



THE ROMAN CATHOLIC DIOCESE OF SOUTHWARK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2016

Registered Charity No: 235468

REPORT OF THE TRUSTEES

The Trustees present their Report & Accounts for the year ended 31 December 2016. The Statements appear in the format required by the Statement of Recommended Practice for Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) - Charities SORP FRS 102 (effective 1 January 2015)

Structure, Governance and Management

The Diocese of Southwark was established by trust deed dated 21 October 1927 as amended by supplemental trust deeds dated 4 November 1927, 19 May 1967, 12 May 1995 and 12 December 2005.

We take the view that the charity and the local Church, which is sometimes called 'the Diocese', are two distinct entities. They are bound together by the will of the Archbishop of Southwark, who must intend throughout his period of office to govern the charity, in conjunction with the other Trustees, in support of the Diocese as this is understood in Catholic theology and Canon Law.

This charitable Trust owns those lands, buildings, and other forms of property, which it is necessary for the Church to have and to use, so as to fulfil the mission of the Church within the area covered by the Diocese of Southwark. This area comprises the unitary authority of Medway and the county of Kent, and those London boroughs and those parts of the London boroughs which lie to the south or to the east sides of the river Thames. The Diocese consists of 180 parishes which together cover the whole area.

The Trust is called a 'Diocesan Trust' because it originates from the mission which is that of a Diocesan bishop within the rules and regulations of the Catholic Church. Each bishop is charged with establishing and maintaining and developing or furthering the educational and worshipping functions of the Church, but usually within a certain geographic area. This geographic area is the Bishop's Diocese. The initial trustees therefore, are not appointed by the authority of some document but rather, have become trustees by taking responsibility for the temporal possessions of the diocese and applying funds for the needs of the diocese.

The charitable trust is unincorporated. But the Diocese has also established the Southwark Roman Catholic Diocesan Corporation (March 1945) to be the custodian trustee, i.e. the legal holder of titles to properties and investments.

The Diocese is governed by the board of Trustees which has five members. The Archbishop is empowered to appoint and remove all Trustees. The clergy Trustees are appointed for their expertise in parochial, spiritual and pastoral matters.

This board is responsible for formulating strategies and policies of the Diocesan Charity. The Trustees consider that the Trustees and the Senior Management Team as set out in Note 7 of the accounts comprise the key management personnel of the Charity in charge of directing, controlling, running and operating the Charity on a day to day basis. New Trustees are provided with terms of reference and a pack of information relating to the constitution, governance and operation of the trust. Trustees are expected to visit all central departments as well as being familiar with the work of parishes. The Trustees are updated regularly through courses both internally and externally updating their expertise in their own particular field and also their responsibilities as Trustees. The Archbishop also appoints the same members to his pastoral Council, The Archbishop's Council. This board and Council meet usually twice a month and in 2015 there were 20 meetings. Connected to this body is the Diocesan Finance Committee which meets once a month. It consists of one trustee, who is chairman of the Finance Committee another trustee, usually the Vicar General and Chancellor of the Diocese, the officers of the committee, namely the two Financial Secretaries and Financial Controller, plus two lay members and three clergy members. This committee reports to the trustee board and to the Archbishop direct via its officers.

This Diocesan Trust does not control, nor own, property owned by the many religious orders of the Church which have convents, abbeys, friaries, shrines, care homes, chapels, schools, retreat houses, and other property in our geographic area. There is, therefore, a considerable commitment of resources, financial, material and human, from members of the Church within our Diocese, which is not reported here.

In 2016 the Diocese applied to become a Charitable Incorporated Organisation (CIO). The main intended benefit of this will be the ability to appoint Lay Trustees, which will assist us in expanding the skills available to deliver our objectives. The existing Trustees recognise the need to modernise in some areas and during 2015 commissioned a report from external consultants, which identified a series of improvements. During the year we have acted on many of those recommendations which benefit the charity both centrally and in the parishes and diocesan agencies. In 2017 the Charity Commission registered the CIO under the name of Roman Catholic Archdiocese of Southwark – Registered Charity number 1173050. It is intended to transfer the assets and liabilities in October 2017.

Achievements and Performance

The Diocesan achievements are set out in the annual review at the beginning of this annual report.

Key management personnel

The Trustees consider that the Trustees and the Senior Management Team as set out in Note 7 of the accounts comprise the key management personnel of the Charity in charge of directing, controlling, running and operating the Charity on a day to day basis. The pay of the senior staff is reviewed annually and normally increased in accordance with earnings in similar organisations in the sector to reflect a cost of living adjustment. All Trustees give of their time freely and no Trustee received remuneration in the year. Details of Trustees expenses are disclosed in Note 16 of the accounts.

Use of volunteers

Those who are termed volunteers in other charities are in our Diocese the “lay faithful”, members of the worshipping community, which is the parish. Many parishioners help in all aspects of parish life and they are vital in our parishes which would not be able to operate without their assistance. Many parishioners are members of organisations in the parish which provide support to those need. The Trustees would like to express their sincere thanks to all parishioners for all the work they do in helping to build and maintain the parish community.

