

Diocese of Hexham and Newcastle

A Company Limited by Guarantee: Registered No. 7732977

Report and Financial Statements

31 March 2021

Charity No: 1143450

Company No: 7732977

Diocese of Hexham and Newcastle

Trustees' Report for the year ended 31 March 2021

Trustees

Right Reverend Robert John Byrne CO, Bishop of Hexham and Newcastle
Matthew Boyle

Reverend Jeffrey John Dodds

Catherine Patricia Dyer (appointed 12 April 2021)

Monsignor Andrew James Faley

Thomas Niall Ledlie Harrison (resigned 1 September 2021)

Reverend Colm Martin Hayden

Reverend Peter Leighton

Reverend Simon Lerche

Anne O'Brien (appointed 1 December 2021)

Allison Mary Thompson (resigned 30 June 2021)

Reverend Adrian Tuckwell

Chief Operating Officer

Fiona Standfield

Registered Office

St Cuthbert's House

West Road

Newcastle upon Tyne

NE15 7PY

Solicitors

Collingwood Legal

Muckle LLP

Winkworth Sherwood

Bankers

HSBC plc

Newcastle upon Tyne

Investment Managers

CCLA Investment Management (appointed 01 July 2020)

Newton Investment Management (to 30 June 2020)

Land Agents

GVA Grimley

Savills UK Ltd

Auditors

Ernst & Young LLP

Citygate, St James' Boulevard

Newcastle upon Tyne, NE1 4JD

Trustees' Report

The Trustees present their report and audited financial statements for the year ended 31 March 2021. The Trustees have adopted the charities SORP (FRS102) "Accounting & Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standards applicable in the UK & Republic of Ireland".

Structure, Governance and Management

Constitution

Until 31 March 2012 the Roman Catholic Diocese of Hexham and Newcastle was constituted as a Charity for Roman Catholic Purposes by a Declaration of Trust dated 4 November 1867 no. 234071 and Hexham & Newcastle Diocesan Trust dated 16 September 1947 no. 235686. All reporting was made under the charity reference 235686.

On 1 April 2012 the assets and operations of the Diocese transferred to this Charitable Company Limited by Guarantee, called Diocese of Hexham and Newcastle. The Company number is 7732977 and the charity number is 1143450. The Directors of the Charitable Company are the Trustees. This Charitable Company carries on the activities of the Diocese.

Organisational Structure and Decision Making

Matters concerning the care and development of the clergy and the pastoral care of the people of the Diocese are referred to the Bishop in consultation with his Episcopal Council. The Bishop and the Episcopal Council meet frequently during the year. The Episcopal Council consists of the Vicar General and the Episcopal Vicars, who each have responsibility for a geographical area or an area of work within the Diocese.

The Diocese is divided into five Episcopal Areas, consisting of 141 separate parish communities, which have been grouped together into 18 Partnerships. There are 69 Diocesan Priests working within the Diocese and a number of priests from Religious Orders who are in active ministry throughout the Parishes of the Diocese. They are supported by a number of priests who have retired from office and twelve foreign priests. Five Diocesan priests are involved in ministry elsewhere.

Each parish aims to provide for the religious needs of its people through Church services and education in the Roman Catholic faith and to encourage charitable work. They also provide for the spiritual growth of people of all ages with particular emphasis on the needs of the sick and the poor. We also work in harmony with other Christian denominations, with people of other faiths and with local communities.

The Trustees govern the Charitable Company, and in carrying out this responsibility are mindful of clergy and pastoral initiatives of the Bishop which have an impact upon the operational wellbeing of the Charitable Company. The Board comprises the Bishop, some Episcopal Council members, and lay people selected for their relevant skills and expertise. There are a number of Board Sub-Committees and occasional working parties looking at specific matters which comprise Directors and experts especially co-opted.

The Board is responsible for all of the assets of the Charitable Company although in practice the Parish Priest acts as the representative in many Parish matters. Parish Priests are obliged by Canon law to be assisted in their duties by a Parish Finance Committee and many also have Parish Councils. The permission of the Board is required for all significant Parish projects.

To assist the Board, the operations of the Diocesan Curia have been organised into formal Departments and Vicariates that report through the Chief Operating Officer to the Board. The Chief Operating Officer and senior managers form a Senior Leadership Team that executes the central administrative functions for the Charitable Company through support, dissemination of information, leadership and guidance on matters common throughout the whole Charitable Company. Officers carry out the Board's directions and refer matters arising for the Board's attention, via the Diocesan Strategy Committee. The Departments and Vicariates reflect the work carried out, and are: Faith and Mission; Caritas; Care of the Clergy; Education; Communications; Finance and Operations; Human Resources; Property Management; Safeguarding; and Diocesan Chancery and Tribunal.

Trustees' Report

Organisational Structure and Decision Making (continued)

Education is provided for children through a network of voluntary aided primary, first, middle, and secondary schools. Including Academies there are 132 Primary Schools (some with nursery provision), 3 First Schools, 1 Middle School and 20 Secondary Schools. There are 53,888 pupils in our Diocesan Schools of which 57% are Catholic. Within the schools there are 3,242 teachers of which 52% are Catholic (the national average is 46%). The Diocesan Department for Education offers support to schools whilst at the same time facilitating life-long learning throughout the Diocese. The Bede Chair in Catholic Theology and the Centre for Catholic Studies in the Theology Department of Durham University assist the Diocese's educational outreach.

Trustees' Recruitment and Appointment

Under the Articles of Association the power of appointing new or additional Trustees rests with the Bishop. The induction process for any newly appointed Trustee involves an initial meeting with the Bishop. The new Trustee is given a welcome pack comprising a copy of the Charitable Company's Memorandum and Articles; a copy of the most recent statutory accounts; the Minutes of the most recent Board meetings; and the Diocesan Guidelines and policies. The Trustees attend external training courses and receive regular circulars from the Charity Commission.

Risk Management

The Charitable Company has a formal risk review process in place, under which a risk register is maintained and reviewed at every quarterly meeting of the Board. Changes to the RAG scores of identified risks are monitored by each Head of Department, and they are required to implement processes to mitigate risk whenever possible. The most strategic risks identified by the Senior Leadership Team are monitored by the Board. These cover:

- **Operational Risk:** Having insufficient active clergy to meet requirements, having an over-reliance on key personnel, or having to close properties because of health and safety issues.
Line managers meet with staff on a monthly basis, physically or by virtual meeting as restrictions allow, to monitor their wellbeing. Parish properties are subjected to quinquennial surveys to ensure that there is a safe operating environment.
- **Financial Risk:** A reduction in voluntary income impacting on the ability to fund necessary activities, or an inability to afford to care for sick and/or elderly clergy
An updated Finance Strategy has been developed, including a focus on fundraising. The moratorium on non-essential capital spending continues, so as to maintain a base level of financial reserves.
- **Reputational Risk:** Arising from inadequate safeguarding procedures, or a communications/data protection failure
Safeguarding training is mandatory for all clergy and employees, and staffing levels in the Safeguarding Department have been increased. A data protection support manager has been appointed and is delivering training across Parishes and Departments.

Some risks increased because of the impact of Covid-19 restrictions. Notably, the reduction of income in Parishes has increased financial risk, while the increase in employees working from home has increased data security risks. Senior managers discuss these, and all other risks, in monthly review meetings.

Objectives

The purpose of the Charitable Company is to promote the Roman Catholic religion in the counties of Northumberland, Tyne & Wear, Durham and the Northern part of Cleveland, which are covered by the Diocese of Hexham and Newcastle, and other charitable works promoted by the Church outside the Diocese. All of our work is underpinned by and reflects the ethos of the Roman Catholic tradition through prayer, worship, a commitment to community and a sense of mission.

The Charitable Company aims to satisfy its objectives and demonstrates its public benefit through four main areas of charitable activity, namely:

- To provide support to the clergy in their ministries
- To provide and support pastoral work in parishes and local communities
- To provide support and direct life-long Christian education in parishes and schools
- To preserve and invest in the property infrastructure of the Diocese and parishes, facilitating worship and enabling the charitable work of the church to take place.

Trustees' Report

Objectives (continued)

The Trustees have given due consideration to Charity Commission published guidance on Public Benefit, and it is their opinion that the delivery of the above-noted charitable activities meets the requirement for the Charitable Company to exist for such Public Benefit.

