are located in Trinity House. The Association owns and manages 249 high quality affordable homes and has another 8 under construction.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

OBJECTIVES AND ACTIVITIES

Aims and objectives

The Board aims to support the parishes and the clergy of the Diocese in their mission and to control the use of cash and capital resources toward the fulfilment of that task. The Diocesan Annual Review gives further details of the activities of the Diocese including the key objectives of working groups. The Annual Review is produced by Communications and Resources for the Southwark Diocesan Board of Finance and is available from Trinity House or website:

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

The key activities may be summarised as:

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

Public Benefit

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

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

Statutory functions

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

Grant-making policy

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

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

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

OBJECTIVES AND ACTIVITIES (continued)

The Diocese of Southwark receives funding from the Church Commissioners. During 2010 £0.441m (2009 £0.493m), was allocated to the "Mission Fund", within which the sum of £0.173m (2009 £0.236m) was set aside to the Clergy Pension Fund being a designated fund to help pay for future clergy pension fund charges. The Mission Fund has also enabled Area Mission Teams to extend their work in a number of ways, by providing grants. Further details of the Mission Fund are given in the Achievements and Performance section of this report.

Trading Company

Having completed the sale of the properties developed by the trading company in July 2010, the company is currently inactive. However the Trustees intend to retain the company for potential future trading opportunities.

Going concern

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

ACHIEVEMENTS AND PERFORMANCE

The Board of Finance reviewed financial performance throughout 2010 by monitoring the key performance indicators of Fairer Shares income against budget and clergy establishment. Rental income was regularly reviewed, whilst investment income forecasts were updated with information from investment fund managers.

The Fairer Shares collections in 2010 fell short of our budget by £600,000. This collection rate is about 95.7% of the income budgeted and is a significant concern as the budget had been set following an extensive review which started in April 2009 and culminated in setting of the 2010 budget at a joint Bishop's Council and Board meeting of Trustees in mid October 2009. In previous years 99% of fairer Shares requested has been received in the year, but this eased to 97% in 2009. Income from investments was at the budgeted level in 2010 but the budget recognised the reduction in bank base rate in early 2009.

Resourcing the Ministry & Mission in the parishes

The 2010 budget envisaged 330 funded clergy posts to be available to minister to parishes and chaplaincies throughout the diocese. The average actual number of clergy staff in post through the year was 326. The Board also pays the stipends of archdeacons and clergy in Area Mission Teams, and in Ministry & Training. The four bishops are paid by the Church Commissioners and hence not reflected in the Board's posts.

Providing clergy training, housing, stipends pension and other expenditure

The ability to maintain clergy is dependant on parishes making contributions to the Board using the apportionment formula 'Fairer Shares'. This is based on congregation numbers and the potential relative wealth of each parish. As indicated above the Board received 95.7% of the amount requested (2009: 97%). The Board continues to pay the stipends, National Insurance and Pensions of the clergy in full and on time during the year.

The Parsonages & Property Maintenance Committee has incurred expenditure of £3.88m which is in line with 2010 budget. An additional £0.2m has been incurred in developing proposals for new parsonages, with a further £2.25m invested in work-in-progress toward building seven new parsonages.

The Ministry & Training Committee has continued to provide training programmes to the clergy in accordance with the amount provided in the budget. The Board paid to the Archbishops' Council the full amount of £0.5m requested for the training of ordinands. The Archbishop's Council has also pledged to refund £0.25m for past ordinand training which has been reflected in these 2010 accounts.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

ACHIEVEMENTS AND PERFORMANCE (continued)

Contributions for National Church Institutions

The Board paid in full its apportionment towards the administration cost of the Archbishops' Council, CHARM (assisted housing for retired clergy) and Mission Agency Clergy Pensions. This contribution to the National Church is £0.582m (2009: £0.575m).

Education & Social Outreach

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

Mission Grants

Mission funds have been applied as follows:

- In the *Croydon Area* 43 projects were awarded grants in 2010. The grants are allocated by a panel drawn from the Croydon Area Mission Team.
- The *Kingston Area* has distributed 29 grants which are decided by a panel drawn from the Area Forum.
- In the *Woolwich Area* 34 grants have been awarded following an application process and review by a panel from Area Forum.
- *Working Groups* have awarded 10 grants during the year which in total have amounted to £33,500.
- A further sum of £16,720 (2009: £15,437) has been transferred to fund *Clergy Training*.

All grants are monitored through a budget and expenditure process.

Specific Diocesan Projects

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

Provision of a Diocesan Retreat House (Wychcroft)

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

Long term major repair and improvements are funded by grants from St Mark's Foundation from whom the property is leased. The most recent grant from St Mark's, was £10,000 in 2009. Some maintenance of the house is absorbed with the Board's property budget. In 2010 this amounted to £43,500 mainly to upgrade fire detection and prevention, whilst in 2009 the sum was almost £20,000 to upgrade the kitchen.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL REVIEW

Financial Overview

Income before revaluation adjustments totalled £24.6m, (2009 £23.7m), whilst expenditure amounted to £23.3m (2009: £23.1m). The net surplus of £1.3m would not have been made without realised gains from property sales.