Plans for the future

In 2017 we will:

- Become a Charitable Incorporated Organisation (CIO) and improve our governance accordingly.
- Review alternatives to our existing accounting system so as to incorporate the parishes and provide enhanced information across the Diocese.
- Continue to develop plans as regards a potential new Diocesan Youth Retreat and Pastoral Centre
- Review the way we work with our schools.
- Develop our investment strategy so as to invest more globally

FINANCIAL REVIEW OF THE YEAR 2016

Investment Policy

The Trustees have issued an Investment Policy Statement in accordance with the requirements of the *Trustee Act 2000*. The Trustees' investment goal is to maintain and enhance the real value of the Fund over medium and long term, whilst producing an annual income which will also increase steadily in the medium term. The Trustees require the portfolio to be managed so that they become shareholders only of companies which uphold ethical standards consistent with the Trust. The Trustees look after this issue by a structure of quarterly meetings between the Trustees' appointed officers and the investment managers. At these meetings the officers and the managers consider each holding in the portfolio and the officers instruct Barclays Wealth as appropriate if disinvestment is required on ethical grounds.

Risk Management

The diocesan Trustees have assessed the major risks to which the Diocese is exposed, in particular those related to the operation and finances of the trust, and are satisfied that the systems are in place to mitigate the exposure.

The major risks can be categorised as financial (insufficient resources to meet our objectives) and pastoral (insufficient priests to minister to the Catholic population and promote evangelisation.) Uncertainties include the impact of government policy on school provision and risks relating to recruitment of teachers in a competitive environment remain on the Trustees agenda, as does safeguarding. All have a potential impact on the delivery of our objectives and a variety of mitigating activities are in place.

Over the recent years the trustees have taken several initiatives to protect the value in the large number of buildings owned by the trust. These include a points scoring system of assessing the condition of the fabric of the churches. Our initial impression is that most buildings are in a reasonable state of repair and the parishes are playing their full part in looking after them. Parishes tend to accumulate funds over a number of years before commencing building works, and often have large balances of money at the bank as a result.

Financial Performance

We refer to the statement of financial activities in the financial statements which follow:

The last column but one gives the total figures for 2016 with comparative figures being shown for the previous year in the final column. The voluntary income from collections and donations decreased to £20.86m from £22.54m.

Legacies, which were mainly credited to parishes, were £0.70m (2015: £1.19m). Investment income remained static with the Diocese continuing to be adversely affected by the generally low level of interest rates in the economy. Rents on investment properties increased over 2015 as did rents from occasional lettings. The year saw a small profit on disposal against a significant gain last year. The Diocese also benefited from sales of two school sites the proceeds of which shall be used for the building of new schools. In the year £3.74m has been used towards the building of St Richard Reynolds School in Richmond.

Expenditure was £35.31m compared to £30.64m in 2015. Costs have again risen in the areas of church repairs and supporting our sick and retired priests. Overall the Diocese had a surplus of £1.34m (2015: a deficit of £1.67m). In addition costs include the new school costs of £3.7m (see above).

Thus total funds carried forward total £81.18m (as against £79.84m in 2015)

FINANCIAL REVIEW OF THE YEAR 2016

Reserves and Asset cover for Funds

The economic climate remains difficult for the Diocese. The very low rates of interest available on bank deposits have had a very significant adverse impact on income levels in recent years. At the same time financial markets remain volatile. The trustees therefore need to balance readily accessible funds to meet cash flow requirements whilst endeavouring to ensure that the capital base of the Diocese is protected.

At 31 December 2016 the total net assets of the Diocese stood at £81.18m. Of this £39.84m consists of fixed assets in the form of Churches and other property required for the purposes of the Church, without which the work of the Church could not continue. Investments, at £31.13m down from £32.59m in 2015, amount to approximately 12 months' expenditure, a level consistent with the Trustees' policy of holding one to two years' expenditure in reserve. Investments generate parish income and much of the income which is essential to most central Diocesan activities; they could not be realised for cash without depriving the Diocese of income needed to support the salaries of Diocesan employees.

Net current assets (including cash reserves) amounted to £10.21m (2015: £7.90m). It has been necessary in the present situation to hold large sums in the form of immediately available cash, because of the risk factors in building works. It is very difficult for our charity to get major financing of building projects, and so sufficient sums have to be accumulated from parish collections and other sources before there is any commitment to building. Parish net current assets amounted to £9.00m (2015: £8.06m). Central Diocesan funds had net current assets of £1.17m compared to £0.2m net current liabilities at the end of 2015. The net current assets of parishes represent an average of around £40,000 per parish.

For further detail see notes 12 to 14 of the Accounts.

Note 12 shows the unrestricted funds total of £5.0m of which £4.51m has been designated by the Trustees for the costs of the Diocesan agencies such as the Centre for Catholic Formation and the Education Commission. This leaves a balance of £0.5m on General Funds compared to £3.1m at the end of 2015. This designated fund shall continue to be used annually and is expected to wind down over the next five years.

The Diocese has a number of restricted funds totalling £13.3m of which the main funds are:

Ecclesiastical Education

This fund meets the costs of students at Seminaries training to be priests for the Diocese and ongoing training for Clergy. Its income derives from investments.

Clergy Support Fund

A legacy specifically restricted to helping clergy in need has been invested and the income is applied to the Clergy Support Fund. Income is also derived from the Clergy Support Campaign which raised over £400,000 in 2015. These funds are utilised in helping towards the costs of our retired and sick clergy

Mass Funds

Income received on investments provided by donors is paid to priests who offer masses for the intentions of the donors.