The work noted above is underpinned by the Diocesan Objectives, which are to ensure the:

- Dynamic growth and renewal of the Church through our Partnerships
- Building of God's Kingdom in community and public life
- Sustainability and resourcing of the Diocesan mission and ministry

Disabled employees

Applications for employment by disabled persons are always fairly considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment continues and the company will seek to cater for their needs and aim to retain them in suitable employment. On a continuing basis, a disabled employee will be included in the training programmes run by the Charitable Company and will be given opportunities for promotion along with all other employees.

Employee involvement

The Charitable Company is committed to regular communication and discussions with employees on those matters relating to their work and the Charitable Company's activities.

The Charitable Company also seeks to delegate and involve staff in discussions and decision-making particularly in those areas to which they can contribute effectively, so that all may participate in the efficient running of the Charitable Company.

A Staffing and Remuneration Committee chaired by the Vicar General considers matters affecting employees, including recruitment strategies, remuneration levels, and general terms and conditions of employment, and makes recommendations to the Trustees.

Going concern

The Charitable Company's activities, together with the factors likely to affect its future development, performance and position and its exposures to credit risk are set out below.

The Charitable Company meets its day to day working capital requirements through cash reserves. The current economic conditions do create some level of uncertainty over future offertory levels. At 31 March 2021 the Charitable Company held total reserves of £98.2million, consisting of Restricted Funds of £11.6million and Unrestricted Funds of £86.6million. Of the Unrestricted Funds, £68.6million was held in tangible assets and investments, so £18million was available as free reserves. The Charitable Company's forecasts and projections show that it should be able to operate within the level of its current arrangements.

The Trustees have considered the past and potential impacts on the Charitable Company of the COVID-19 outbreak, and in particular have assessed the likelihood of it causing severe and prolonged disruption to activities. Operating budgets and cash forecasts have been prepared for the period to 31 December 2022, taking into account potential restrictions on church attendance, on activities that require physical gatherings, and on the ability of Clergy to perform their ministry.

The Trustees have performed stress testing, including considering the impact of churches not being open for worship and this leading to a reduction in donations received. They have considered the possible mitigating actions and consequent cost savings, and consider that even in the unlikely circumstances of being unable to operate at all for a full year the Charitable Company can still meet its liabilities as they fall due.

Taking into account the very strong cash position of the Charitable Company the Trustees do not feel that the COVID-19 outbreak represents a likely threat to its ability to continue as a going concern.

On the basis of their assessment of the Charitable Company's financial position and resources the Trustees have a reasonable expectation that it will be able to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Trustees' Report

Trustees' insurance

The Charitable Company maintains insurance for Trustees in respect of their duties as Trustees of the Charitable Company.

Auditor

A resolution to re-appoint Ernst & Young LLP as the Charitable Company's auditor will be put to the forthcoming Annual General Meeting.

Trustees' responsibilities for audit information

Insofar as the Trustees are aware:

- There is no relevant audit information of which the Charitable 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.



Right Reverend Robert Byrne CO

Bishop of Hexham and Newcastle

Trustee

Date: 17 December 2021

Strategic Report

Activities during the year and achievements

The uncertainty in the UK economy has continued to have an impact upon the work of the Charitable Company. Pay rises have been minimal and concentrated on the lowest staff grade to ensure they were paid at least the Living Wage. Use was made of the Government's Coronavirus Job Retention Scheme ("Furlough Grants"), with a maximum of 103 employees on furlough at any time. The total CJRS grants claimed and received in the year were £220k, being £180k in relation to Parish-based employees and £40k relating to central Diocesan staff. To conserve resources capital building work has continued to be curtailed and only those parish projects which involved essential repair or projects that are of a health and safety or safeguarding nature, or of pastoral necessity, have been approved.

Clergy Support

There were five seminarians in formation in the year ended 31 March 2021, being two at St Mary's College, Oscott, one at the English College in Valladolid, Spain, and two at the English College in Rome. There was one ordination to the Priesthood in the year.

Pastoral Work

There are a number of commissions and central departments that facilitate and encourage work in local communities. Our most significant work is undertaken locally by many thousands of volunteers in our parishes.

Much of the income of our parishes goes to support the running activities of the parish although parishes use their facilities and people to reach out into the local community. Before Covid-19 restrictions were put in place many parishes ran successful parish youth groups or mother and toddler groups. Parish volunteers frequently visited people in Care Homes, and Extraordinary Ministers of the Eucharist assisted the priests in taking Holy Communion to those members of a parish who were too infirm to attend Mass with the rest of the community. Such activities are currently very limited, but we must ensure the safety of employees and volunteers. Parish volunteers are often also closely associated with other local charities such as homelessness support, elderly and bereavement care, cancer care. There is a case to say that it is the ethos engendered in our parishes which encourages people to give so much of themselves so freely to their communities. Active participation with the Catholic faith helps to engender care for others in their community, with examples of local development projects existing throughout the Diocese.

Parishes are not only aware of the needs of their local communities but are also very conscious of the needs of poor people around the world and many have particular projects that they support, although the opportunities to collect funds for such projects have been limited because of Covid-19 restrictions. Over the year £41k (2020: £123k) has directly supported Mission work around the world. This year collections towards CAFOD's development work and disaster relief amounted to £45k (2020: £117k).

The Vicariate for Faith and Mission has continued to strengthen networks and links across the Diocese, while streamlining work practices. The strength of such relationships in the Diocese continues to bear fruit, in the growth of newer forms of ecumenical social outreach in many areas such as foodbanks, and assistance to asylum seekers. Involvement in the more usual ecumenical activities continues to foster a deep appreciation of the gifts and graces to be received from our ecumenical partners, and this Vicariate is taking a leading role in the Diocesan approach to the global Synod, and in delivering our Diocesan Year of the Eucharist.

Apart from attending Episcopal Council meetings every two weeks, and serving a parish as parish priest, each clergy Director supports the Bishop in pastoral work throughout the Diocese.

Education

A Memorandum of Understanding has been developed which gathers together guiding principles which our schools adhere to within a Diocesan family of schools, whether they are Voluntary Aided schools or Academy Trusts. All of our schools are part of this Memorandum. All twenty Secondary Schools have converted to Academy status, as have ninety-six Primary Schools (out of 132). Of our three First Schools one has converted, as has our only Middle School). The strategy is for all Diocesan schools to have converted by July 2022.

Our link with Durham University via the Centre for Catholic Studies continues to flourish. Meetings and discussions took place to consider staffing, content delivery, and financing, all with satisfactory outcomes.

Property

During the year the majority of building work that has taken place within the Diocese has been of essential works of maintenance. At this time of economic uncertainty, parishes have been asked to delay

Strategic Report

refurbishment and alteration work. As parishes continue to explore new structural arrangements in response to reduced numbers of priests there will be more sites becoming surplus to needs, but any review will be deferred until the full impact of Covid-19 on our operations can be assessed.

During the year a total of £2.1million was spent in parishes on building work ranging from repairs and minor projects £884k, to major works £1.2million.

Capital investment agreed with the Education Funding Agency (EFA) reduced significantly compared to the previous year, as more schools convert to academy status and deal with their funding directly. All of the Voluntary Aided school projects are handled by the Diocesan offices; from approval, negotiation with EFA, administration of the grant, payments to contractors, to collection of the Governors' contributions. School buildings expenditure amounted to £1million, with the Government contributing 90% funding towards Voluntary Aided School work. The Diocese acts as an agent for School Governors in these matters, so the building expenditure is not recognised in Diocesan fixed assets.

Financial Review

The Charitable Company's accounting policies are described in Note 1 to the financial statements.

Investment Policy and performance

The Trust deed authorises the Trustees to make and hold investments using the funds of the Charitable Company without any restrictions. The Trustees recognise that the investment portfolio is held to provide for the future needs of the Charitable Company whilst supporting the ongoing costs. Therefore the investment objective for the Diocese is to produce the optimum total return using income or capital, whichever is the most effective in the prevailing conditions. In setting an optimal total returns policy we identify, through a budgeting procedure, a level of cash return required from the main investment portfolio, whilst paying due regard to the need to protect the real value of the capital. In the current conditions the aim is to withdraw not more than 3.5% of portfolio valuation per annum: the amount actually withdrawn during the year equated to 3.6% of the portfolio valuation.