The main source of income to the Diocese is the Fairer Shares contributions from parishes. The Diocese set a budget at £15.6m in 2010 but Fairer Shares receipts raised £15.0m (2009:£15.1m). None-the-less the regular contributions to the Parish Fairer Shares System has enabled the Diocese to maintain the mission of the church throughout the Diocese. Other income includes, the proceeds of sale of properties £3.7m plus a gain on the sale of Board fixed assets of £0.5m. In 2009 other income included the investment capital of Southwark Diocesan House, which had previously been an independently registered charity, number 250280. The Diocese also receives donations amounting to £2.1m (2009: £2.0m). Listed in note 2b to the financial statements they include sums from “Trust for London” (formerly known as City Parochial Foundation), the Church Commissioners, and other organisations. The Church Commissioners donation includes “Mission Money” of £441,000 (2009: £493,000), of which £173,000 has been set-aside to fund future clergy pensions liabilities. A donation under Gift Aid of £186,000 from the Trading Company is also reflected in Other Voluntary income in 2010. The trading company gain reflects the sale of two properties in Wimbledon. The sale of parsonage land in Wimbledon has generated £460,000 which is also reflected in Voluntary income.

Expenditure includes depreciation at £1.98m (2009: £1.9m) which is compensated by a matching revaluation within the net gain on revaluation of fixed assets. The operating activities of the diocese, including the income of all designated and restricted investments reflects a net gain of £1.27m (2009: £0.62m) Clergy in Southwark were not awarded a stipend increase in January 2010. The overall cost of 326 parochial ministry staff is almost £10.95m. The archdeacons, and ministry training staff cost a further £0.5m and a further 7 staff are funded directly by other grants. Further details of stipend and pension costs are reflected within note 12. The cost of all clergy pensions amounted to £3.1m. Clergy pensions are linked to the nationally agreed minimum stipend.

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

Investment policy and performance

In May 2010 the Board established an Investment Committee, previously a sub committee of the Executive & Glebe Committee, and endorsed the redrafting of the Investment Policy. This policy restated the Board’s agreement to pursue an ethical investment approach focusing on ethical corporate governance and responsible investor conduct that recognises the following constraints:

- It does not invest directly in the stock market, but through collective investment vehicles such as Common Investment Funds and Property Unit Trusts.
- The judgment in the Bishop of Oxford’s case which emphasises the obligation on the Trustees to seek the best economic return, consistent with commercial prudence.

In researching the placement of funds with managers the Board seeks to obtain the best economic return in accordance with the investment strategy. The investment policy continues to be reviewed and set by Trustees. The Board has set the Investment Policy as: -

- I. Seek the best possible overall return on investments, having due regard to the preservation of capital.
- II. The Diocesan Stipend Fund and Ex Trust Funds aim to maximise the growth of income in the longer term and the Board of Finance Funds aim to maximise the growth overall in the longer term.

Investments, other than property, are held in the form of collective investment vehicles. The investments increased in value during 2010 to £27.2m (2009: £25.1m). Fund manager performance was reviewed regularly during 2010 and following an in depth review in October 2010 the Investment Committee recommended a change in some Endowed holdings which were made in December 2010. The unrealised gain as at the end of 2010 amounted to £2.0m (2009: £1.7m).

Investment income is analysed within note 4 and amounted to £1.86m (2009: £2.0m).

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL REVIEW (continued)

Rental Income

Rental income from all forms of property totals £0.7m (2009: £0.7m). The main rental income of £0.6m is derived from both Glebe and Board properties and is recognised as investment income. Rentals of £0.1m from letting vacant parsonages and redundant churches are recognised under the heading of “Activities for Generating Funds”. Property is primarily for use by clergy, though some glebe land may be retained long-term as an asset which will generate a sustainable future income which in turn will continue funding clergy stipends.

Designated Funds

The Trustees of the Diocese have recognised for some years that pension costs will increase and in consequence they have set-aside a pension reserve from surpluses in prior years. During 2010 £300,000 was drawn from this Clergy Pension Reserve as planned in the annual budget, whilst a further £173,000 was added to the fund being the additional grant made available from the Church Commissioners. Drawing on this fund both this year and in future years will limit the increases in parish Fairer Shares.

Transfers between Designated Funds are detailed in note 19 to the accounts. The Parsonages Capital Fund reflects the accumulated income from selling parsonages. Work-in-progress on new parsonages amounted to £2.24m additionally a further £0.4m has been drawn from the Parsonages Capital Fund for property maintenance.

A transfer of £111,000 (2009: £113,000) to the clergy in-service training recognises the commitment to maintain post ordination training for clergy.

Payments of £102,000 have been released from a fund for Larger Churches during 2010, which leaves £98,000 to be available as grants in 2011.

Note 19 items l to p total £271,000 and reflect sums for use in 2011.

Equity Loans

Equity loans are provided to clergy spouses or to PCCs for curates to enable them to purchase property on a shared equity basis. These loans are referred to as Value Linked Loans and they are advanced against specific properties. The equity interest is agreed at the commencement of the loan, and as and when any capital repayments are made. The interest charged is varied annually and is linked to an RPI inflation factor. The value of these advances is £471,000 in both 2010 and 2009.

External factors affecting performance

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

Reserves policy

The Board considers that free reserves should be maintained at a minimum amount equivalent to two months' worth of the current year's expenditure and up to a maximum of 6 months' expenditure. The Board considers that the minimum level is adequate to support the Board's current level of activity and to enable it to operate without recourse to bank borrowing. In arriving at the minimum amount consideration has been taken of the Board's well established and effective income raising and budgeting process. Most income is received in a steady stream throughout the year and performance against budget is monitored regularly and frequently.