To sum up, Trustees regard the present level of reserves cover is appropriate, and take the view that it should, when circumstances permit, be further increased.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The purpose of this statement is to distinguish the trustees' responsibilities for the accounts from those of the auditors as stated in their report. The Charities Act 2011 requires the trustees to prepare for each financial year financial statements which give a true and fair view of the charity's financial activities during the year and of its financial position at the year end. In preparing the financial statements the trustees are required to:

Select suitable accounting policies and apply them consistently;

Observe the methods and principles in the Charities SORP

Make judgements and estimates that are reasonable and prudent;

State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

Prepare the financial statements on the going concern basis unless it is inappropriate to presume that this basis applies.

The trustees are responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Diocese and enable them to ensure that the financial statements comply with the Trust Deed and the disclosure regulations. They are also responsible for safeguarding the assets of the Diocese and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

This statement of responsibilities, together with the Report and the Review and the Accounts, and the four appendices were approved by the Board of Trustees, meeting with the Diocesan Finance Committee, on 6 October 2017.

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Monsignor Matthew Dickens VG
Trustee

6 October 2017

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE ROMAN CATHOLIC DIOCESE OF SOUTHWARK

We have audited the financial statements of the Roman Catholic Diocese of Southwark for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's Trustees, as a body, in accordance with Section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Charity's Trustees 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 Charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 9, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2016, and of its incoming resources and application of resources, 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 Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

haysmacintyre
Statutory Auditor

26 Red Lion Square
London
WC1R 4AG

6 October 2017

haysmacintyre is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

The Roman Catholic Diocese of Southwark - Annual Accounts

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Diocesan Funds		Parish Funds £	Charitable Trading £	Total 2016 £	Total 2015 £
		Unrestricted Funds £	Restricted Funds £				
INCOME FROM							
<i>Donations and legacies</i>							
Collections and donations		349,640	1,085,031	19,423,109	-	20,857,780	22,536,134
Grants receivable	1.3	-	-	-	-	-	535,442
Legacies		63,338	-	621,462	-	684,800	1,187,010
<i>Investment income</i>							
Investment income and							
Interest receivable	2	587,600	268,121	240,650	-	1,096,371	1,146,334
Rents receivable		150,759	-	920,372	-	1,071,131	1,030,314
<i>Other Trading Activities</i>							
Rents receivable (occasional lettings)		-	-	1,148,699	-	1,148,699	1,122,990
<i>Charitable activities</i>							
Other income from charitable activities (inc Repositories)		-	-	668,641	-	668,641	653,683
Catholic Formation Centre Fees		-	-	-	33,564	33,564	27,751
<i>Other</i>							
Other income		236,402	-	-	-	236,402	377,635
Profit on disposal of fixed assets		-	-	139,544	-	139,544	876,284
Disposal of former school sites		-	6,975,491	-	-	6,975,491	-
TOTAL INCOME		1,387,739	8,328,643	23,162,477	33,564	32,912,423	29,493,577
EXPENDITURE ON							
Raising funds	3	90,902	68,004	345,750	-	504,656	492,687
Charitable activities	3&4	8,262,662	5,095,647	21,354,169	92,564	34,805,042	30,143,095
TOTAL EXPENDITURE		8,353,564	5,163,651	21,699,919	92,564	35,309,698	30,635,782
		(6,965,825)	3,164,992	1,462,558	(59,000)	(2,397,275)	(1,142,205)
Net gains/(losses) on investments		1,954,801	1,522,079	285,619	-	3,762,499	(531,312)
Net losses on investment properties		(13,000)	-	(17,040)	-	(30,040)	-
NET (EXPENDITURE)/INCOME		(5,024,024)	4,687,071	1,731,137	(59,000)	1,335,184	(1,673,517)

The Roman Catholic Diocese of Southwark - Annual Accounts

STATEMENT OF FINANCIAL ACTIVITIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Diocesan Funds Unrestricted Funds £	Restricted Funds £	Parish Funds £	Charitable Trading £	Total 2016 £	Total 2015 £
NET (EXPENDITURE)/INCOME		(5,024,024)	4,687,071	1,731,137	(59,000)	1,335,184	(1,673,517)
Transfers	7	2,428,336	(47,436)	(2,439,900)	59,000	-	-
NET MOVEMENT IN FUNDS		(2,595,688)	4,639,635	(708,763)	-	1,335,184	(1,673,517)
RECONCILIATION OF FUNDS							
Funds brought forward		7,610,904	8,611,727	63,587,689	29,975	79,840,295	81,513,812
FUNDS CARRIED FORWARD		<u>£5,015,216</u>	<u>£13,251,362</u>	<u>£62,878,926</u>	<u>£29,975</u>	<u>£81,175,479</u>	<u>£79,840,295</u>

The notes form part of these accounts.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The Roman Catholic Diocese of Southwark - Annual Accounts

**BALANCE SHEET
AS AT 31 DECEMBER 2016**

	Notes	2016		2015	
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	8		39,836,070		39,351,027
Investments	9		31,130,950		32,589,006
			<u>70,914,020</u>		<u>71,940,033</u>
CURRENT ASSETS					
Debtors	10	3,462,623		4,240,456	
Cash at bank and in hand		11,493,978		10,997,789	
		<u>14,956,601</u>		<u>15,238,245</u>	
CREDITORS: Amounts falling due within one year	11	<u>(4,748,142)</u>		<u>(7,337,983)</u>	
NET CURRENT ASSETS			10,208,459		7,900,262
NET ASSETS			<u>£81,175,479</u>		<u>£79,840,295</u>
FUNDS					
Unrestricted	12		5,015,216		7,610,904
Restricted	13		13,251,362		8,611,727
Parish Funds			62,878,926		63,587,689
Charitable trading			29,975		29,975
			<u>£81,175,479</u>		<u>£79,840,295</u>

Approved by the Trustees on 6 October 2017 and signed on their behalf by:

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Monsignor Matthew Dickens VG
Trustee
The notes form part of these accounts.