The investment strategy is set on an annual basis. Fund managers are required to adhere to a strict ethical policy. An Investment Committee of experts chaired by a Trustee provides advice and support. Although fund managers have discretionary investment powers they provide quarterly information. During the year the Diocese ceased to use the services of Newton Investment Management, moving to CCLA Investment Management, while a charity investment specialist adviser (Stanhope Consulting) assists in reviewing performance. During the year the market value of the portfolios moved in line with the general market conditions. At 31 March 2021 the valuation of the main portfolio was 118% of the March 2020 valuation, reflecting the economic recovery from the Covid-19 situation as vaccines became available. At 30 November 2021 the valuation of that portfolio had recovered to 140% of the March 2020 valuation.

As at March 2021 the accumulated unrealised gains in the combined portfolio amounted to £4.9m.

Reserves Policy

The Trustees decide the level of free reserves to be held by the Charitable Company. Free reserves are those available to spend on any or all of the Charitable Company's purposes, being unrestricted reserves excluding those invested in fixed assets, those designated for a specific purpose, and those otherwise committed. Fixed assets are excluded because these assets cannot be realised without undermining the fundamental work of the Charitable Company.

In calculating the level of reserves to be retained by the Charitable Company, the Trustees give due regard to the need to fulfil all of its obligations and commitments and to finance the activities that it currently undertakes, and to fund future requirements including clergy retirement, schools provision, and maintenance of Parish properties including special projects such as governance arrangements and development of the Youth Village. The aim is to have retained free reserves sufficient to cover twelve months of unrestricted charitable expenditure: at 31 March 2021 twenty-eight months' cover was held.

Diocesan statistics (published in the 2021 Northern Catholic Calendar) suggest a decrease of 8% in weekly Mass attendance to 27,729 prior to COVID-19 restrictions closing Churches to communal worship. The total "giving" equated to £2.69 per mass-goer per week. Gift Aid Tax and Gift Aid Small Donation Scheme reclaims increased this to £3.14 per mass-goer. Overall, approximately 56% of parish giving was given under Gift Aid, with a further 15% eligible for the Small Donations Scheme, so the reclaims averaged £4,350 per parish, a vital source of funding to many parishes.

Strategic Report

Grants Policy

Each year the Bishop, assisted by guidance from the Catholic Bishops' Conference of England and Wales, decides which organisations will benefit from special collections to be taken in the parishes. At a local level, parish priests and their finance committees decide which additional causes they will support to further the work of the Church, by means of special appeals. The amounts raised from such appeals and paid over to charities are sometimes supplemented from general offertory income, where this is approved by the parish priest and the parish finance committee.

Financial risk management objectives

As described above the Charitable Company has established a risk and financial management framework whose primary objectives are to protect the Charitable Company from events that hinder the achievement of the Charitable Company's objectives. The Charitable Company has no operations outside the UK and is not exposed to movements in exchange rates, and therefore does not enter into transactions with derivative instruments. Cash flow and liquidity risk is covered by forecasting and management of cash. The Charitable Company has no significant individual debtors and therefore limited credit risk. Investments are diversified between those with guaranteed income but no capital growth, and those with potential capital growth but also the risk of capital losses. All investments are under the care of professional Fund Managers.

Expenditure During the Year

The principal funding sources are as described in the SOFA. A detailed analysis of expenditure is given in note 3. Outlined below is how the expenditure in the year supporting the key activities has been sourced.

Charitable Activity		Total Expenditure	Funded from specific income	Funded by general income
		£000	£000	£000
Clergy Support		1,390	175	1,215
Pastoral Work		4,950	391	4,559
Education		829	396	433
Property	Diocese/Parish	1,991	125	1,866
	School Building work	3	-	3
Cost of charitable activities		9,163	1,087	8,076

In the context of the Charitable Company's activities, the key performance indicators are:

- Attendance at events and services
- Support to local communities via outreach and ecumenical links
- Development of the religious well-being of communities,

all of which are discussed above. From a financial perspective the key performance indicators are discussed above and are:

- Investment performance
- Income generated
- Expenditure incurred

Strategic Report

Plans for Future Periods

The restrictions initially imposed by the Government in March 2020 but continuing in various forms to date to combat the spread of the Covid-19 pandemic greatly affected the ability of the Charitable Company to carry out its usual activities. Churches have experienced various restrictions, from full closure, to being able to operate with social distancing and other mitigating controls in place. Caution exercised by many people sees them reluctant to gather in numbers even where this was possible. Parish halls likewise have been unable to operate at full capacity, even where they have been able to re-open. This all has a negative impact on Parish income, with the loss of weekly plate collections and rental income only partly mitigated by the increased use of Standing Orders and electronic giving. Many of the usual events and activities have not taken place because of restrictions on physical contact and limits on numbers allowed to gather together, with only some activities lending themselves to a virtual environment. The spread of the Omicron variant of Covid-19 has resulted in stricter measures being imposed by the Government, so we wait to see what the full range of measures will be, and how they will impact the work of the Diocese. As noted on Page 4 "Going Concern" the Charitable Company has been able to make use of reserves accumulated in previous years to absorb the financial impact of the Covid-19 restrictions, so the concerns of the Trustees are more about not being able to execute our Mission rather than about the financial position of the Charitable Company.

Work continues to be undertaken to ensure that our congregations are able to return to communal worship in a safe environment as Covid-19 restrictions are reduced or removed.

The work of the Vicariates for Faith & Mission, Caritas, and Care of the Clergy continues to be formulated, including provision for those most affected by the Covid-19 pandemic. The Vicariate for Education supports the academisation policy and the provision of Chaplains in local Universities. A review of communications across the Diocese has been undertaken, and a programme of initiatives to improve the efficiency, security, and effectiveness of communications is currently being implemented.



Right Reverend Robert Byrne CO

Bishop of Hexham and Newcastle, Trustee

Date 17 December 2021

Statement of Trustees' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK 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 the Charitable Company will continue in business.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Right Reverend Robert Byrne CO

Bishop of Hexham and Newcastle

Trustee

Date: 17 December 2024

Independent auditors' report

to the trustees of the Diocese of Hexham and Newcastle

Opinion

We have audited the financial statements of the Diocese of Hexham and Newcastle for the year ended 31 March 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2021 and of its net expenditure and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Charitable Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charitable Company's ability to continue as a going concern for the period to 31 December 2022.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the trustee's ability to continue as a going concern.

Independent auditors' report

to the trustees of the Diocese of Hexham and Newcastle

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained in the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- ▶ the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purpose of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ The strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have identified no material misstatements in the strategic report or the directors' report included within the trustees' report.

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

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

Independent auditors' report

to the trustees of the Diocese of Hexham and Newcastle

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 10, the trustees (who are also the directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Charitable Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Charitable Company and determined that the most significant are those that relate to the reporting framework FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland, the Charities Act 2011 and the Companies Act 2006. In addition, the Charitable Company has to comply with laws and regulations relating to its operations, including the General Data Protection regulation (GDPR).
- We understood how the Diocese of Hexham and Newcastle is complying with those frameworks by making enquiries of management and those responsible for legal, compliance and safeguarding procedures to understand how the Charitable Company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of board meeting minutes, as well as consideration of the results of our other audit procedures.

Independent auditors' report

to the trustees of the Diocese of Hexham and Newcastle

- We assessed the susceptibility of the Charitable Company's financial statements to material misstatement, including how fraud might occur, through making enquiries of management and those charged with governance. We planned our audit to identify risks of management override, tested higher risk journal entries and performed audit procedures to address the potential for management bias, particularly over areas involving significant estimation and judgement. We performed analytical review procedures over each source of income to identify unusual movements falling outside of our expectation and tested them to supporting evidence. We also designed audit procedures to test the classification of income between restricted activities and unrestricted activities.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiry of management and those charged with governance. Our procedures also included journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business.