These resources are maintained for the following purposes:

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

Free reserves of the Board as at 31 December 2010 were £6.7m representing 3.4 months of expenditure (2009: £4.3m representing 2.5 months).

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL REVIEW (continued)

Risk assessment

The risk register is formally reviewed by Trustees at least annually. The most recent review was in early 2011. The development and active review of the risk register is a three stage process. Departmental managers together with a Trustee, evaluate risks and the strength of internal controls to mitigate the exposure to risk. The risk register is reviewed by the audit committee, primarily to ensure that the review process is suitably performed. The risk register is presented and reviewed by Trustees at Board meetings.

Parsonage Houses

The Parsonages and Property Maintenance Committee has an overview of the maintenance of housing stock used by clergy. In addition to maintaining clergy accommodation, there is a policy of replacing financially unsustainable houses with high quality, well insulated modern parsonages. Three new parsonages were completed in 2010, with a further seven in various stages of work-in-progress. The Parsonage housing stock is currently valued at 2010 at £139m. Additionally Glebe properties have been valued at £32m. These properties are shown at a combined value of £171m which is reflected in note 13. Properties are valued at 100% of the full insured value in the current year. The insurance value of properties are re-evaluated periodically by Diocesan or independent surveyors. These re-evaluations occur as and when properties are rented, or when improvements are made during a vacancy.

The Board considers that the cash generated from the regular sale of parts of the parsonages housing stock is sufficient to continue to fund the ongoing programme of parsonage replacements and upgrading the current stock of parsonage houses. The sales proceeds of parsonages sold are added to the Parsonage Capital Fund which is a designated fund. This designated fund is used to finance the development and building of new parsonages. A contribution is also drawn from the fund toward property development costs including the costs of a clerk of works.

Financial Task Group & Restructuring

During 2009 a Financial Task Group undertook a detailed review of the activities of the Diocese to explore ways of limiting the impact of a significant shortfall in current and projected income. Following a period of consultation and further consideration by the Bishop's Council and Board of Finance recommendations were made which identified some compulsory redundancies.

PLANS FOR FUTURE PERIODS

Both 2009 and 2010 have been difficult years financially. Income in 2010 from parishes and investments is less than in 2009. Whilst "Other Income" has made-up these shortfalls in 2010 this has substantially come from one-off property sales which will not be repeated. As the bank base rate continues to be low, the prospect of investment income from both deposits and fixed interest funds is limited.

Costs in 2011 are set to increase. Along with many charities, the Diocese pays VAT, which increased in January 2011. Also as an employer of clergy and staff, National Insurance increases will be payable from April 2011. At the same time personal donations and PCCs will be constrained as transitional relief on Gift Aid ended in April 2011. Finally whilst the short-term the direct costs of clergy pensions are set to reduce from in 2011, the longer-term trend of pension costs is for them to increase.

A real concern is that during 2010 more PCCs have had difficulty meeting their Fairer Shares contributions. This has been reflected in shortfalls in collections against budget. Parishes have also asked for greater concessions via Fairer Shares appeals. As the intention is to limit future Fairer Shares increases, the implication is that to produce a balanced budget, clergy appointments will need to be carefully monitored and may be reduced. The method of reporting Fairer Shares matters will continue to be reviewed.

With assistance from the Investment Committee, Trustees will continue to carefully monitor investment income changes whilst also remaining cognisant of the aim to maintain capital values. The investment committee will meet and maintain a dialogue with the fund managers with a view to optimising investment performance.

These matters and emerging issues will be reviewed as part of the strategic and normal budgetary process within the Diocese.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

FUNDS HELD AS CUSTODIAN TRUSTEE FOR OTHERS

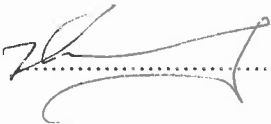
The Board is Custodian Trustee for 437 trust funds. Four new accounts were opened during the year but thirteen were closed. These trusts have investments with a market value at December 2010 of £9.1m (2009: £8.4m). Additionally these trusts have funds on deposit of £10.3m (2009: £8.8m). These deposit funds are mainly held with the Central Board of Finance of the Church of England.

Statements of the movements on the accounts and the holdings as at 31st December 2010 were sent to parishes and other Managing Trustees of the respective charities in late January 2011. The Board also holds Parochial Church Council (PCC) property as Custodian Trustee. Each PCC is a separate charity. The assets are held separately from those of the Board and do not form part of these financial statements.

Auditors

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

Mr John Kempzell FCA
Chairman

Signed .....

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE**

We have audited the financial statements of South London Church Fund and Southwark Diocesan Board of Finance for the year ended 31 December 2010 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the 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 company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and Auditors

The trustees' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities. The Trustees are also the directors of South London Church Fund and Southwark Diocesan Board of Finance for the purposes of company law.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 2006 and whether the information given in the Trustees' Report is consistent with the financial statements. We also report to you if, in our opinion the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

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 2010 and of its incoming resources and application of resources in the year then ended, including its income and expenditure;
- the financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Trustees report is consistent with the financial statements.