The Roman Catholic Diocese of Southwark - Annual Accounts

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £
Cash flows from operating activities		
Net cash provided by(used in) operating activities: (see below)	(11,275,100)	(1,002,260)
Cash flows from investing activities		
Dividends, interest and rents from investments	1,096,371	1,146,334
Purchase of property	(1,560,036)	(3,084,009)
Proceeds from sale of property	7,115,036	1,562,602
Purchase of investments	(3,788,259)	(5,370,357)
Proceeds from sale of investments	8,978,774	5,934,453
Net cash provided by(used in) investing activities	11,841,886	189,023
Cash flows from financing activities		
Repayments of borrowings	-	-
Cash flows from new borrowing	-	-
Receipt of endowment	-	-
Net cash provided by(used in) financing activities	-	-
Change in cash and cash equivalents in reporting period	566,786	(813,237)
Cash and cash equivalents at beginning of reporting period	10,178,523	10,991,760
Cash and cash equivalents at end of reporting period	10,745,309	10,178,523
Reconciliation of net incoming resources to cash flow from operating activities		
Net (expenditure)/ income for reporting period(as in SOFA)	1,335,184	(1,673,517)
Adjustments for:		
Depreciation	1,074,993	1,043,793
Returns on investments	(3,732,459)	531,312
Dividends	(1,096,371)	(1,146,334)
Net Gain on Disposal of school sites and Fixed Assets	(7,115,036)	(876,284)
(Increase)/Decrease in Debtors	777,833	645,349
Increase/(Decrease) in Creditors	(2,519,244)	473,421
Net Cash provided by/(used in) operating activities	£(11,275,100)	£(1,002,260)

ANALYSIS OF CHANGES IN CASH AT BANK AND IN HAND

	2016		2015	Cash flow	2014
	£	Cash flow £	£	£	£
Cash at bank and in hand	11,493,978	1,496,189	10,997,789	(54,403)	11,052,192
Short-term bank loans and overdrafts	(748,669)	70,597	(819,266)	(758,834)	(60,432)
	£10,745,309	£566,786	£10,178,523	£(813,237)	£10,991,760

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

The financial statements have been prepared in accordance with all statutory requirements and with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the UK and Republic of Ireland (FRS102) (Effective 1 January 2015) – (Charities SORP (FRS102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102).

The Diocese of Southwark meets the definition of a public benefit entity under FRS102.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

1.2 Preparation of the accounts on a going concern basis

Having considered future budgets and cash flows, the trustees confirm that they have no material uncertainties about the entity's ability to continue as a going concern for the foreseeable future.

1.3 Income

Donations

Donations are recognised when receivable or when the Diocese becomes legally entitled to them and they can reasonably be measured in financial terms. Receipts of property, investments or other gifts in kind are included at market value.

Legacies

For legacies, entitlement is considered to be earlier of when either:

- a) Notification has been received from the executor that probate has been granted and the Charity is expected to receive a distribution: or
- b) A distribution has been received from the estate

Receipt of a legacy is only considered probable when the executors have indicated that there are sufficient assets in the estate to make a distribution. Where legacies have been notified to the Charity, but the criteria or income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material. Life interests are not recognised until the cessation of the life interest: they are then valued as residuary legacies.

Grants

Grants are recognised when receivable.

Investment income

Investment income is accounted for as it accrues.

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

1.4 Expenditure

Costs of raising funds comprise those costs associated with attracting voluntary income and the management of the Charity's investments.

Costs of charitable activities consist of all expenditure directly relating to the objects of the Charity. Support costs which cannot be directly allocated are apportioned between the different areas on the basis of the Trustees' estimate of the time spent on the relevant functions.

Governance costs include expenditure on management and compliance with constitutional and statutory requirements and are now part of support costs.

Irrecoverable VAT is included with the category of expenses to which it relates.

1.5 Schools Building Programme

The Diocese assists schools undertaking major projects by meeting the costs and claiming grants on behalf of the schools. These grants are netted off against the cost and only the net costs to the Diocese are included in the financial statements.

1.6 Tangible Fixed Assets

Prior to 31 December 1996 the cost of fixed assets was written off in the year of acquisition and no comprehensive cost records were maintained. In order to arrive at a reasonable valuation of parish property, taking into account age, type, condition and life expectancy, the Trustees considered that present insured values should be discounted by 90% and in subsequent years be depreciated at 2% per annum. Properties acquired after 31 December 1996 are capitalised at their actual cost of acquisition. The value of buildings includes all fixtures and fittings and organs, which form part of the fabric of the building.

