



The Diocese of
Southwark

The South London Church Fund & Southwark Diocesan Board of Finance **Annual Report 2020**

Company registration number 236594
Registered charity number 249678



**Cover image: The South London
Food Bank Warehouse, housed
in St Margaret the Queen,
Streatham Hill. © Charlie Clift**

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Overview

Introduction by the Bishop of Southwark

As we began 2020 it would have been almost impossible for any of us to have envisaged the year that we would go on to experience. Since then, in the context of the global pandemic and the hardship and suffering which has ensued, we have been learning how best to reach out to our communities and how to be church in a different way — sometimes working in mixed mode and sometimes simply online as the national restrictions have dictated.

I want to thank all those who have helped our churches to operate online, staffed our food banks, and supported our communities in so many ways, seeking to show God's love to our neighbours and many who have experienced unprecedented isolation. I also want to express deep appreciation to our hospital chaplains for the work that they have done with patients and staff in this difficult time and, indeed, to all working on the front line in many different capacities.

As soon as the Government announced the first lockdown I set up and chaired a Coronavirus Task Group, meeting frequently to ensure that we had a co-ordinated approach to transmitting advice and information concerning the pandemic to our parishes. I am grateful to my CTG colleagues (The Diocesan Secretary, The Director of Communications, The Dean of Southwark and the Archdeacon of Lewisham & Greenwich) for their work and was glad to award Lancelot Andrewes Medals to them for their endeavours. I have also awarded the Lancelot Andrewes Medal to others across the Diocese for special acts of caring and service during the pandemic, which has taken a toll on so many.

As we begin our recovery, clergy well-being needs to be a priority and I have asked The Venerable John Kiddle to take the lead on this.

I want to acknowledge the contribution to the Diocese of three people who retired in 2020. The Venerable Chris Skilton retired in February following his time as Archdeacon of Croydon. He had previously served as Archdeacon of Lambeth and Rector of Sanderstead. He is greatly missed but I am grateful to The Venerable Moira Astin, Archdeacon of Reigate, who looked after the Croydon Area until The Venerable Rosemarie Mallett took up the role. The Revd Canon Stephen Roberts retired in August following a distinguished ministry in Southwark as parish priest, Diocesan Director of Ordinands, Archdeacon of Wandsworth and latterly for five years as Deputy Diocesan Secretary. Colin Powell (Lay Canon), the Director of Education, retired in December, having worked an extra term due to the pandemic. We want to thank them all for their inspirational service.

I am delighted that we have been able to embed the work of the Lay Council, developing lay ministries in line with our Southwark Vision for partnerships in the Gospel which enable lay and ordained ministers to flourish in their distinctive callings. The Readers Board and the SPA Council have now been fully integrated into the Lay Council and I express thanks to Gerie Knight for her zeal as Diocesan SPA over the years. Our new Diocesan SPA, Wendy Stephens, is the first Southwark Pastoral Auxiliary to hold my licence.

The Black Lives Matter campaign resonated strongly in the Diocese and

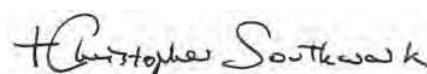


Bishop Christopher

has further focused our attention to issues related to the lives of UKME members of our Diocese and working to ensure equality, dignity and due recognition for all.

I especially want to thank our parishes for their magnificent support through the Parish Support Fund in 2020 which is continuing into 2021. This has helped to ensure our financial resilience which of course is instrumental in our commitment to equip and resource mission and ministry across the Diocese.

Let us be of good courage and put our trust in the Lord.

A handwritten signature in black ink that reads "H Christopher Southwark".

Chair of the Diocesan Board of Finance

We are now moving slowly back to normal life again but inevitably the pandemic has had a major impact on our parishes and our Diocesan finances. As the Diocesan Secretary explains on page 7, we still face significant challenge as we seek to preserve and build the financial resilience of our Diocese going forward.

I am pleased to report that we weathered the storm better than we initially expected, avoiding the heavy losses we feared at first. Indeed, had it not been for the fall in the value of our investments, the Diocese would have reported a surplus in its overall statement of financial accounts for 2020. I can, however, report that, for those areas under our direct control, we returned a small surplus, although the figure is inflated at the reporting level to around £1.4m by the inclusion of gains on the sale of some investments and by the accounting requirement to include a surplus of almost £1m on the movement in pension fund liabilities.