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

Use of our report

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



Caroline Mulley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

17 December 2021

Statement of Financial Activities

for the year ended 31 March 2021

	Notes	Unrestricted funds Parish £000	Central £000	Restricted Funds £000	2021 Total £000	2020 Total £000
Income						
Income from donations		4,108	266	190	4,564	7,434
Legacies		318	-	120	438	365
Income from charitable activities		91	-	174	265	729
Investment income	2	365	736	73	1,174	2,122
Coronavirus Job Retention Scheme	7	-	-	220	220	-
Other income		86	166	379	631	919
Total income		4,968	1,168	1,156	7,292	11,569
Expenditure						
Expenditure on charitable activities:	3					
Clergy support		581	610	175	1,366	1,476
Pastoral		3,254	1,329	391	4,974	6,566
Education		-	433	396	829	934
Property		1,342	527	125	1,994	2,937
Total expenditure on charitable activities		5,177	2,899	1,087	9,163	11,913
Expenditure on raising funds	6(b)	17	215	119	351	355
Total expenditure		5,194	3,114	1,206	9,514	12,268
Net expenditure		(226)	(1,946)	(50)	(2,222)	(699)
Gains/(losses) on investment assets:						
Realised		-	3,309	1,178	4,487	842
Unrealised		-	2,441	633	3,074	(4,280)
Gains/(Losses) on revaluation of investment properties	81	-	-	-	81	(24)
Revaluation of fixed assets held for disposal		352	-	-	352	(14)
Transfers between funds		(957)	860	97	-	-
Net gain/(loss)/ on disposal of fixed assets	(3)		1,185	-	1,182	(172)
Net movement in funds		(753)	5,849	1,858	6,954	(4,347)
Fund balances at 1 April	21	61,216	20,296	9,760	91,272	95,619
Fund balances at 31 March	21	60,463	26,145	11,618	98,226	91,272

The profit for the year for Companies Act purposes was £6,954k (2020: loss £4,347k).

Balance Sheet

at 31 March 2021

Company no: 7732977

	Notes	2021 £000	2020 £000
Fixed assets			
Tangible assets	8	33,356	32,092
Investments	9	41,821	39,387
Investment properties	10	1,669	1,469
		<u>76,846</u>	<u>72,948</u>
Current assets			
Debtors	16	2,173	2,525
Short term deposits	17	3,422	2,061
Short term deposits – Schools projects		2,000	2,000
Unsecured short term loans	18	242	274
Cash at bank and in hand		17,168	16,253
Cash at bank – Schools projects		5,078	3,828
		<u>30,083</u>	<u>26,941</u>
Creditors: amounts falling due within one year	19	8,703	8,617
Net current assets		<u>21,380</u>	<u>18,324</u>
Total assets less current liabilities		<u>98,226</u>	<u>91,272</u>
Net assets		<u>98,226</u>	<u>91,272</u>
Represented by:			
Restricted fund		11,618	9,760
Unrestricted parish funds		60,463	61,216
Unrestricted central funds		26,145	20,296
Total funds	21	<u>98,226</u>	<u>91,272</u>

These financial statements were approved and authorised for issue by the Board of Trustees, and signed on its behalf by:



Right Reverend Robert Byrne CO
Trustee
Date: 17 December 2021

Statement of cash flows

for the year ended 31 March 2021

	Notes	2021 £000	2020 £000
Net cash (outflow) from operating activities	20	(2,267)	(3,458)
Investing activities			
Income from investments		1,174	2,069
Payments to acquire tangible fixed assets		(2,155)	(1,518)
Receipts from the sales of tangible fixed assets		1,473	395
Payments to acquire investments		(36,580)	(12,934)
Receipts from sales of investments		41,707	18,052
Payments to acquire investment properties		(3)	-
Unsecured short term loans repaid/(advanced)		177	(32)
		5,793	6,032
Increase/(Decrease) in cash and cash equivalents	20	3,526	2,574
Cash and cash equivalents at 1 April 2020	20	24,142	21,568
Cash and cash equivalents at 31 March 2021	20	27,668	24,142

Notes to the financial statements

at 31 March 2021

1. Accounting policies

Statement of Compliance

The Diocese of Hexham and Newcastle is a company limited by guarantee incorporated in England. The registered office is St Cuthbert's House, West Road, Newcastle Upon Tyne, NE15 7PY.

The company's financial statements have been prepared in compliance with Charities SORP (FRS102) "Accounting & reporting by Charities: Statements of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting standards applicable in the UK and the Republic of Ireland (FRS102)".

Basis of preparation

The financial statements have been prepared under the historic cost convention, modified by revaluation of quoted investments, investment properties, and certain freehold property. The financial statements have been prepared in accordance with the applicable accounting standards.

The financial statements incorporate the following funds:

- Diocesan Central Fund
- Parishes' Fund
- Priests' Training Fund
- Managed Fund

The company has not prepared group financial statements on the grounds that its subsidiaries are immaterial to the group, see note 14, and accordingly the financial statements present information about the company as an individual undertaking and not about its group.

Going Concern

The Charitable Company's activities, together with the factors likely to affect its future development, performance and position and its exposures to credit risk are set out below.

The Charitable Company meets its day to day working capital requirements through cash reserves. The current economic conditions do create some level of uncertainty over future offertory levels. At 31 March 2021 the Charitable Company held total reserves of £98.2million, consisting of Restricted Funds of £11.6million and Unrestricted Funds of £86.6million. Of the Unrestricted Funds, £68.6million was held in tangible assets and investments, so £18million was available as free reserves. The Charitable Company's forecasts and projections show that it should be able to operate within the level of its current arrangements.

The Trustees have considered the past and potential impacts on the Charitable Company of the COVID-19 outbreak, and in particular have assessed the likelihood of it causing severe and prolonged disruption to activities. Operating budgets and cash forecasts have been prepared for the period to 31 December 2022, taking into account potential restrictions on church attendance, on activities that require physical gatherings, and on the ability of Clergy to perform their ministry.

The Trustees have performed stress testing, including considering the impact of churches not being open for worship and this leading to a reduction in donations received. They have considered the possible mitigating actions and consequent cost savings, and consider that even in the unlikely circumstances of being unable to operate at all for a full year the Charitable Company can still meet its liabilities as they fall due.

Taking into account the very strong cash position of the Charitable Company the Trustees do not feel that the COVID-19 outbreak represents a likely threat to its ability to continue as a going concern.

On the basis of their assessment of the Charitable Company's financial position and resources the Trustees have a reasonable expectation that it will be able to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements

at 31 March 2021

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the determination of judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure. Careful consideration of the impact of the Covid-19 outbreak on the amounts reported for assets and liabilities has been made. In drawing this conclusion, the directors have considered the recoverability of debtors and any potential impairment of fixed assets. However, the nature of estimation means that actual outcomes could differ from those estimates.

Income and expenditure

Offerories, donations and legacies

Offerories are accounted for on a cash received basis. Donations and legacies are recognised when the Diocese becomes legally entitled to them and they can reasonably be measured in financial terms. Tax credits relating to Gift Aid are accounted for on an accruals basis linked to the income received.

Investment income

This is recognised on an accruals basis when dividends and interest from stocks and shares have been declared.

Ancillary income earned from granting short term use of functional assets to other parties is recognised on an accruals basis and presented within investment income.

Grant income (other than for schools' building work)

Revenue grants are accounted for on a received basis. Capital grants are accounted for on an accruals basis. They are treated as deferred income and released to income over the period to which they relate.

Grants for schools' building work

The Charitable Company acts as an agent for the School Governors in the recovery of grants and the payment of contractors. Those grants and payments are not included in the financial statements, other than that amounts held by the Diocese on behalf of schools as grants received but not yet expended are included in the balance sheets as cash at bank and as creditors.

During the year the cost of schools' building works undertaken was £1million, being financed primarily by Government grants of 90% and by School Governors' contributions.

Income from charitable activities

This is accounted for on a cash received basis.

Coronavirus Job Retention Scheme grants

Income received under the Coronavirus Job Retention Scheme is recognised on an accruals basis aligned with the periods for which income is claimed.

Expenditure

Expenditure is charged to the income and expenditure account on an accruals basis. Irrecoverable VAT is charged to the category of expenditure for which it was incurred.

Charitable Activities expenditure includes the costs identified as wholly or mainly attributable to achieving the charitable objectives of the Charitable Company, including direct staff costs, other direct costs, and apportioned support costs.