The Diocese owns a number of properties which are occupied and run by independent charities in the form of Voluntary Aided Schools. The School properties (land and buildings) are vested in the name of the Diocesan trustees. The Diocesan Trustees cannot take a unilateral decision to dispose of these properties. Disposal can only occur if the school governors and the Secretary of State for Education decide that all or part of a school site is no longer required for education. In most circumstances, where a disposal occurs, the Secretary of State or the local authority may be entitled to recoup grant. Although no rights of ownership vest in the school governing body, most other rights and obligations, such as for the maintenance and repair of the school and its facilities, are passed to the governors. The Trustees therefore consider that there is no capital value to the Diocese in the stock of school buildings. Thus these properties have not been capitalised. There is a potential value, or contingent asset, in the event of a closure of a school (either connected to a re-organisation or not). Such an asset is recognised only upon the occurrence of a closure/re-organisation and the site's development value becoming certain, such as upon the granting of planning permission. The recognition of this value is accounted for as an incoming resource in the year in which this value becomes measurable and certain.

Depreciation is calculated by the straight-line method to write off the cost/value less anticipated residual value, over the expected useful lives of assets as follows:-

Freehold buildings	50 years
Long leasehold	50 years

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

1.7 Financial instruments

The charity only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and investments in stocks and shares. The measurement basis used for these financial instruments is detailed below.

1.8 Investments

Quoted investments are valued at their middle market price on the balance sheet date. Investment properties are stated at a Trustees' valuation. Unrealised gains/losses on investments are calculated as the difference between opening market value and closing market value after adjusting for additions and disposals during the year, less investment management and administration costs. No distinction is made between realised and unrealised gains in the Statement of Financial Activities.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.9 Fund accounting

Designated Funds

These are funds set aside by the Trustees out of unrestricted general funds for specific future purposes or prospects. Further details of the designated funds are shown in note 12 to the accounts.

Restricted Funds

These are funds where the income is restricted by the conditions imposed by the donors. Further details of the restricted funds are show in note 13 to the accounts.

Parochial Funds

Each parish is considered by canon law to be a juridical person with corresponding rights and obligations, including the holding and use of funds. The use of these parochial funds is the responsibility of the parish priest, Diocesan Finance Board, college of Consultors and the Bishop in varying ways depending on the amount and significance of the funds. They therefore constitute a form of restricted fund.

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

1.11 Charitable Trading

The charitable trading activities have been shown in a separate column of the Statement of Financial Activities. Sales of goods are accounted for in the period in which the relevant services or goods are provided or supplied and are stated net of, discounts or other allowances.

1.12 Pensions

Certain staff are members of personal pension schemes to which they make contributions. The Diocese contributes an additional amount to the employee's contribution but has no commitment to make good any shortfall in funding.

Some staff employed in the educational work of the Diocese are members of the Department for Education and Skills Teachers' Superannuation Scheme (TPA) which is a defined benefits scheme. The Department instructs the Diocese as to the level of employer's contribution, which the Diocese is obliged to make, but the Diocese does not have any commitment to make good an actuarial deficit, nor is it entitled to benefit from surplus funding. For the purposes of complying with relevant accounting standards, the TPA is accounted for as a defined contribution scheme as the employer is not responsible for or entitled to receive benefit for any deficit or surplus of the scheme.

1.13 Significant judgements

In preparing these financial statements the trustees have had to make estimates and assumptions that affect the amounts recognised in these 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. Key areas subject to judgement and estimation are as follows:

Fixed asset depreciation. Judgement is applied when assigning anticipated average lives to the fixed assets of the charity.

2. INCOME

Investment Income and Interest Receivable

	2016	2015
	£	£
Arising on quoted investments	1,042,594	1,070,932
Bank interest	53,777	75,402
	<u>£ 1,096,371</u>	<u>£1,146,334</u>

3. EXPENDITURE

	Unrestricted Funds	Restricted Funds	Parochial Funds	Charitable Trading	2016 Total	2015 Total
	£	£	£	£	£	£
Raising Funds						
Investment Management Fees	90,902	68,004	26,874	-	185,780	175,973
Fundraising & Social	-	-	318,876	-	318,876	316,714
	<u>90,902</u>	<u>68,004</u>	<u>345,750</u>	<u>-</u>	<u>504,656</u>	<u>492,687</u>

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3. EXPENDITURE (CONTINUED)

	Staff Costs £	Other £	Depreciation £	Total 2016 £	Total 2015 £
Raising funds	-	504,656	-	504,656	492,687
Direct Charitable Expenditure Costs in furtherance of objects (see also Note 4)	4,491,955	29,238,094	1,074,993	34,805,042	30,143,095
	<u>£4,491,955</u>	<u>£29,742,750</u>	<u>£1,074,993</u>	<u>£35,309,698</u>	<u>£30,635,782</u>

	2016 £	2015 £
Direct charitable expenditure includes:		
Fees to the auditors (including VAT):		
- Audit	56,133	49,667
- Other	-	-
	<u> </u>	<u> </u>

4. EXPENDITURE ON CHARITABLE ACTIVITIES

Commissions consist of :

	2016 £	2015 £
Justice and Peace	17,319	28,637
Liturgy	-	-
Music	8,000	8,000
Ecumenical	18,538	17,645
Schools	969,513	977,784
Christian Education Centre	234,859	205,420
Other	6,558	8,689
	<u>£ 1,254,787</u>	<u>£1,246,175</u>