We were helped in our response to the challenges by a generous sustainability grant of £600,000 from the Church Commissioners, by a review of staffing in the Diocesan office which yielded important savings, and by the timely sale of surplus property no longer needed for ministry housing. Above all, though, the achievement reflects the determination of our parishes to commit to sustaining ministry by maintaining the delivery of the Parish Support Fund (PSF) at remarkably high levels.

We have been one of the Dioceses from whom the National Church has sought advice regarding our giving strategy in order to assist others. Ours is of course

founded on the transparency with which our parish finances are discussed through our Archdeacons and supported by the Diocesan office team. Besides thanking our parishes and our staff, I do want also to thank the Archdeacons who work tirelessly with our parishes and staff to deliver the PSF which last year achieved 96.7% of initial pledges, an extraordinary and excellent result.

The problems of 2020 have not undermined the long-term resilience of the Diocese thanks to the partnership with our parishes. We were also helped in our cash flow last year by borrowing from the Church Commissioners, a sum that has been fully repaid by April 2021.

The Diocese does not have substantial reserves compared to some older Dioceses so we have to manage our financial resources with especial care. That means ensuring that our free reserves and our investment portfolio remain sufficient. We reviewed both our cash reserves policy and our investment policy in 2019.

The latter review has been led by the chair of the Investment sub-Committee, Andrew McMurtrie, who steps down after many years of service with our thanks and best wishes. In 2020 before the pandemic struck, we had already started to diversify away from being principally invested in UK equities towards global equities, although that could not prevent a fall in the value of our investments.

As the Diocesan Secretary explains, change is necessary to continue to implement the Southwark Vision, sustain our parishes and maintain our ministry across deprived as well as wealthier



Alan Saunders

parishes. Although uncertainties remain, I am confident that, given our partnership with the parishes, we will withstand setbacks to our finances and maintain resilience for the future. We are projecting a deficit for the current financial year – reducing over the subsequent two years – but hope that, as with last year, the outturn will be better than we forecast and that the PSF will hold up well again.

Finally, I would like to pay tribute to all the hard work of our central team, led by Ruth Martin, in this most difficult of years. They all rose to the task. I would like to thank especially Anthony Demby, our retiring Finance Director, for the excellent contribution he has made over the years and the invaluable support he has given Ruth and myself. It is appropriate, too, to thank Haysmacintre LLP, our departing auditors who have served the Diocese for many years, and to welcome Buzzacott LLP as our new auditors.

A handwritten signature in blue ink that reads "Alan Saunders".

The Diocesan Secretary

We will all remember 2020 as an extraordinary and troubling year for our nation, our dioceses, our churches and communities. This is reflected in our annual report and financial statements, with the food bank at the church of St Margaret, Streatham Hill on our front cover, and within the report itself other events and outcomes that attest to and reflect the uncertainties around us.

Whilst our strategic objectives to grow our Diocese in discipleship and numbers remain on course as the Southwark Vision, our church buildings were closed for much of the year and new, innovative ways of reaching people came to the fore, both in person through the great pastoral work across the Diocese and through digital work. We brought forward the design of our new website (launched February 2021), established a digital communications group, and the Bishop established the Coronavirus Task Group to guide our clergy and lay leaders as the turbulent year unfolded.

The difficulties of the year were reflected in the poorer than forecast performance of our investment funds, the reduction in property rental income and the challenges we faced trying to ease tenants from our properties in time for incoming clergy to take up post. We recognise that parishes were using reserves, increasing borrowing, seeking grants and making appeals in order to maintain their giving to the Diocese through the Parish Support Fund. We have been so grateful that the delivery of the pledge was maintained within 96% of the budget during 2020.

The Diocese borrowed £2.3m from the Church Commissioners to support our clergy stipends during the year (money

now repaid as I write), successfully sought sustainability grant support from the National Church, participated in the Coronavirus Job Retention “furlough” scheme, and also took difficult decisions about managing expenditure and reducing staffing in the Diocesan office by making nine posts, including six staff, redundant.