Governance Costs relate to the general running of the Charitable Company, and include such items as external audit, legal advice for Trustees, and the costs of meeting constitutional and statutory requirements.

Costs of Generating Funds include the costs incurred in generating voluntary income, fundraising trading costs, and investment management costs.

Notes to the financial statements

at 31 March 2021

1. Accounting policies (continued)

Governance Costs relate to the general running of the Charitable Company, and include such items as external audit, legal advice for Trustees, and the costs of meeting constitutional and statutory requirements.

Costs of Generating Funds include the costs incurred in generating voluntary income, fundraising trading costs, and investment management costs.

Grants paid/payable

Grants payable are recognised when payment is authorised.

Fixed asset investments

Quoted investments are shown in the financial statements at their market value at the balance sheet date. The resulting unrealised surplus or deficit is credited or debited to the fund account through the movement of funds in the Statement of Financial Activities.

Direct lending investments are initially recognised at cost. They are reviewed with the assistance of external investment managers, and provision is made against the value if recoverability of the full loan is in doubt. The movement in any such provision is credited or debited to the fund account through the movement of funds in the Statement of Financial Activities.

Current assets

Cash at bank in hand in the balance sheet consists of cash balances and short term deposits with an original maturity date of three months or less. Short term deposits with a maturity of over three months are separately disclosed within fixed asset investments.

All current assets are stated at the lower of cost and net realisable value.

Liabilities

Liabilities are recognised at the point where a legal or constructive obligation exists as a result of a past event. Provisions are liabilities where the timing and quantum of the economic outflows are significantly uncertain. The Charitable Company recognises provisions on an undiscounted basis.

Interest free loans

Occasionally the Charitable Company makes small interest free loans to priests. These are repayable over three to five years.

Deposits and loans

The Charitable Company operates a mutual system. Where parishes have money surplus to their immediate needs it is deposited centrally with the Diocese and interest may be paid. Where parishes are in need, interest free loans may be made at the discretion of the Trustees.

Notes to the financial statements

at 31 March 2021

1. Accounting policies (continued)

Fund accounting

- **Unrestricted funds**

These are expendable at the discretion of the Trustees in furtherance of the objectives of the Charitable Company. For management purposes these funds have been accounted for as:

- Diocesan Central Fund
- Parish Fund (designated for use as such by the Trustees).

- **Restricted funds**

Included under this heading are funds which have been formed as a result of donor implied intentions for the money. These include:

- Parishes Special Collection Fund to gather and distribute special donations collected for specific charities.
- Clergy Training Fund to support training of priests, deacons, and seminarians.
- Diocesan Special Reserve Fund to benefit a sick and retired clergy project.
- The Managed Fund – this comprises a large series of mass funds and special deposits, subject to specific trusts under Canon Law that have been donated in the past with the intention of supporting a specific purpose within the Charitable Company. These are not considered permanent endowments. Administratively this is managed and accounted for as one fund but it comprises several separate funds that can be further classified as:
 - Historical Masses Fund – Legacies and donations given to the Charitable Company, where the income must be used to meet Mass obligations.

- **Restricted funds (continued)**

- Diocesan Designated – Income is to be used for Diocesan purpose.
- Parishes Designated – Income is to be used for a Parish purpose.
- Other Restricted – Income to be applied for a named purpose.
- Clergy Training Fund – Income is to be applied for the purpose of training clergy and related costs, so that the underlying capital of the fund remains intact.

Monies collected and accumulated in the parishes are shown as designated as a whole but they are specific to each individual parish. Parishes are encouraged to participate fully in the local and universal church and contribute to the running of the Diocesan wide activities through the annual levy.

Notes to the financial statements

at 31 March 2021

1. Accounting policies (continued)

Pensions

The Charitable Company contributes to three defined contribution pension schemes. Contributions are charged in the SOFA as they become payable in accordance with the rules of the schemes.

Accounting policy for tangible fixed assets

i. Freehold and lease land and buildings

A Functional land and buildings

1. Churches, presbyteries, halls and other buildings

i. Freehold land

Functional land (i.e. land used for the prime purpose of the Charitable Company) which are still in use by the Charitable Company are included in the financial statements at original cost or where this is not available at an estimate of its historic cost (or in the case of donated land, at its fair value at the date of receipt).

Freehold land is not depreciated because it has an indefinitely long useful life.

ii. Freehold Buildings

Functional buildings (i.e. buildings used for the prime purpose of the Charitable Company) which are still in use by the Charitable Company are included in the financial statements at original cost or where this is not available at an estimate of their historic cost (or in the case of donated buildings, at an estimate of their fair value at the date of receipt). All new functional buildings, improvements and major renovations are capitalised at the cost of construction.

Buildings are depreciated at rates calculated to write off their estimated historic cost (less the estimated residual value) evenly over the whole of their useful life.

The estimate of the useful life of a building varies depending on the condition and future use of the building, however, in general it is expected that a building in a reasonable state of repair will continue in use without major renovations or improvements for the following period:

a) Unlisted churches	100 years
b) Cathedral and listed churches	200 years
c) Presbyteries	50 years
d) Other buildings including care homes	50 years

Depreciation rates are calculated using the age of the building and its expected useful life.

iii. Leasehold land and buildings

Leasehold land and buildings (if held) are depreciated over the life of the lease on a straight-line basis.

Notes to the financial statements

at 31 March 2021

1. Accounting policies (continued)

Accounting policy for tangible fixed assets (continued)

i. Freehold and lease land and buildings (continued)

A Functional land and buildings (continued)

Details and addresses of the Diocesan churches and other buildings (both freehold and leasehold) can be found in the Northern Catholic Calendar and on the Diocesan website.

2. Voluntary aided schools

i. Land

The Charitable Company owns the land on which its voluntary schools are built. The nature of the occupation of the land by these exempt charities means that the Diocesan Trustees do not have the power to dispose of the land, until the school ceases its occupation, which in turn would require the approval of the Secretary of State. Consequently, for the purposes of these financial statements the land is not capitalised. The cost of any land acquired for the purposes of a voluntary aided school is charged to the statement of financial activities in the year of acquisition.

Land agreed as surplus to a school's requirements by the Local Education Authority may be disposed of by the Trustees who own the land.

ii. Buildings

The school buildings are occupied, improved, extended and repaired by the school governors. The nature of the occupation of these buildings by these exempt charities means that the Diocesan Trustees do not have control over the buildings, until the school ceases its occupation, which in turn would require the approval of the Secretary of State. Consequently, for the purposes of these financial statements any cost of new building is written off to the statement of financial activities in the year it is incurred.

The Diocese, as agent for School Governors, pays school improvement and repair costs and reclaims the related grants. Parishes and/or Governors are billed for their contributions.

Details of the Diocesan Voluntary Aided Schools (both freehold and leasehold) are given in the Northern Catholic Calendar.

B Investment property and former functional land and buildings

1. Investment property

Investment properties are shown at the Trustees' best and prudent estimate of market value. Any material changes in value during the year are reported in the 'gains and losses on revaluation and investment asset disposals' section of the statement of financial activities. Details of the date and basis of the valuations and of the valuer are given in note 11 to these financial statements. The historical cost of these assets is disclosed in note 10. As these assets are recorded at current market value no charge for depreciation is made in the financial statements.

Notes to the financial statements

at 31 March 2021

1. Accounting policies (continued)

Accounting policy for tangible fixed assets (continued)

B Investment property and former functional land and buildings (continued)

2. Former functional land and buildings

Properties which were previously occupied for Charitable Company use but are now no longer in use fall into two categories:

- i. Those which can now be sold or are awaiting sale.

Properties awaiting sale are shown at the Trustees' best estimate of their ultimate net sale proceeds. If it is expected to realise the asset within 12 months then it is shown under current assets. All changes in value during the year are reported in the 'gains and losses on revaluation and investment asset disposals' section of the statement of financial activities. Details of the date and basis of the valuations and of the valuer are given in note 11 to these financial statements. The estimated historical cost of these assets is disclosed in note 10. As these assets are no longer used by the Charitable Company, no charge for depreciation is made in the financial statements.

- ii. Those which have restrictions on them which make sale difficult or detrimental to the Charitable Company.