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

Fairfax House
15 Fulwood Place
London
WC1V 6AY

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Unrestricted funds		Restricted Funds	Endowment Funds	Total 2010	Total 2009
		General £'000	Designated £'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES							
Income from generated funds							
Voluntary Income							
Parish contribution	2a	14,959	-	-	-	14,959	15,060
Other voluntary income	2b	1,672	24	441	-	2,137	2,002
Activities for generating funds	3	137	-	-	-	137	136
Investment income	4	524	4	1,333	-	1,861	2,021
Income from charitable activities							
Statutory fees, chaplaincy & other income	5	895	-	-	-	895	803
Diocesan Retreat House		133	-	-	-	133	152
Other incoming resources	6	668	3,696	-	85	4,449	3,556
Total incoming resources		<u>18,988</u>	<u>3,724</u>	<u>1,774</u>	<u>85</u>	<u>24,571</u>	<u>23,730</u>
RESOURCES EXPENDED							
Costs of generating funds							
Lettings management costs		-	-	-	69	69	74
Charitable activities							
Contributions to National Church		582	-	-	-	582	575
Resourcing ministry & mission	7	18,142	541	1,564	1,797	22,044	21,821
Education & Welfare	8	415	-	-	-	415	460
Diocesan Retreat House		141	-	-	-	141	148
Governance costs	9	43	-	-	-	43	33
Total resources expended	10	<u>19,323</u>	<u>541</u>	<u>1,564</u>	<u>1,866</u>	<u>23,294</u>	<u>23,111</u>
Net incoming resources prior to transfers		(335)	3,183	210	(1,781)	1,277	619
Gross transfers between funds		1,062	(2,517)	(214)	1,669	-	-
Net incoming resources before other recognised gains and losses		<u>727</u>	<u>666</u>	<u>(4)</u>	<u>(112)</u>	<u>1,277</u>	<u>619</u>
Other recognised gains/(losses)							
Gain on revaluation of fixed assets		250	-	-	1,000	1,250	(309)
Gain on investment assets		485	1	148	1,357	1,991	1,652
Net movement in funds		<u>1,462</u>	<u>667</u>	<u>144</u>	<u>2,245</u>	<u>4,518</u>	<u>1,961</u>
Total funds at 1 January		<u>26,541</u>	<u>3,734</u>	<u>2,454</u>	<u>189,813</u>	<u>222,542</u>	<u>220,581</u>
Total funds at 31 December		<u><u>28,003</u></u>	<u><u>4,401</u></u>	<u><u>2,598</u></u>	<u><u>192,058</u></u>	<u><u>227,060</u></u>	<u><u>222,542</u></u>

The notes numbered 1 to 26 form part of these financial statements.

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

BALANCE SHEET

Company No. 00236594

AT 31 DECEMBER 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Tangible assets	13	193,256	194,113
Investments	14	27,155	25,121
		<u>220,411</u>	<u>219,234</u>
CURRENT ASSETS			
Debtors	15	4,903	5,313
Short term deposits		4,255	1,134
Cash and bank		1,359	810
		<u>10,517</u>	<u>7,257</u>
CREDITORS: amounts falling due within one year	16a	<u>(1,397)</u>	<u>(1,478)</u>
NET CURRENT ASSETS		<u>9,120</u>	<u>5,779</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		229,531	225,013
CREDITORS: amounts falling due after one year	16b	<u>(2,471)</u>	<u>(2,471)</u>
NET ASSETS		<u>227,060</u>	<u>222,542</u>
CAPITAL FUNDS			
Endowment funds	17	192,058	189,813
INCOME FUNDS			
Restricted funds	18	2,598	2,454
Unrestricted funds			
Designated funds	19	4,401	3,734
Other unrestricted funds:			
Functional fixed assets - including revaluation gain of £ 0.25m (2009: revaluation reduction £0.8m)		20,858	21,809
Value Linked Loans to underwrite parish debt		471	471
Free reserves		6,674	4,262
		<u>227,060</u>	<u>222,542</u>

The financial statements were approved and authorised for issue by the Board on 11th May 2011 and were signed below on its behalf by:

Mr John Kempzell
Chairman



Mr John Henson
Trustee

The notes numbered 1 to 26 form part of these financial statements.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

		2010		2009	
	Note	£'000	£'000	£'000	£'000
Net cash outflow from operating activities	23		(2,553)		(4,093)
Returns on investments and servicing of finance					
Investment income			1,861		2,021
			<u>(692)</u>		<u>(2,072)</u>
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(2,597)		(4,139)	
Sale of tangible fixed assets		6,959		1,805	
Purchase of investments		(1,000)		(3,325)	
Sale of investments		1,000		3,315	
			<u>4,362</u>		<u>(2,344)</u>
Cash inflow/(outflow) before financing			<u>3,670</u>		<u>(4,416)</u>
Financing					
(Decrease)/increase in long term borrowings	24	-		(157)	
				<u>-</u>	<u>(157)</u>
Increase/(decrease) in cash and short term deposits	24		<u>3,670</u>		<u>(4,573)</u>

The notes numbered 1 to 26 form part of these financial statements.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

(a) **Basis of accounting**

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

They comply with the Companies Act 2006, the Charities Act 1993 and the Diocesan Annual Report and Financial Statements Guide.

(b) **Fixed assets - tangible assets and depreciation**

Property valuations

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

Parsonages	100% Insurance Value	(2009: 100%)
Glebe (residential)	100% Insurance Value	(2009: 100%)

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

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

Gains and losses in the Parsonage and Glebe portfolios

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

Depreciation

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

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

(c) **Investments**

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

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES (continued)

(d) **Income**

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

(e) **Expenditure**

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

The statutory costs of charitable status such as audit and trustee costs are allocated to governance costs.