A number of parishes were exceptionally generous, including, for example, the PCC of Holy Trinity, Clapham, which came to our financial assistance as we housed the priest and young family at St Peter, Vauxhall, and the PCC of St Mary, Battersea, which was willing to offer generous loan support to a struggling parish. The financial result of the year reflects these unforeseen circumstances, and I am delighted that, for those items under direct management control, we yielded a small financial surplus.

Significant challenges remain and will be with us for the next few years. Despite this, we are intentionally seeking to move forward with resourcing the Southwark Vision which we continued to implement during the year, not least though the sustaining of our Fresh Expressions work, innovation in reaching young people and families, and through the development of Southwark as an Eco-Diocese.

During the year we established the Strategic Ministry Deployment Vision and Policy. This seeks to support the Vision through the affirmation of parish ministry and diversity in ordained and lay ministry, as well as the enhancement of lay ministry, retaining the strength of stipendiary clergy numbers and also more curates.



Ruth Martin

The Diocese is committed to long-term financial modelling to undergird mission and ministry, and pioneer ministry, both lay and ordained, will play an important part in this. Key to success in this will be the rebuilding of financial resilience, with a renewed focus on growing the PSF and supporting parishes' recovery as the cornerstone of our giving strategy.

In thanking parishes, clergy and lay leaders I also thank all my colleagues, and particularly Anthony Demby, our finance director, with whom I have had the privilege of working these last six years and who now can enjoy his retirement.

Thank you for the privilege of serving the Diocese.

A handwritten signature of Ruth Martin in black ink. The signature is written in a cursive style, with the first name 'Ruth' and the last name 'Martin' clearly visible.

Our Vision: a fruitful future

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

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

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

The Diocese of Southwark serves...



2.9 million people



in the 16 local authorities
of South London &
East Surrey



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



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



Clockwise from top: Lambeth and Dulwich Deaneries' Black Lives Matter event © Eleanor Bental; Bishop Christopher celebrating Remembrance Day alongside reservists from the Braganza Street Army Reserve Centre, the regimental headquarters of the 256 Field Hospital, in front of a statue of pioneering British-Jamaican nurse Mary Seacole; a moment captured during the Diocese's pilgrimage to Jerusalem in February 2020.

Legal objects

The Trustees, who are also Directors for the purposes of company law, present their Annual Report, together with the audited financial statements, for the year ended 31 December 2020.

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

This combined report satisfies the legal requirements for:

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

Legal objects

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

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

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

The SDBF has the following responsibilities:

- i. the management of glebe property and investments arising from the Endowments and Glebe Measure 1976 to generate income to support the cost of stipends;
- ii. managing the repair of benefice houses on behalf of the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- iii. to act as custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils (PCCs) as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