Land

Former functional land is included in the financial statements at an estimate of its historic cost (or in the case of donated land, at its fair value at the date of receipt).

Freehold land is not depreciated because it has an indefinitely long useful life. Leasehold land and buildings are depreciated over the life of the lease on a straight-line basis.

Buildings

Former functional buildings are included in the financial statements at original cost or where this is not available at an estimate of their historic cost (or in the case of donated buildings, at an estimate of their fair value at the date of receipt). However as the buildings no longer have any use they are fully depreciated and have no net book value.

ii. Fixtures, fittings and equipment

Fixtures, fittings and equipment which have a current replacement cost exceeding £5,000 are capitalised and included in the financial statements at an estimate of their historical cost (or in the case of donated assets, at an estimate of value at the date of acquisition). They are depreciated at rates calculated to write off the cost of valuation, less the estimated residual value, of each asset evenly over its expected useful life as follows:

Church furniture	50 years
Presbytery and hall contents, and equipment	5 to 10 years
Sound systems and special lighting	5 to 10 years
Other fixtures and equipment	5 to 10 years

Notes to the financial statements

at 31 March 2021

1. Accounting policies (continued)

Accounting policy for tangible fixed assets (continued)

iii. Motor vehicles

Motor vehicles have been capitalised and included in the financial statements at their historical cost (or in the case of donated assets, at an estimate of value at the date of acquisition) and are depreciated at rates calculated to write off the cost or valuation, less the estimated residual value, of each asset evenly over expected useful life as follows:

Motor cars	5 years
Mini buses	5 years

Accounting policy for tangible fixed assets – heritage assets

Works of art and historic treasures

The Charitable Company owns several works of art and historic treasures. The items have extraordinary long lives and are worth preserving perpetually. The collection is not recognised in the Balance Sheet because details of the costs of these items are not available and the cost to the Charitable Company of obtaining valuations would exceed the benefit arising from doing so. The vast majority of the collection was acquired over 100 years ago.

Basis of allocation and apportionment of Central Support Costs

As shown in Note 4(a) to the financial statements, the costs of the Episcopal office and of the central Diocesan departments (including the finance and human resources departments) have, as far as possible, been allocated directly to the relevant charitable activity. The remaining unallocated costs have been apportioned equally to charitable activities, as the Trustees are of the opinion that no single activity is of more importance than any other, and the interaction and close links between different activities makes this the most reasonable basis of apportionment.

2. Investment income

	<i>Unrestricted funds</i>		<i>Restricted</i>	<i>2021</i>	<i>2020</i>
	<i>Parish</i>	<i>Central</i>	<i>Funds</i>	<i>Total</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Income arising from:</i>					
Investment properties	88	75	-	163	90
Listed investments	75	526	73	674	927
Direct lending investments	-	45	-	45	148
Cash deposits held as investments	2	90	-	92	239
Income from functional assets	200	-	-	200	718
	<u>365</u>	<u>736</u>	<u>73</u>	<u>1,174</u>	<u>2,122</u>

Notes to the financial statements

at 31 March 2021

3. Expenditure on charitable activities

		Unrestricted funds		Restricted	2021	2020
	Notes	Parish £000	Central £000	Funds £000	Total £000	Total £000
Clergy support						
Clergy costs		605	378	-	983	985
Support of retired clergy		-	54	-	54	49
Clergy Training Fund		-	-	156	156	215
Managed Fund		-	-	7	7	7
Grants and donations	5	-	-	3	3	23
Salaries met from CJRS Grant	7	-	-	3	3	-
Share of central support costs	4(a)	-	178	6	184	197
		605	610	175	1,390	1,476
Pastoral						
Church running costs		2,683	-	-	2,683	3,695
Other parish costs		484	-	-	484	461
Grants and donations	5	63	424	149	636	732
Vicariate for Faith and Mission		-	89	-	89	116
Faith & Mission: Youth Service		-	255	-	255	194
Faith & Mission: Youth Service donation	5	-	-	-	-	535
Vocations commission		-	2	-	2	8
Safeguarding commission		-	153	-	153	236
University Chaplaincy work		-	60	-	60	92
Vicariate for Caritas		-	121	-	121	72
Diocesan Tribunal		-	7	-	7	8
Department for Communications		-	-	-	-	46
Pastoral Provision for Deaf People		-	1	-	1	1
Marriage care		-	10	-	10	10
Diocesan events		-	1	-	1	14
Northern Catholic Calendar		-	22	-	22	23
Newcastle City Centre Ministry		-	7	27	34	134
Lourdes Pilgrimage		-	-	2	2	-
Pastoral Development and Renewal		-	-	15	15	-
Salaries met from CJRS Grant	7	-	-	198	198	-
Share of central support costs	4(a)	-	177	-	177	189
		3,230	1,329	391	4,950	6,566
Education						
Education service		-	197	379	576	677
Schools chaplaincy		-	5	-	5	16
CES grant	5	-	53	-	53	53
Salaries met from CJRS Grant	7	-	-	17	17	-
Share of central support costs	4(a)	-	178	-	178	188
		-	433	396	829	934
Property						
Repair of parish property		762	-	123	885	1,686
Diocesan property office		-	181	-	181	210
Diocesan resource centre		-	56	-	56	57
School building costs		3	-	-	3	121
Depreciation charges		577	112	-	689	674
Salaries met from CJRS Grant	7	-	-	2	2	-
Share of central support costs	4(a)	-	178	-	178	189
		1,342	527	125	1,994	2,937
Total cost of charitable activities	4(b)	5,177	2,899	1,087	9,163	11,913

Notes to the financial statements

at 31 March 2021

4(a).Central support costs in Unrestricted funds

	<i>Staff costs £000</i>	<i>Other costs £000</i>	<i>2021 Total £000</i>	<i>2020 Total £000</i>
Episcopal office	50	125	175	191
Finance, HR, Data Protection, Communications	266	22	288	232
Governance costs, note 6(a)	134	5	139	224
Diocesan office overheads	3	106	109	107
	<u>453</u>	<u>258</u>	<u>711</u>	<u>754</u>
Apportioned to charitable activities:				
Clergy support (25%)	113	65	178	188
Pastoral (25%)	113	64	177	189
Education (25%)	114	64	178	188
Property (25%)	113	65	178	189
	<u>453</u>	<u>258</u>	<u>711</u>	<u>754</u>

Basis of allocation and apportionment

The costs of the Episcopal office and of the central Diocesan departments (including the finance, human resources, data protection and communications departments) have, as far as possible, been allocated directly to the relevant charitable activity. The remaining unallocated costs have been apportioned equally to charitable activities, as the Trustees are of the opinion that no single activity is of more importance than any other, and the interaction and close links between different activities makes this the most reasonable basis of apportionment.

4(b).Charitable activities expenditure

	<i>Staff costs £000</i>	<i>Other costs £000</i>	<i>2021 Total £000</i>	<i>2020 Total £000</i>
Clergy support	117	1,273	1,390	1,476
Pastoral	1,101	3,849	4,950	6,566
Education	638	191	829	934
Property	297	1,697	1,994	2,937
	<u>2,153</u>	<u>7,010</u>	<u>9,163</u>	<u>11,913</u>

Notes to the financial statements

at 31 March 2021

5. Grants and donations

During the year the Charitable Company made a large number of donations, as described below:

	2021 £000	2020 £000
Bishop's charities	11	6
Catholic Agency for Social Concerns	3	3
National Catholic Fund	92	104
National Catholic Fund re IICSA	26	22
Domestic grants	3	4
Citizens UK	10	10
Catholic Youth	4	20
Youth Ministry Trust	-	535
Sursum Corda	145	-
Lay Training Fund	23	33
Apostleship of the Sea	7	25
Holy Places	11	24
Peter's Pence	28	20
Racial Justice	3	9
Sick and Retired Priests NBF	3	24
World Communications	3	15
Day for Life	3	17
Home Mission	6	17
World Mission	6	19
Other Mission Charities	30	87
CAFOD Development and emergency aid	45	117
Other smaller grants	230	232
Total group charitable grants and donations	692	1,343

These are included in charitable activities (note 3) as follows:

Clergy support	3	23
Pastoral	636	1,267
Education	53	53
	692	1,343

Parishes occasionally allow fundraisers from other charities to collect outside of Mass or through collection boxes in parishioners' homes. These funds are usually counted and recorded by the receiving Charitable Company and do not pass through parish funds.