(f) **Funds**

Endowment funds

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

Restricted funds

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

Designated funds

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

Unrestricted funds

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

Transfers between funds

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

(g) **Pensions costs**

The Board participates in the Church Workers Pension Fund and a Pension Scheme for those in Stipendiary Ministry. Both are defined benefit pension schemes administered by the Church of England Pension Board. The assets of the schemes are held separately from those of the Board. Contributions to the Board's defined benefit pension schemes are charged to the statement of financial activities in accordance with Financial Reporting Standard 17: *Retirement benefits (FRS 17)*. Both schemes constitute collective defined benefit schemes under FRS17 and have therefore been accounted for as if they were defined contribution schemes.

(g) **Custodian Trusts**

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

2a VOLUNTARY INCOME; PARISH ASSESSMENTS	2010 £'000	2009 £'000
Current year receipts from Parishes	14,971	15,140
Discounts for direct debit	(122)	(123)
Prior year receipts	110	43
	<u>14,959</u>	<u>15,060</u>
2b OTHER VOLUNTARY INCOME	2010 £'000	2009 £'000
Church Commissioners Area Bishops	245	212
Trust for London	773	795
Allchurches Trust	146	139
Other voluntary income	346	363
Church Commissioners Mission income (restricted)	441	493
Southwark DBF Trading Limited	186	-
	<u>2,137</u>	<u>2,002</u>
3. ACTIVITIES FOR GENERATING FUNDS	2010 £'000	2009 £'000
Parsonage rental income	73	80
Redundant Church rental	64	56
	<u>137</u>	<u>136</u>
4. INVESTMENT INCOME	2010 £'000	2009 £'000
Board investment income	353	444
Board rental income	170	172
Net recovery on interest bearing parish loans (designated)	4	4
Diocesan stipend fund investment income (restricted)	851	926
Gilmore fund investment income (restricted)	13	13
Diocesan stipend fund rental income (restricted)	380	374
Dartmouth House (restricted)	90	87
	<u>1,861</u>	<u>2,020</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

5. STATUTORY FEES, CHAPLAINCY AND OTHER INCOME	2010	2009
	£'000	£'000
Parochial fees	576	579
Reimbursement of stipends	300	206
Guaranteed annuities	6	-
Other income	13	18
	<u>895</u>	<u>803</u>
6. OTHER INCOMING RESOURCES	2010	2009
	£'000	£'000
Room Hire, Contributions from Board of Education and other unrestricted income	105	103
Proceeds of disposal of fixed assets	3,696	1,802
- designated	85	3
- endowment	563	-
- Unrestricted	-	1,648
Gift of assets - Dartmouth House	-	-
	<u>4,449</u>	<u>3,556</u>
7. RESOURCING MINISTRY AND MISSION	2010	2009
	£'000	£'000
Grants awarded:		
Mission Grants - 116 to Parishes (2009: 113 to Parishes)	233	181
Church sales fund grant – 7 to Parishes (2009: 7 to Parishes)	77	85
In service training grant – 177 to clergy (2009: 193 to clergy)	64	147
Parish grants – 11 (2009: 20)	181	332
Gilmore 22 grants for women's ministry (2009: 23)	11	13
	<u>566</u>	<u>758</u>
Sub total	566	758
Payment to Archbishops' council	532	540
Settling-in allowances	206	178
Married ordinands allowances	298	359
Single ordinands allowances	39	62
Ministry staff	8,006	7,914
Clergy pensions	2,946	2,557
Housing costs	4,170	4,325
Settling-in grants	243	205
Area Mission Teams	961	1,003
In service training general	34	31
Training	7	10
Term assurance	74	73
Communication and resources	315	304
Establishment and support	518	473
Minority Ethnic Anglican Concerns	116	74
Glebe investments income diversions	14	14
Group support	212	269
Other resourcing ministry and mission	149	118
Registrar and Chancellor	51	49
Sundry expenses and contingencies	87	128
Administrative staff costs	281	225
Other administrative costs	172	220
Depreciation	1,979	1,991
Pension deficit (refund)/payment	-	(58)
Realised property loss	68	-
	<u>22,044</u>	<u>21,822</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

8. EDUCATION AND WELCARE		2010	2009			
		£'000	£'000			
Grants awarded – Board of Education		238	263			
– Welcare		177	197			
		<u>415</u>	<u>460</u>			
		<u><u>415</u></u>	<u><u>460</u></u>			
9. GOVERNANCE COSTS						
External audit - current year fees		33	25			
Internal audit		-	-			
Annual accounts		2	1			
Committee costs		1	2			
Trustee insurance		7	5			
		<u>43</u>	<u>33</u>			
		<u><u>43</u></u>	<u><u>33</u></u>			
10. TOTAL RESOURCES EXPENDED						
	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs (note 11) £'000	Depreciation £'000	2010 £'000	2009 £'000
Investment management	69	-	-	-	69	74
Contributions to National Church	582	-	-	-	582	575
Resourcing ministry & Mission	19,241	566	258	1,979	22,044	21,822
Education and social responsibility	415	-	-	-	415	460
Diocesan Retreat House	141	-	-	-	141	148
Governance cost	43	-	-	-	43	33
	<u>20,491</u>	<u>566</u>	<u>258</u>	<u>1,979</u>	<u>23,294</u>	<u>23,112</u>
	<u><u>20,491</u></u>	<u><u>566</u></u>	<u><u>258</u></u>	<u><u>1,979</u></u>	<u><u>23,294</u></u>	<u><u>23,112</u></u>