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

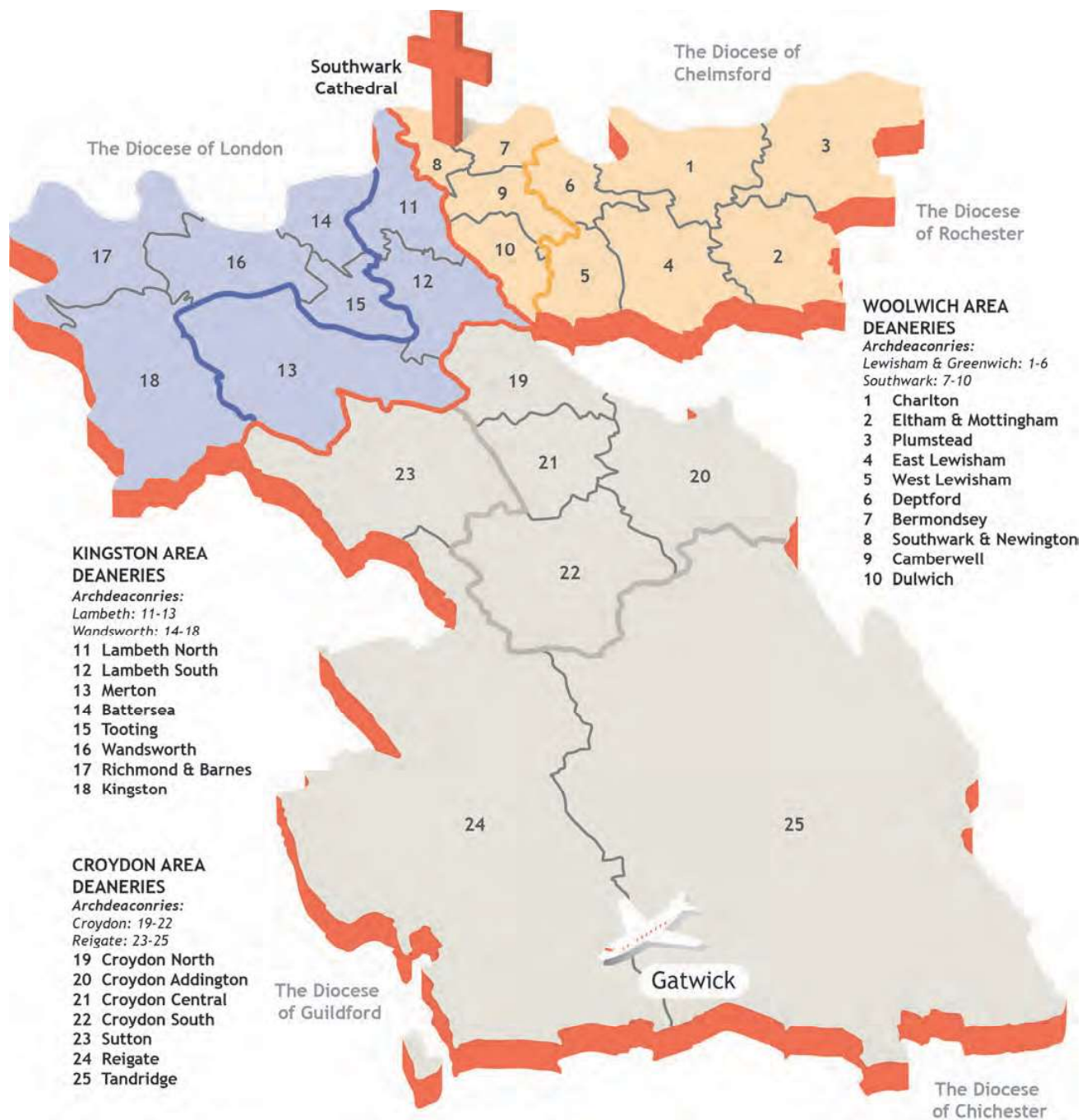
The standing committee of the Diocesan Synod is the Diocesan Council of

Trustees (Bishop's Council). Its members are also the members of the SDBF, the Diocesan Mission and Pastoral Committee (DMPC) and the Diocesan Parsonages Board. Each of these four bodies has coterminous membership.

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

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

Map of the Diocese of Southwark



A large, stylized graphic in shades of orange and yellow. It features a flame-like shape on the left side and a large plus sign (+) in the center, both rendered in a minimalist, geometric style. The background is a solid orange color.

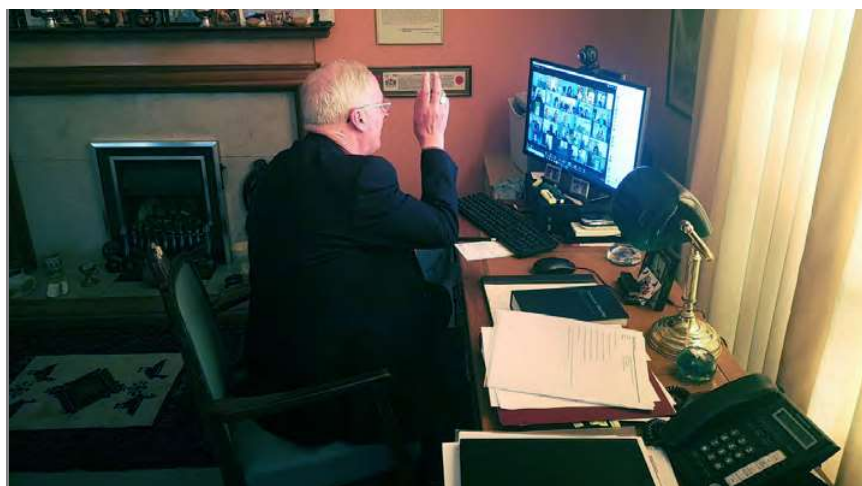
Strategic report

Strategic report

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

The purposes are:

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



Top, from left: the Revd Joshua Rey, Bishop Christopher, the Revd Vanessa Elston, Fleur Anderson, MP for Putney, Bishop Jonathan and Bishop Richard join a Christian Aid prayer vigil outside the Houses of Parliament on 11 March, calling for action on climate change. Bottom: Bishop Christopher licenses new priests over Zoom in the first virtual licensings in the history of the Diocese.

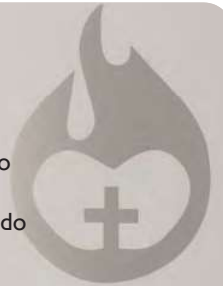
support for, and board membership of, Together Southwark, which is aimed at alleviating poverty through development projects and which, until the end of 2020,

was supported financially by the Church Urban Fund; from 2021, the Diocese will become sole corporate trustee.

Southwark Vision 2017-25 and strategic objectives

Southwark Vision

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



Objective One

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

The traditional measures of church attendance in the Church of England, such as usual Sunday attendance (uSa), continue to be collected and overall show an ongoing decline. However, the Diocese of Southwark is showing positive signs of starting to halt this decline. An increase in the Worshipping Community measure (those who consider themselves to be a full part of a church community) is particularly encouraging.

The latest figures, below, relate to 2019.

- The Worshipping Community in Southwark churches was 55,824, an increase of 7% since 2015 (Church of England comparison is a decline of 3%).
- The usual Sunday attendance (uSa) at Southwark churches was 31,623 adults and children, a decrease of 6% since 2015 (CofE comparison is a decline of 9%).
- On average, 38,213 people attended weekly services in Southwark churches, a decrease of 6% since

2015 (CofE comparison is a decline of 12%).

- On average, 6,548 children and 1,598 adults a week attended services for schools in Southwark churches, increases of 36% and 55% respectively (CofE comparison is increases of 8% and 4%).
- From 2015 to 2019 weddings in Southwark churches declined by 34% from 902 to 586 (CofE comparison was a 34% decline).
- In the same period, funerals in church declined by 2% and funerals taken by CofE ministers in crematoria by 41% (CofE comparison is declines of 15% and 33%, respectively).
- In total, 2,450 funerals were taken in Southwark in 2019, and 2,850 adults and children were baptised.

Objective Two

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

In 2019 we were encouraged to report that we had 78 new fxCs attended by some 2,890 people (1,240 children and 1,650 adults). These were found across the full range of Church traditions and, while many were Messy Churches, two-thirds were other types of fxCs.

As COVID-19 has had such an impact on these communities in particular, we are currently undertaking a full review on whether, and how, these fxCs are likely to continue and it is encouraging that anecdotal evidence is suggesting that many are paused rather than stopped completely.

Objective Three

To grow a financial resource base that allows investment in growth for the future. Key measurables include: annual financial surplus; working financial reserves equivalent to three* months' operating costs by 2020 (*revised in 2019); 1% of Diocesan turnover annually dedicated to major Diocesan ministry and mission projects beginning in 2016, rising to 2% by 2020.

2020's results were better than expected, helped by the resilient performance of the Parish Support Fund and parochial fees. We also received a £600,000 sustainability grant from the

Church Commissioners and benefited from the boom in the London property market at the end of the year with one good sale. Cuts were made to Diocesan office positions and budget while still keeping mission and ministry needs uppermost and a tight rein on expenditure. Property costs were lower due to the complete lockdown at parts of the year.

Regarding financial resilience and resources, the effect of the pandemic meant that the Diocese did not achieve its free reserves target in 2020 (target £5.9m, achieved £5.1m). The Diocese has £45.2m (2019: £45.8m) in designated funds and £138.0m (2019: £140.7m) in expendable endowments. Free reserves are expected to fluctuate owing to investments in improving and maintaining properties.

Objective Four

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

- The original target for increasing ordained vocations was achieved in 2018 (50% increase) and has continued to increase.