Notes to the financial statements

at 31 March 2021

6(a). Governance costs included in Central Support costs

	Unrestricted funds			Restricted funds		
	Parish	Central	Clergy Training Fund Total	Managed Fund	Total	2020 Total
Audit fees	-	100	100	-	-	86*
Provision for bad debts	-	(145)	(145)	-	-	-
Other governance costs	-	184	184	-	6	147
	-	139	139	-	6	233

6(b). Expenditure on raising funds

	Unrestricted funds			Restricted funds		
	Parish £000	Central £000	Clergy Training Fund £000 Total £000	Managed Fund £000	Total £000	2020 Total £000
Fundraising and publicity costs	17	-	17	-	-	88
Stockbroker fees	-	191	191	119	119	242
Gift Aid office costs	-	24	24	-	-	25
	17	215	232	119	119	355

*Included within audit fees is £2,940 (2020: £3,000) related to other assurance services provided.

Notes to the financial statements

at 31 March 2021

7. Wages and Staff costs

Included in expenditure are the following staff costs:

	2021 £000	2020 £000
Wages and salaries	1,886	2,005
Social security costs	120	143
Other pension costs	147	139
Total remuneration	2,153	2,287

All pension costs are paid out of unrestricted funds.

Grants under the Coronavirus Job Retention Scheme (CJRS Grants) of £220k were claimed in the year. The income was treated as restricted funds, with the related expenditure treated as restricted expenditure, allocated as follows:

	£000
Clergy Support	3
Pastoral	198
Education	17
Property	2
	220

All staff on furlough received 100% of their salary, irrespective of the level of CJRS Grant paid.

	2021 Number of employees	2021 £000	2020 Number of employees	2020 £000
Central Diocesan services	44	1,534	43	1,598
Parishes	103	619	129	689
	147	2,153	172	2,287

No trustee received any remuneration during the year or previous year. Certain trustees received allowances as serving Clergy but not in their capacity as trustee. Pension contributions paid for Trustees as members of the Clergy scheme amounted to £6k (2020: £6k).

Eight trustees received expenses to the value of £6k (2020: £6k) in respect of travel and subsistence costs.

Higher paid employees received remuneration (including pension contributions) of:

between £110k and £115k	1 employee	(2020: None)
between £105k and £110k	no employees	(2020: 1)
between £90k and £95k	1 employee	(2020: None)
between £85k and £90k	2 employees	(2020: 2)
between £80k and £85k	no employees	(2020: 1)
between £65k and £70k	1 employee	(2020: 1)
between £60k and £65k	1 employee	(2020: None)

no other employee received more than £60k.

Notes to the financial statements

at 31 March 2021

Total remuneration of key management personnel (Chief Operating Officer and 7 Heads of Departments) was £517k (2020: £459k).

Clergy are not included in the above staff details as they are Office Holders and not employees of the Charitable Company. Payments to clergy during the year amounted to £1,034k (2020: £1,279k).

The Charitable Company is very grateful for the help of the army of volunteers who support the work of every member of the group. It is estimated that some 8,000 people support the parishes, and without their help the parishes could not function. It is however not possible to value the service provided by volunteers.

8(a).Tangible fixed assets

	<i>Freehold property £000</i>	<i>Motor vehicles £000</i>	<i>Fixtures, fittings and equipment £000</i>	<i>Total £000</i>
Cost:				
At 1 April 2020	45,674	36	3,452	49,162
Additions	2,097	-	58	2,155
Disposals	(129)	-	-	(129)
Transfer to Investment Property	(180)	-	-	(180)
At 31 March 2021	47,462	36	3,510	51,008
Accumulated depreciation:				
At 1 April 2020	14,073	18	2,979	17,070
Charge for the year	588	5	96	689
Disposals	(43)	-	-	(43)
Transfer to Investment Property	(64)	-	-	(64)
At 31 March 2021	14,554	23	3,075	17,652
Net book value:				
At 31 March 2021	32,908	13	435	33,356
At 31 March 2020	31,601	18	473	32,092

8(b).Tangible fixed assets – Heritage assets

There have been no transactions in works of art and historic treasures during the past five years. Where acquisitions were made, these were by donation. In the Trustees' view the value of these donations is not material and obtaining a current valuation would involve disproportionate cost.

Management policy

The works of art and historic treasures owned by the Charitable Company comprise several hundred items, acquired throughout many years. The items were acquired mostly through direct donation and occasionally by purchase.

Notes to the financial statements

at 31 March 2021

9. Fixed asset investments

	<i>Notes</i>	<i>2021</i> £000	<i>2020</i> £000
Quoted investments:			
Investment fund	12	26,772	22,738
Managed fund	13	8,593	7,257
Total quoted investments		35,365	29,995
Investment in Sursum Corda Limited	14	250	250
Fixed investment deposits		5,000	7,150
Direct lending investments		1,206	1,992
		41,821	39,387
Investment categories (quoted investments):			
Conventional gilts		419	3,544
UK fixed interest		882	891
UK equities		7,612	10,003
Overseas equities		26,193	15,219
Property		259	338
		35,365	29,995

The above are shown at market value as defined in accounting policy note 1. Derivation of property market value is further explained in note 11. Of the above investments no single investment has a value in excess of 5% of the total.

Notes to the financial statements

at 31 March 2021

10. Investment properties

	<i>Diocesan</i>	<i>Parishes</i>		
	<i>Central</i>	<i>unrestricted</i>	<i>2021</i>	<i>2020</i>
	<i>fund</i>	<i>fund</i>	<i>Total</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Market value:				
At 1 April 2020	377	1,092	1,469	1,581
Additions	-	3	3	-
Transfer from Fixed Assets	-	116	116	37
Unrealised gains on revaluation	-	81	81	-
Other adjustments	-	-	-	(149)
At 31 March 2021	377	1,292	1,669	1,469
Book cost of investment property:				
At 31 March 2021	223	643	866	747

11. Valuation of investment properties

Properties have been included at Trustees' valuation.

If a commercial rent was paid, the valuation of properties is calculated as 7 times the annual rent.

Occasionally a peppercorn rent agreement has been arranged if the church will benefit from the occupation of the property. For example:

- safeguarding a nearby church where there is no resident priest
- tenant has agreed to substantially renovate the premises
- used by similar charities such as convents or religious orders and seen as furthering the outreach work of the church.

For properties rented out at below commercial rate, their valuation is based on 40% of the reinsurance value.

This is except for presbyteries attached to Parishes due to the significant reinsurance value. The valuation of these properties is based on an independent valuation obtained from GVA Grimley, land and estate agents commissioned by the Diocese.

Where properties are placed on the open market an independent valuation is obtained from land and estate agents commissioned by the Diocese (GVA Grimley or Savills)

Notes to the financial statements

at 31 March 2021

12. Investment fund

	2021 £000	2020 £000
At 1 April 2020	22,738	25,478
Additions	27,635	9,513
Disposals	(25,940)	(9,280)
Net unrealised investment gains/(losses)	2,339	(2,973)
Market value of quoted investments at 31 March 2021	26,772	22,738
Book cost of quoted investments as at 31 March 2021	23,032	20,970
Comprising at 31 March:		
	2021 Total £000	2020 Total £000
	Cost £000	Unrealised £000
CCLA	23,032	3,740
	26,772	22,738

13. Managed fund

	2021 £000	2020 £000
At 1 April 2020	7,257	8,068
Additions	8,946	3,060
Disposals	(8,244)	(2,927)
Net unrealised investment gains/(losses)	634	(944)
Market value of quoted investments as at 31 March 2021	8,593	7,257
Book cost of quoted investments as at 31 March 2021	7,403	6,669
Comprising at 31 March:		
	2021 Total £000	2020 Total £000
	Cost £000	Unrealised £000
CCLA	7,403	1,190
	8,593	7,257

See note 15 for further details of the Managed Fund.

Notes to the financial statements

at 31 March 2021

14. Other investments

The Diocese holds 100% of the ordinary share capital of Sursum Corda Limited.