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NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

4. EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)

	Unrestricted Funds £	Restricted Funds £	Parochial Funds £	Charitable Trading £	2016 Total £	2015 Total £
Provision of Worship						
Upkeep of Buildings:						
- Church Supplies	-	-	1,177,215	-	1,177,215	1,162,899
- Church Repairs	681,559	-	6,037,076	-	6,718,635	5,233,726
- Hall Expenses	-	-	529,738	-	529,738	543,491
- Other	93,233	-	-	-	93,233	504,121
Other Parish Expenses	-	-	610,997	-	610,997	1,177,959
Depreciation	13,918	6,052	788,532	-	808,502	774,471
Support Costs allocated	505,639	-	-	-	505,639	382,424
	1,294,349	6,052	9,143,558	-	10,443,959	9,779,091
Clergy & Parish Support						
Priests' Training	-	517,575	-	-	517,575	556,201
Clergy Support	1,623,828	697,930	-	-	2,321,758	1,935,550
Clergy & Church Support:						
- Household	-	-	949,380	-	949,380	965,346
- House Repairs & Equipment	365,746	-	972,602	-	1,338,348	1,302,343
- Salaries & Wages	-	-	2,523,588	-	2,523,588	2,571,403
- Property costs	-	-	2,570,268	-	2,570,268	2,527,932
- Offerings paid to Priests	-	-	1,845,215	-	1,845,215	1,885,746
- Other	-	115,326	-	-	115,326	95,827
Support Costs allocated	707,897	-	-	-	707,897	535,832
	2,697,471	1,330,831	8,861,053	-	12,889,356	12,376,180
Pastoral Care & Community Support						
Commissions (see above)	1,254,787	-	-	-	1,254,787	1,246,175
Child Protection	159,461	-	-	-	159,461	184,542
Chaplaincies	420,360	-	-	-	420,360	250,720
Marriage Tribunal	177,233	-	-	-	177,233	171,057
Education & Training	-	22,564	520,927	-	543,491	643,147
Special collections for 3rd parties	-	-	1,865,680	-	1,865,680	1,758,691
Telephone, stationery & cars	-	-	962,951	-	962,951	950,750
Catholic Trust England & Wales	172,889	-	-	-	172,889	165,204
Other Grants	317,044	-	-	-	317,044	361,823
Youth Service	197,769	-	-	-	197,769	196,442
Support Costs allocated	303,384	-	-	-	303,384	229,745
	3,002,927	22,564	3,349,558	-	6,375,049	6,158,296
Schools Programme						
Schools building & maintenance	863,402	3,736,200	-	-	4,599,602	1,429,006
Support Costs allocated	404,513	-	-	-	404,513	306,085
	1,267,915	3,736,200	-	-	5,004,115	1,735,091
Charitable Trading Costs						
Catholic Formation	-	-	-	92,564	92,564	94,437
	£8,262,662	£5,095,647	£21,354,169	£92,564	£34,805,042	£30,143,095

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NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

5. SUPPORT COSTS	2016 £	2015 £
Diocesan Administration		
- General	570,191	394,331
- Staff Costs	678,169	404,357
Archbishop and Area Bishops costs	350,449	222,964
Depreciation	266,491	269,322
Governance costs	56,133	163,112
	<u>£1,921,433</u>	<u>£1,454,086</u>

Allocated as follows:

	2016 £	2015 £
Expenditure on Charitable Activities		
Provision of Worship	505,639	382,424
Clergy and Parish Support	707,897	535,832
Pastoral Care and Community Support	303,384	229,745
Schools Programme	404,513	306,085
Charitable Trading Costs	-	-
	<u>£1,921,433</u>	<u>£1,454,086</u>

6. STAFF

The average number of employees of the Diocese during the year and their aggregate emoluments are shown below:

Staff Costs:	Diocese £	Parish £	Charitable Trading £	Total 2016 £	Total 2015 £
Wages and salaries	1,880,518	2,053,470	185,449	4,119,437	4,102,048
Social security	164,612	84,149	16,220	264,981	244,790
Pension costs	98,491	7,746	1,300	107,537	99,617
	<u>£2,143,621</u>	<u>£2,145,365</u>	<u>£202,969</u>	<u>£4,491,955</u>	<u>£4,446,455</u>

The Roman Catholic Diocese of Southwark - Annual Accounts

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

6. STAFF (continued)

	No 2016	No 2015
Average number of employees		
Administration	10	10
Diocesan agencies	83	79
Parish employees (mainly domestic and secretarial)	303	313
Charitable trading	10	10
	<u>406</u>	<u>412</u>

The numbers of employees earning £60,000 or more during the year were as follows:

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

Key management personnel salary, employers national insurance and pension contribution costs amounted to £257,982(2014- £137,568). No benefits were paid to key personnel.