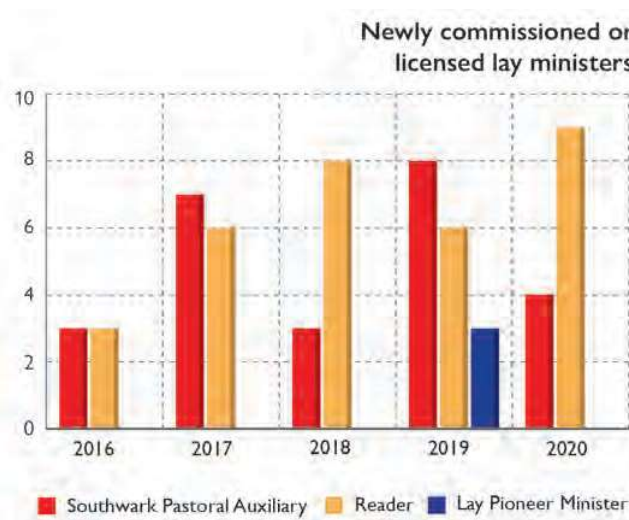
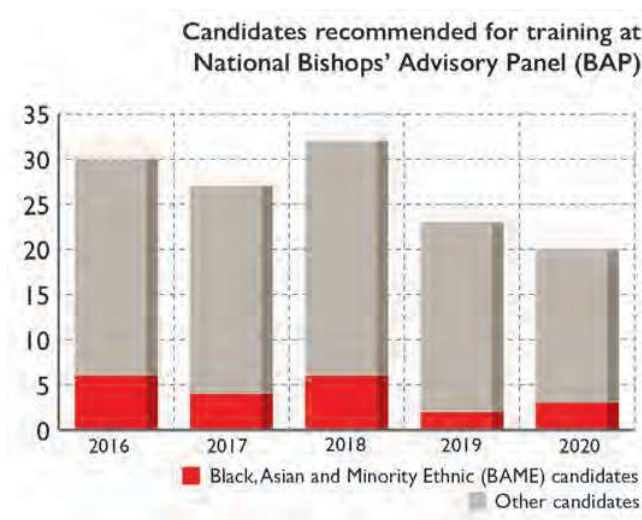
The Venerable Dr Rosemarie Mallett being installed as Archdeacon of Croydon.

- For licensed and commissioned lay leadership and ministry we have launched the Lay Council and undertaken some restructuring internally to provide a greater focus on the expansion of lay ministry and opportunities for post-licensing development with clergy and lay ministers together.
- There is much work to be done and we are seeking to increase existing ministries as well as to develop new commissioned lay ministries such as pioneer lay ministry and children's and families' workers. This will commence in September 2021.
- We are also seeking pathways to new licensed ministries such as licensed pioneer and suitably qualified Southwark Pastoral Auxiliaries (SPAs).
- The latest data is shown on page 15.

Objective Five

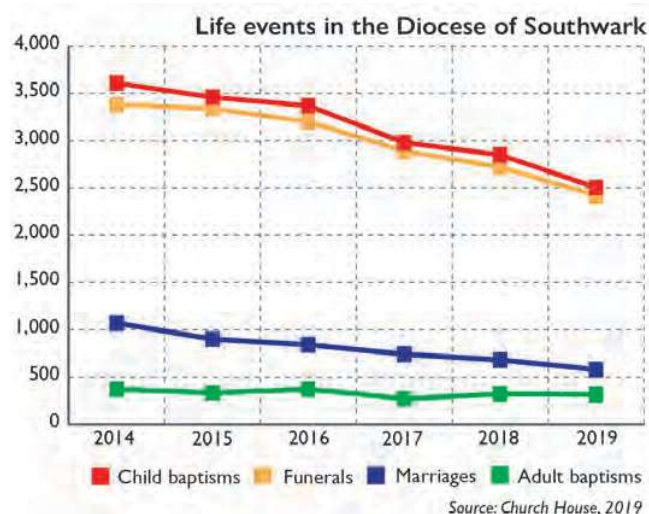
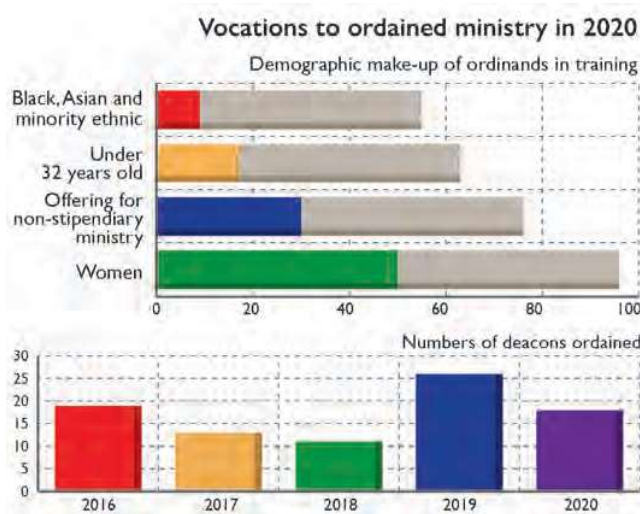
By 2025, to grow leadership and representation that reflects the rich diversity of our Diocese and especially focusing where the data suggests groups are currently under-represented: through ethnicity, age (especially 18-40), educational opportunities, material well-being, or tradition.