Youth Ministry Trust is a Charitable Company, of which Diocese of Hexham and Newcastle is the sole member.

Financial information relating to these companies is as follows:

	Net movement in funds	Reserves
	£000	£000
Sursum Corda Limited (31 March 2020)	(12)	175
Youth Ministry Trust (31 August 2020)	377	(193)

The Diocese made a long term loan of £250k to Sursum Corda Limited in the year ended 31 March 2004, to enable that company to adequately support its work in the distribution of religious knowledge resources. It also made short term loans that amounted to £380k at March 2021. Provision in full has been made against the value of those short term loans, because of concerns relating to the recoverability of the funds.

The Diocese also made loans to Youth Ministry Trust. The amount outstanding is £80k, and the terms of repayment are entirely at the discretion of the Diocesan Trustees. Provision of £72k has been made against the value of the loan, because of concerns relating to the recoverability of the funds.

15. The Managed Fund

The Managed Investment Fund was derived initially from legacies and bequests and money held on trust under the protection of Charitable Company Trustees. Each donation is redefined as a number of units, determined by a rate based on the market value of the fund at the date of subscription.

The capital is then invested in the Managed Fund. Its many individual subscriptions can be broadly categorised into:

- church funds deposited for investment
- special donations deposited for investment

The Managed Fund comprises quoted investments and cash awaiting investment held by CCLA Investment Management at HSBC.

At 31 March 2021 the fund comprised:

	Note	Initial cost plus reinvested gains £000	Market value £000
Quoted investments	13	7,403	8,593
Cash at HSBC	17	838	838
Value of investment at 31 March 2021		8,241	9,431

Notes to the financial statements

at 31 March 2021

15. The Managed Fund (continued)

This fund is apportioned as follows:

	<i>Initial cost 31/3/21 £000</i>	<i>Market value 31/3/21 £000</i>	<i>Number of Units 31/3/21</i>
Special donation balances:			
Historical Mass Fund	213	899	93,262
Diocesan Designated Fund	103	414	42,976
Parishes Designated Fund	427	3,721	385,940
Restricted Fund	107	737	76,464
Clergy Training Fund	1,218	2,950	306,035
Lay Training Fund	50	74	7,704
	<hr/> 2,118	<hr/> 8,795	<hr/> 912,381
Church funds balances:			
Historical Mass Fund	45	130	13,461
Diocesan Designated Fund	35	103	10,639
Parishes Designated Fund	16	38	3,931
Restricted Fund	130	365	37,842
	<hr/> 226	<hr/> 636	<hr/> 65,873
Total Managed Fund	<hr/> <hr/> 2,344	<hr/> <hr/> 9,431	<hr/> <hr/> 978,254

16. Debtors

	<i>2021 £000</i>	<i>2020 £000</i>
Trade debtors	265	104
Taxation repayments	674	949
Accrued investment income	102	102
Other debtors	149	355
Prepayments	581	760
Assets held for disposal	402	255
Total debtors at 31 March	<hr/> 2,173 <hr/>	<hr/> 2,525 <hr/>

Amounts falling due after more than one year included in the above are £300k (2020: £325k).

Notes to the financial statements

at 31 March 2021

17. Short term deposits

This includes cash held awaiting investment.

	2021 £000	2020 £000
Diocesan Central Fund: HSBC, managed by CCLA	2,584	1,513
Managed Fund: HSBC, managed by CCLA	838	548
Total short term deposits at 31 March	3,422	2,061

18. Short term loans

	2021 £000	2020 £000
Loans to Priests	18	27
Other loans	224	247
Total short term loans at 31 March	242	274

Amounts falling due after more than one year included in the above are £150k (2020: £180k).

19. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Sundry creditors	683	281
Accruals	147	163
School grants received in advance	6,614	6,758
Deposits repayable on demand	1,259	1,415
	8,703	8,617

Notes to the financial statements

at 31 March 2021

20. Note to statement of cash flows

a) Reconciliation of net (expenditure) to net cash (outflow) from operating activities

	2021 £000	2020 £000
Net (expenditure)	(2,222)	(699)
Depreciation and assets written off	689	674
(Decrease)/increase in impairment of loan to group company	(145)	597
Decrease in debtors	499	133
Increase/(decrease) in creditors	86	(2,041)
Investment income	(1,174)	(2,122)
Net cash (outflow) from operating activities	(2,267)	(3,458)

b) Movement in net debt

	1 April 2020 £000	Cash flows £000	31 March 2021 £000
Cash at bank and in hand	20,081	2,165	22,246
Short term deposits	4,061	1,361	5,422
Cash and cash equivalents	24,142	3,526	27,668

Notes to the financial statements

at 31 March 2021

21. Reserves summary

	Note	At April 2020 £000	Statement of financial activities		Transfers between funds (c) £000	Balance at 31 March 2021 £000	
			Income £000	Expenditure £000	Fixed asset gains/(losses) £000		
Restricted reserves							
Clergy Training Fund		50	137	161	-	26	To meet the costs of training clergy
Parishes Special Collections and Grants		-	153	153	-	-	Donated to missions, special appeals, etc.
Parishes Restricted Fundraising		327	185	122	-	390	Fundraising for specified projects
Pastoral Development and Renewal		15	-	15	-	-	To meet the costs of the development programme
Main Fund Restricted Funds	(a)	-	602	601	-	97	Various specified purposes
Main Fund Newcastle City Centre		27	-	27	-	-	
Main Fund Special Reserve		250	50	-	-	300	For a project to benefit sick and retired clergy
Managed Capital Funds	(b)						
Historical Masses Fund		796	3	14	172	957	Income must be used to meet Mass obligations
Diocesan Fund		515	1	4	79	591	Income must be used for Diocesan purposes
Parishes Fund		3,327	11	48	713	4,003	Income must be used for Parish purposes
Clergy Training Fund		3,465	9	39	566	4,001	Income must be used to meet costs of training clergy
Other Funds		988	5	22	281	1,252	Income applied for specific purposes
Total restricted reserves		9,760	1,156	1,206	1,811	11,618	
Unrestricted reserves							
Diocesan Central Funds		20,296	1,168	3,114	6,935	26,145	
Unrestricted designated reserves							
Parishes' Funds		61,216	4,968	5,194	430	60,463	
Total unrestricted reserves		81,512	6,196	8,308	7,365	86,608	
Total charity reserves		91,272	7,292	9,514	9,176	98,226	

Notes

- (a) The Main Fund Restricted Funds received during the year were Schools' Contributions to the Department for Education and Coronavirus Job Retention Scheme Grants. All were fully expended during the year.
- (b) Where income to the Managed Fund is subsequently distributed to other funds that income is shown in the financial statements only as income of the ultimate recipient fund. The 'Incoming resources' to the Managed Fund shown above represents income of that fund re-invested into that same fund.
- (c) The transfers between funds represent the levy paid by parishes to the central activities of the Diocese (£860k) and funds transferred when Parish projects became central projects
- (d) Total restricted reserves include £8,593k of quoted investments, £1,999k of cash and cash equivalents, £838k of short term deposits and £176k of other assets.

Notes to the financial statements

at 31 March 2021

22. Capital commitments

Amounts contracted for at the year end but not provided in the financial statements amounted to £8k for parish building work.

23. Contingent liability

In the opinion of the Trustees there were no contingent liabilities in existence other than in the normal course of the activities of the Charitable Company as at 31 March 2021.

24. Pension commitments

A Group Personal Pension Scheme administered by Standard Life is operated for Diocesan Clergy. There is a Stakeholder Pension Scheme administered by Standard Life available for all employees. One member of staff is a member of a defined contribution pension scheme administered by Prudential (no new members are admitted to this scheme). The Charitable Company is also a member of the Teachers' Pension Scheme, continuing the contributions (on a defined contribution basis) of senior staff who are qualified teachers. The assets of all of these pension schemes are held separately from those of the Charitable Company in independently administered funds.

25. Liability

The Charitable Company is a private company limited by guarantee. The liability of the members is limited and every member undertakes to contribute to the assets of the company, in the event of the Charitable Company being wound up while he or she is a member, or within one year after he or she ceases to be a member, for the debts and liabilities of the company contracted before he or she ceased to be a member and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributors among themselves, such amount as may be required not exceeding one pound.