7. TRANSFERS FROM/ (TO) PARISH FUNDS

	2016	2015
	£	£
Clergy Support	338,783	373,172
Diocesan Development Fund	2,218,952	2,080,667
Episcopal Support	173,689	181,337
Net loan interest to parishes	(280,169)	(246,089)
Other	(11,355)	500
	<u>£2,439,900</u>	<u>£2,389,587</u>

8. TANGIBLE FIXED ASSETS

	Diocesan Property £	Parish Property And Equipment £	Total £
Cost/valuation			
At 1 January 2016	13,465,977	38,432,876	51,898,853
Additions	856,964	703,072	1,560,036
Disposals	-	-	-
	<u>14,322,941</u>	<u>39,135,948</u>	<u>53,458,889</u>
Depreciation			
At 1 January 2016	2,111,101	10,436,725	12,547,826
Charge in year	286,461	788,532	1,074,993
Disposals	-	-	-
	<u>2,397,562</u>	<u>11,225,257</u>	<u>13,622,819</u>
Net Book Value			
As at 31 December 2016	<u>£11,925,379</u>	<u>£27,910,691</u>	<u>£39,836,070</u>
As at 31 December 2015	<u>£11,354,876</u>	<u>£27,996,151</u>	<u>£39,351,027</u>

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

8. TANGIBLE FIXED ASSETS (continued)

The Diocese also owns a number of properties, which are occupied and run by independent charities in the form of Voluntary Aided Schools. The Trustees consider that these properties have no capital value to the Diocesan charity – see Accounting Policy (d). The total insurance value of these schools is £218m. Apart from a small proportion used for management and administration, all fixed assets are used in direct furtherance of the charity's objects.

The Diocesan property includes a long leasehold at a cost of £348,499 and a net book value of £285,769

9. INVESTMENTS

	2016	2015
	£	£
Investment properties (at Trustees' valuation)		
Brought forward	2,001,165	2,001,165
Additions	-	-
Disposals at opening valuation	(30,040)	-
	<u>1,971,125</u>	<u>2,001,165</u>
Quoted investments (see below)	29,159,825	30,587,841
	<u>£31,130,950</u>	<u>£32,589,006</u>

	2016	2015
	£	£
The breakdown of quoted investments is as follows:		
UK fixed interest stocks	1,601,515	1,986,887
UK equities	25,331,269	26,544,151
Overseas equities and fixed interest stocks	1,120,146	1,198,797
Portfolio bank accounts	1,180,561	858,006
	<u>£29,159,825</u>	<u>£30,587,841</u>

	2016
	£
Quoted investments at market value:	
Balance at 1 January 2016	30,587,841
Additions	3,788,259
Disposals	(8,007,157)
Unrealised gains on investments	2,790,882
	<u>£29,159,825</u>
Balance at 31 December 2016	<u>£29,159,825</u>
Cost of investments at 31 December 2016	<u>£27,885,107</u>
Unrealised gains	<u>£1,274,718</u>

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

9. INVESTMENTS (Continued)

All quoted investments (other than cash) are listed on a recognised Stock Exchange or are valued by reference to investments listed on a recognised Stock Exchange. Investments other than holdings of fixed interest Government stocks, representing more than 5% of the portfolio value are shown below:

JP Morgan AM UK Ltd US Equity Income C Inc Nav	6.38%
I Shares (USA)	5.92%

A figure for the cost of investment properties owned at 1 January 1997 is not available.

10. DEBTORS

	2016	2015
	£	£
Amounts receivable within one year		
Grants due on school projects	342,534	737,771
Other debtors, prepayments and accrued income	3,094,762	3,466,803
Charitable trading debtors	25,327	35,882
	<u>£3,462,623</u>	<u>£4,240,456</u>

Included in other debtors, prepayments and accrued income are balances totalling £1,369,765 (2015: £1,353,598) which are due after one year.

11. CREDITORS: Amounts falling due within one year

	2016	2015
	£	£
Short-term bank loans and overdrafts	748,669	819,266
Loans to the Diocese and Parishes from third parties	694,087	1,083,472
Other creditors	1,548,167	4,573,601
School Building Projects	1,757,219	861,644
	<u>£ 4,748,142</u>	<u>£7,337,983</u>

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

12. UNRESTRICTED FUNDS

	Balance at 1 January 2016 £	Income £	Expenditure £	Transfers and Investment Gains/Losses £	Balance at 31 December 2016 £
General	3,098,199	1,084,724	(7,567,691)	3,893,103	508,335
Designated:					
Archbishop's Special Purpose Fund	4,512,705	303,015	(785,873)	477,034	4,506,881
Total	<u>£7,610,904</u>	<u>£1,387,739</u>	<u>£(8,353,564)</u>	<u>£4,370,137</u>	<u>£5,015,216</u>

General

The General Fund includes the Diocesan Development Fund, which finances the School Building Programme.

Archbishop's Special Purpose Fund

This fund finances the work of the Diocese, other than that met by general funds or restricted funds. This includes Youth Work, Grants including the National Catholic Fund, the Tribunal, Chaplaincies and Overseas Aid. The finances of the Fund are structured such that investment income generated is normally just sufficient to meet expenditure.

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

13. RESTRICTED FUNDS

	Balance at 1 January 2016 £	Incoming Resources £	Resources Expended £	Transfers and Investment Gains/Losses £	Balance at 31 December 2016 £
Ecclesiastical Education	3,233,358	296,190	(517,575)	508,266	3,520,239
Clergy Support Fund	610,837	697,930	(703,982)	82,183	686,968
Ferrers Funds	513,423	18,922	(29,084)	-	503,261
Mass Funds	1,796,979	86,242	(86,242)	-	1,796,979
Parish Church Fund	52,334	288	-	-	52,622
Trust and Other Funds	2,404,796	22,184	(90,568)	884,194	3,220,606
Legion of Mary Fund	-	231,396	-	-	231,396
Education Fund	-	6,975,491	(3,736,200)	-	3,239,291
	<u>£8,611,727</u>	<u>£8,328,643</u>	<u>£(5,163,651)</u>	<u>£1,474,643</u>	<u>£ 13,251,362</u>

Ecclesiastical Education

This fund meets the costs of students at Seminaries training to be priests for the Diocese and ongoing training for Clergy.