A huge amount of work is being undertaken to ensure that our ministers reflect the communities they serve. The ethnic background of clergy in senior pipeline roles is changing slowly but has not seen significant change in the past five years. We do, however, have a UKME (United Kingdom Minority Ethnic) Area Bishop and a UKME Archdeacon.



Progress made towards achieving 2020 objectives

2020 objectives	Progress made
To achieve a balanced budget within 1% of annual turnover.	Achieved with support of the Church Commissioners.
To maintain investment in Southwark Vision and Synodical initiatives.	Achieved.
To control costs on a baseline budget of 1% increase in the Parish Support Fund (PSF).	Achieved controlled costs beyond expectations in an exceptional year.
To continue to build reserves in line with reserves policy.	The long term plan remains but not possible given COVID-19.
To join the Parish Giving Scheme (PGS).	Achieved. Delayed by COVID-19 but successful pilots took place in summer 2020 and launched by year end.
To serve parishes well by providing opportunities to increase giving, including contactless giving, PGS, dedicated resources, and engagement with national initiatives.	Achieved. Good practice encouraged, contactless devices available, significant support for parishes during the pandemic, new Generous Giving Advisor funded by National Church.
To encourage renewed energy for the PSF.	Achieved. Extremely successful in pandemic year. Consistent communication and encouragement for specific parishes where needed during pandemic.
To encourage deaneries to share good practice and develop Deanery Leadership Teams (DLTs).	Full roll-out of DLTs and deanery development delayed by COVID-19 but a number of successful deanery initiatives took place during the year.
To provide for direct giving for Southwark Vision, including the Fairer Shares "arrears" policy.	A variety of gifts were received in 2020 but collection of Fairer Shares arrears was impacted by COVID-19.
To launch the first six projects of the second round of funding from the Strategic Development Fund (SDF) and complete submission for a further six.	Achieved. The first six projects launched but the Diocese not submitting for a further six.
To successfully embed the Lay Council to develop affirmed lay ministry opportunities, and to reinvigorate existing, and develop new, commissioned and licensed ministries.	Achieved. Embedding successfully with new lay ministries emerging.



Progress made towards achieving 2020 objectives

2020 objectives	Progress made
To implement Diocesan action plan for Turning up the Volume.	In progress.
To establish and launch a clear strategy for pioneer ministry.	Achieved.
To deliver mandatory Past Cases Review 2.	Started in September 2020. Timeline impacted by COVID-19 lockdown.
To maintain focus on the prevention of harm to vulnerable groups in our worshipping communities.	Achieved, and always ongoing.
To implement the move to cloud-based IT systems following review.	Achieved.
To discontinue proposed Blue Box installation following review and develop in-house property management system.	Achieved.
To continue move to online recording of parish information.	In progress. Parish Information Review implemented. Online PSF pledge system in place.
To launch communications strategy to meet needs of our diverse Diocese.	Linked to lay leadership and lay ministry initiatives.
To design and launch new website.	Completed just after year end (February 2021).
To review and relaunch Diocesan newspaper <i>The Bridge</i> .	Achieved.
To complete parsonage condition surveys, develop five- and 10-year maintenance plan and plan reintroduction of quinquennial inspections for parsonages.	Impacted by COVID-19; to be completed in 2021.
To progress measure to combat knife crime collaboratively with other Dioceses and partners.	Work in progress; partnership with Synergy Network achieved.
To agree priorities for Eco Diocese.	In progress.