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

11. ANALYSIS OF SUPPORT COSTS	2010	2009
	£'000	£'000
Repairs and maintenance	14	35
Rent, rates and insurance	74	54
Cleaning	35	33
Heat and lighting	22	27
Printing, postage and stationery	49	50
Telecommunications	21	25
Equipment rentals and repairs	19	10
Computer costs	11	12
Other costs	13	15
	<u>258</u>	<u>261</u>
	<u><u>258</u></u>	<u><u>261</u></u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

12. STAFF COSTS	2010 No.	2009 No.
Parochial Clergy (326) Archdeacons and Board clergy (15)		
Externally funded clergy (10)	351	353
	£'000	£'000
Costs		
Stipend	7,956	7,998
NICs	462	462
Pensions	2,946	2,557
Total	<u>11,364</u>	<u>11,017</u>
	No.	No.
Board Staff		
The average number of Board Staff was:	47	52
	£'000	£'000
Costs		
Salary	1,541	1,670
NICs	130	132
Pensions	460	477
Total	<u>2,131</u>	<u>2,279</u>

One employee received an annual emolument of between £70,000 and £79,999 (2009: Nil). Board members do not receive emoluments in respect of their duties as trustees. Those Board members who are working clergy receive stipends in accordance with the Board's standard scales. Board members are reimbursed only in respect of out of pocket expenses incurred in the performance of their duties.

No trustees, other than clergy, claimed or were paid expenses in 2010 or 2009.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

13. TANGIBLE FIXED ASSETS	Land and buildings				Furniture and Equipment £'000	Total £'000
	Endowment Glebe and Parsonages £'000	WIP £'000	Unrestricted Freehold £'000	Leasehold £'000		
Cost or valuation						
At 1 January 2010	170,576	1,727	21,676	86	566	194,631
Additions	250	2,372	15	-	2	2,639
Disposals	(2,839)	-	(1,600)	-	(193)	(4,632)
Transfers	2,168	(2,822)	654	-	-	-
Revaluation	960	5	40	-	-	1,005
At 31 December 2010	171,115	1,282	20,785	86	375	193,643
Depreciation						
At 1 January 2010	-	-	-	72	446	518
Charge for the year	1,710	-	207	2	60	1,979
Disposals	-	-	-	-	(193)	(193)
Revaluation	(1,710)	-	(207)	-	-	(1,917)
At 31 December 2010	-	-	-	74	313	387
Net book value						
At 31 December 2010	171,115	1,282	20,785	12	62	193,256
At 31 December 2009	170,576	1,727	21,676	14	119	194,113

14. INVESTMENTS

UK Listed investments

Common Investment vehicles
(Common Investment Funds / Unit Trusts)

2010
£'000

2009
£'000

27,153

25,121

Movements

Balance at 1 January 2010

25,122

21,812

Purchased during the year

1,000

4,973

Disposals

(957)

(3,507)

Revaluation of investments

1,990

1,844

Balance at 31 December 2010

27,155

25,122

The historical cost of investments is not available.

The Board is beneficial owner of a subsidiary undertaking, Southwark DBF Trading Limited, which is registered in England and supplies property and administrative services to the Board. Its results for the year and assets and liabilities have not been consolidated into the Board's financial statements on the grounds of materiality. In 2010 the company had income of £898,148 (2009: £41,415) and a profit for the year of £391,134 (2009: loss of £10,871). Balance sheet information is shown below.

	£'000	£'000
Southwark DBF Trading		
Cost of stock for resale	-	448
Debtors	183	3
Cash and bank	3	8
Loan from South London Church Fund and Southwark Diocesan Board of Finance	-	(655)
Other creditors	(186)	(9)
Reserves	-	(205)

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

15. DEBTORS	2010	2009
	£'000	£'000
Amounts falling due within one year		
Parish assessments (amounts received in January 2011)	24	46
Parish related loans	560	616
Other debtors	232	517
Amounts due from trading subsidiary	-	655
Prepayments and accrued income	827	631
	<u>1,643</u>	<u>2,465</u>
Amounts falling due after more than one year		
Loans to parishes - interest bearing	1,809	1,647
- interest free	269	289
Other loans	1,182	911
	<u>3,260</u>	<u>2,847</u>
TOTAL DEBTORS	<u><u>4,903</u></u>	<u><u>5,312</u></u>
16. CREDITORS	2010	2009
	£'000	£'000
a) Amounts falling due within one year		
Amounts due to trading subsidiary	183	-
Trade creditors	352	243
Other creditors	627	788
Other taxes and social security	41	44
Accruals and deferred income	194	403
	<u>1,397</u>	<u>1,478</u>
b) Amounts falling due after more than one year		
Loans – Church Commissioners – Value Linked Loans	471	471
Bank loan (secured against the office property Trinity House) #.	2,000	2,000
	<u>2,471</u>	<u>2,471</u>

The loan rate applied in 2010 was 2.5% over LIBOR.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

17. ENDOWMENT FUNDS	Opening Balance £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains & (losses) £'000	Closing balance £'000
Permanent endowments						
Ministry funds (a)	2,916	-	(69)	69	255	3,171
Expendable endowment						
Diocesan stipendiary fund (b)	46,477	85	(410)	1,440	1,400	48,992
Parsonage capital fund (c)	140,420	-	(1,387)	160	702	139,895
Total endowment funds	189,813	85	(1,866)	1,669	2,357	192,058