Clergy Support Fund

A legacy specifically restricted to helping clergy in need has been invested and the income is applied to the Clergy Support Fund. This income is insufficient to meet the needs of the Fund. As annual expenditure is invariably considerably in excess of the income generated, and is met from a specific parish assessment and allocations from Unrestricted Funds, all the income and expenditure is shown in the Unrestricted Funds column of the Statement of Financial Activities. The Fund also received £697,930 arising from the Clergy Support Fundraising Campaign and all of this was expended in the year in supporting the Diocese's sick and retired priests.

Ferrers Fund

The Diocesan charity trustees took over the administration of the Vyvyan Macleod Ferrers Deceased Almshouses Trust (former registered charity number 265719) under a Charity Commission Scheme dated 24 February 2011.

Under the terms of the Scheme the property of the Fund is to be used for the public benefit:

- (a) To provide adapted accommodation for the beneficiaries: and/or
- (b) To make grants to the beneficiaries for goods and/or services;

In carrying out these objects the trustees shall take all reasonable steps to ensure that the beneficiaries have their spiritual needs recognised and supported

Mass Funds

Income received on investments provided by donors is paid to priests who offer masses for the intentions of the donors.

FOR THE YEAR ENDED 31 DECEMBER 2016

13. RESTRICTED FUNDS (Continued)

Trust and Other Funds

The Diocese has a number of subsidiary and connected trust funds as well as some 22 other restricted funds, which have been received over many years from donors who have specified particular purposes for the funds.

Education Fund

This fund represents the net proceeds of sale from schools that have been closed. The funds will be allocated to the cost of building new schools.

Legion of Mary Fund

These funds are held on trust for the Legion of Mary's purposes or, if the Legion shall cease to exist or to carry out any charitable works in the area of the Diocese of Southwark, then for such similar charitable purposes to the Legion's Purposes, as the trustees of the Diocese of Southwark shall decide.

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

14. ANALYSIS OF NET ASSETS

	Fixed Assets £	Investments £	Net Current Assets less loans £	Net Parish and Restricted Fund loans to the Diocese £	Total £
Unrestricted Diocesan funds	11,689,326	13,637,842	(2,245,886)	(18,066,066)	5,015,216
Restricted Diocesan funds	236,051	10,461,641	3,418,641	(864,971)	13,251,362
Parish funds	27,910,693	7,031,467	9,005,729	18,931,037	62,878,926
Charitable trading	-	-	29,975	-	29,975
Total Net Assets	<u>£39,836,070</u>	<u>£31,130,950</u>	<u>£10,208,459</u>	<u>£-</u>	<u>£81,175,479</u>

15. TRANSACTIONS WITH TRUSTEES

The trustees of the Diocese are also priests in the Diocese conducting pastoral ministries. As priests they receive income in respect of their priestly work together with living accommodation, living expenses and reimbursement of costs on a similar basis as other priests of the Diocese. They do not receive any remuneration or benefits from their trusteeship.

16. TRUSTEE INDEMNITY INSURANCE

The insurers of the Diocese provide trustees' indemnity insurance at nil premium. Therefore, no funds of the charity have been used to purchase this insurance.

17. COMMITMENTS

At 31st December 2016 the projects for the School Building Programme had a budget cost going forward of £2.47m (2015 £2.49m) for the following three years. Of this sum, £1.92m (2015 £1.91m) is due to be funded by DFE grant, £0.55m (2015 £0.58m) will be recoverable from Governing bodies or other parties leaving £Nil (2015 £Nil) to be met by the Diocese over the next three years.

The Diocese entered into an agreement in 2016 with the Roman Catholic Diocese of Westminster to contribute towards the cost of building St Richard Reynolds Catholic College. The Diocese will contribute £6,227,000 and paid £3,736,000 in 2016 leaving the balance of £2,491,000 to be paid in 2017.

18. RELATED PARTY TRANSACTIONS

The Reverend Paul Mason, one of the trustees, is also a director of Kent Catholic Schools Partnership (KCSP). A credit facility was provided to KCSP. The balance due from KCSP at 31 December 2015 is £484,155.

The Most Reverend Archbishop Peter David Smith and The Reverend Monsignor Matthew Dickens VG are members of KCSP.

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

19. POST BALANCE SHEET EVENTS

There are two property transactions that were in progress at 31 December 2016 that are due to be completed in 2016 and 2017 but due to the conditions of the contract no income could be accrued at 31 December 2015.

St Mary's Primary School Battersea

This project involves a sale of land to a developer and the developer has agreed to build a replacement primary school. The first stage of the building was completed in 2016 and will be handed over to the school in September with the project due to be completed in July 2017.

Sale of Former Our Lady of Lourdes Primary School Belmont Hill Lewisham

This involves the sale of a former primary school site to a developer. The contract was signed in 2015 but completion was conditional on the surrender and grant of two substation leases. This will be completed in 2017.