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

18. RESTRICTED FUNDS	Opening Balance £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains & (losses) £'000	Closing balance £'000
DSF income fund (a)	-	1,231	(1,231)	-	-	-
Ministry mission (b)	408	441	(233)	(214)	-	402
Gilmore Fund (c)	251	12	(10)	-	18	271
Dartmouth House Fund (d)	1,795	90	(90)	-	130	1,925
	2,454	1,774	(1,564)	(214)	148	2,598

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

19. UNRESTRICTED FUNDS	Opening Balance £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains & (losses) £'000	Closing balance £'000
Designated funds						
Parish grant fund (a)	201	-	(78)	-	-	123
Parsonages capital fund (b)	1,368	3,696	(197)	(2,648)	-	2,219
Clergy pensions reserve Fund (c)	676	-	-	(127)	-	549
Church Building fund (d)	909	-	(77)	(95)	-	737
In-service training (e)	225	28	(64)	111	-	300
Office maintenance fund (f)	35	-	(13)	-	-	22
Unfunded pensions (g)	13	-	(1)	(13)	1	-
Computer fund (h)	55	-	-	-	-	55
Growing churches fund (i)	200	-	(102)	-	-	98
Area Clergy Conference (j)	29	-	(9)	7	-	27
Training / administration (k)	23	-	-	(23)	-	-
Year 2010 Group (l)	-	-	-	21	-	21
Land registry provision (m)	-	-	-	90	-	90
Property fund (n)	-	-	-	100	-	100
Web maintenance (o)	-	-	-	20	-	20
Ministry legal and terms (p)	-	-	-	40	-	40
	<u>3,734</u>	<u>3,724</u>	<u>(541)</u>	<u>(2,517)</u>	<u>1</u>	<u>4,401</u>
Other reserves						
Functional fixed assets excluding endowment	21,809	15	(217)	(999)	250	20,858
Value linked loans	471	-	-	-	-	471
Free funds	<u>4,261</u>	<u>18,973</u>	<u>(19,106)</u>	<u>2,061</u>	<u>485</u>	<u>6,674</u>
TOTAL	<u>26,541</u>	<u>18,988</u>	<u>(19,323)</u>	<u>1,062</u>	<u>735</u>	<u>28,003</u>

- (a) This fund represents amounts set aside to fund grants to parishes in need of financial assistance for repairs to church buildings.
- (b) This fund represents capital receipts released following the sale of parsonages. These are set aside to fund contributions by the Board to develop new Parsonages which are not fully funded by corresponding sale proceeds and to make a contribution toward the property department staffing.
- (c) This fund was established in 1996. £300,000 has been applied in 2010 to defray the increased clergy pensions, which have been reflected in increased pension contributions whilst mission funds of £173,000 have been allocated to support future pension requirements.
- (d) This fund represents proceeds arising on the sale of redundant churches which are set aside to fund new building and capital works on other churches and other associated costs.
- (e) This fund represents money set aside to support ongoing Post Ordination Training. The obligation to fund clergy training means that the fund is both added to and drawn on in the year.
- (f) This fund represents amounts set aside to fund future maintenance costs of Trinity House.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

19. UNRESTRICTED FUNDS (continued)

- (g) This fund represents the money set aside for a previous member of staff's pension costs. The fund is matched by specific investments. The income and a modest capital drawing have been applied to fund the pension. The former employee died during the year, with the designated funds being returned to general funds
- (h) This fund is to assist in the implementation of IT software up-grades, including technical support. Upgrades were planned in 2010 but have been delayed to 2011.
- (i) This fund is now called the Larger Churches Fund and it is to provide support for the outreach and mission of rapidly growing churches. Funds have been distributed quarterly during 2010 with a further commitment to funding in 2011.
- (j) Area Mission Teams have set aside sums to fund clergy conferences in their respective area.
- (k) This fund has been set aside to extend provision of clergy providing support has been applied in 2010.
- (l) This fund is expected to be applied to child and youth work in 2011.
- (m) This fund is pay for legal work to register land previously not recorded with the Land Registry.
- (n) This fund represents work on properties delayed from 2010 to 2011.
- (o) This reflects work to improve and update the Diocesan Web Site, not started in 2010.
- (p) This fund reflects the increased legal costs expected as a result of changes to clergy terms.

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Funds £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total £'000
Fund balances at 31 December 2010 are represented by:					
Tangible fixed assets	20,858	-	-	172,398	193,256
Investments	4,897	-	2,598	19,660	27,155
Cash and deposits	1,213	4,401	-	-	5,614
Other net current assets	3,506	-	-	-	3,506
Long term liabilities	(2,471)	-	-	-	(2,471)
	<u>28,003</u>	<u>4,401</u>	<u>2,598</u>	<u>192,058</u>	<u>227,060</u>

21. PENSIONS ARRANGEMENTS

The Board of Finance operates two defined benefit pension schemes. Both schemes constitute collective defined benefit schemes under FRS17: Retirement benefits, and have therefore been accounted for as if they were defined contribution schemes. The disclosures below comply with the requirements of FRS17.

(i) Stipendiary ministry

The Board participates in the Church of England Funded Pensions Scheme and employs 347 members of the scheme out of a total membership of approximately 9,000 active members.

21. PENSIONS ARRANGEMENTS

(i) Stipendiary ministry (continued)

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Board is unable to identify its share of the underlying assets and liabilities – each employer in that scheme pays a common contribution rate. A valuation of the scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m with assets of £605m and a funding target of £867m, assessed using the following assumptions:

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

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the Board to account for pension costs on the basis of contributions actually payable to the Scheme in the year,

Following the results of the 2006 valuation, the Southwark’s contribution rate was set at 39.7% of pensionable stipends with effect from 1 April 2008. The contribution rate was subsequently increased to 45% of pensionable stipends with effect from 1 January 2010 reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the Scheme as at 31 December 2009 and some agreed changes to benefits, the contribution rate has been set at 38.2% with effect from 1 January 2011.

The next valuation of the Scheme will be due as at 31 December 2012.

(ii) Lay administration staff

The Board participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund. The Southwark Diocesan Board of Finance is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. A valuation of the fund was carried out as at December 2007, and Southwark Diocesan Board of Finance’s contribution was revised to 30.2% from 1 January 2009 from 31.14%

At 31 December 2010 the Board had 48 active members and 32 deferred pensioner members in the Fund. The Board is unable to identify its share of the underlying assets and liabilities of the scheme. The cost of lay staff pensions in the year amounted to regular contributions of £0.46m(2009:£0.48m). There were no outstanding contributions as at 31 December 2010 or 2009.

22. RELATED PARTIES

Southwark & London Diocesan Housing Association

The Bishop of Southwark and the Bishop of London are joint presidents of Southwark & London Diocesan Housing Association (SLDHA). The Ven Michael Ipgrave is Vice Chair of SLDHA and a trustee of the Board of Finance. During the year the Board received a contribution of £33,000 from the association to defray accommodation costs (2009: £32,000).

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

23.	NOTES TO THE CASH FLOW STATEMENT: RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2010 Total £'000	2009 Total £000
	Net incoming resources	1,276	619
	Depreciation	1,979	1,991
	Decrease/(increase) in debtors	410	(563)
	Decrease in creditors	(81)	(666)
	Investment income	(1,861)	(2,021)
	Proceeds from disposal of fixed assets	(4,344)	(1,805)
	Gift of assets	-	(1,648)
	Loss on sale of property	68	-
		<u> </u>	<u> </u>
	Net cash outflow from operating activities	(2,553)	(4,093)
		<u> </u>	<u> </u>
24.	RECONCILIATION OF NET CASH OUTFLOW TO CHANGE IN NET FUNDS	2010 £'000	2009 £'000
	(Decrease)/increase in cash in the year	3,670	(4,573)
	Cash inflow/(outflow) from decrease in debt	-	156
		<u> </u>	<u> </u>
	Change in net funds resulting from cash flows	3,670	(4,417)
	Opening net funds	(527)	3,890
		<u> </u>	<u> </u>
	Closing net (debt)/funds	3,143	(527)
		<u> </u>	<u> </u>
25.	ANALYSIS OF NET FUNDS	At 1 January 2010 £'000	At 31 December 2010 £'000
	Cash in hand and at bank	1,944	5,614
	Debt due after 1 year	(2,471)	(2,471)
		<u> </u>	<u> </u>
	Total	(527)	3,143
		<u> </u>	<u> </u>
26.	ASSETS HELD AS CUSTODIAN TRUSTEE	2010 £'000	2009 £'000
	Investments	9,132	8,438
	Cash at bank	10,346	8,762
		<u> </u>	<u> </u>
		19,478	17,200
		<u> </u>	<u> </u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

27. ANALYSIS OF TRANSFERS BETWEEN FUNDS		General Funds £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000
Parsonages Under construction	a		(2,246)		2,246
Parsonage Scheme	b	652			(652)
Property Department Support	c	400	(400)		
Church Building Fund	d	100	(100)		
Drawing from Pension Fund	e	300	(300)	-	-
Mission Money for Pension Fund	f	-	173	(173)	-
Mission Money for Chaplain & Training	g	41		(41)	
Designated Funds Released	h	37	(37)		
Designated Fund existing	i	(118)	118		
Designated Fund new	j	(271)	271		
Receipt to Match Fund Expense	k	(75)			75
Church Receipt Allocated to Fund	l	(4)	4		
		<u>1,062</u>	<u>(2,517)</u>	<u>(214)</u>	<u>1,669</u>

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

- a) During 2010 four new parsonages were completed by applying the designated parsonage building fund. The movement reflects the transfer to parsonage capital.
- b) The former parsonage at Plumstead the Ascension was released by scheme for disposal by the DBF.
- c) Use of funds from the designated Parsonage Capital Fund for capital works costs.
- d) The release of £100,000 from the designated Church Building Fund.
- e) The use of £300,000 to finance pension costs.
- f) The Archbishop's Council of the Church Commissioners provided an additional Mission & Ministry support grant of £173,340. The trustees consider that the restriction implicit within this grant is wider than the application to this designated Clergy Pension Fund. In consequence this has been allocated to this fund during 2010.
- g) 50% of an Olympic Chaplain's post together with part of a Ministry & Training post were funded from the Mission & Ministry support grant being £24,000 and £17,000 respectively.
- h) Funding of £13,000 previously set aside to cover a shortfall on a pension and £23,740 for a training / administrative post were no longer required and have been released during 2010.
- i) Clergy Continuing Ministerial Education has been allocated £111,000 to cover training commitments and funding for sabbatical leave. This sum is based on 1.5% of gross clergy stipends. Additionally £7,000 has been set aside from the Area Mission Teams to support future Episcopal Area clergy conferences.
- j) New designated funds were created during 2010 to provide funding for commitments and agreed activities being items l to p in note 19 above.
- k) Investment management costs transferred to related endowment fund.
- l) Credit designated to the Church Building Fund.