Other activities and achievements in the year

The activities of the SDBF come in the context of Southwark Vision which developed from earlier Strategy for Ministry and Hearts on Fire reports and the strategic objectives provide additional context for the annual objectives, many of which are operational.

The Christian presence

In the year of the pandemic the Diocese raised £16.0m through voluntary contributions to the Parish Support Fund (PSF) to fund mission and ministry across the Diocese.

Ministry and discipleship

- The Diocese deployed Strategic Development Fund money from the Archbishops' Council to develop 40 new Fresh Expressions of Church (fxC) in 2020, in addition to the grants we gave to new and existing fxCs. Since 2016, 102 fxCs have been verified in the Diocese; even in the pandemic 49 have continued to be live during 2020 (92 have indicated that they will restart after restrictions have lifted). With the new grants there are 141 fxCs in total, exceeding the 100 fxCs we expected by the end of 2020.
- The work of embedding the Lay Council continued to provide the foundation for the development of existing and new lay ministries at affirmed, commissioned and licensed levels.
- Bishop's Advisory Groups were established for Readers and SPAs, the two existing authorised lay ministries at licensed and commissioned levels, and the



Southwark Diocesan Board of Readers and Southwark Pastoral Auxiliary (SPA) Council were brought to a close.

- SPAs are a highly valued commissioned ministry, but in 2020 we began plans to also offer the Bishop's licence to particular individuals. Wendy Stephens was the first SPA to be licensed by Bishop Christopher in this way.
- Plans to affirm pastoral ministry in particular were developed, together with plans for commissioning children's and family workers and extending training pathways for commissioned lay pioneers.
- 18 deacons were ordained to serve in parishes across the communities of the Diocese.

- Nine Readers were licensed and five SPAs commissioned.
- The numbers of Southwark-run short courses fell in 2020 owing to the pandemic. However, attendance stabilised over the course of the year as online training came on stream, with the Bishop's Certificate and courses on preaching and spirituality holding up particularly well with their new online presence.

Mission and evangelism

In 2020, the two departments with responsibility for The Five Marks of Mission (Mission and Evangelism, and Justice, Peace and Integrity of Creation) were reorganised into one, creating a framework for a holistic missional approach.

The activities of the two departments in the year included:

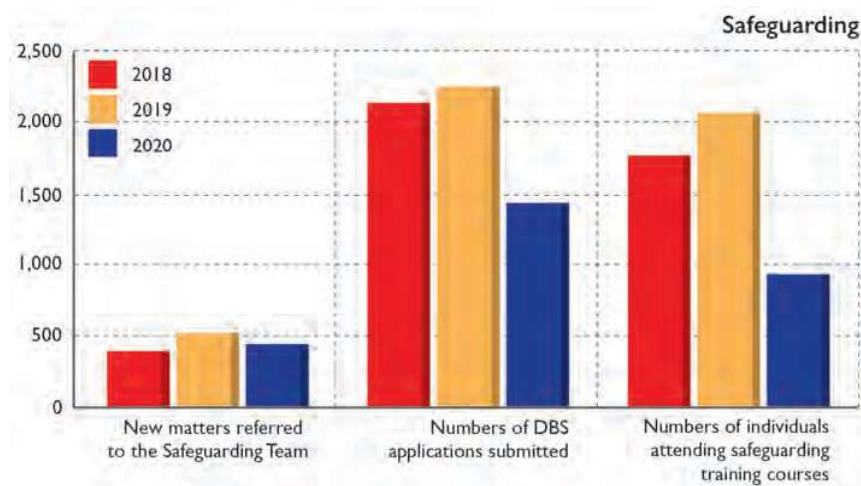
- supporting Thy Kingdom Come, the global prayer initiative, with printable resources and videos
- dedicated COVID-19 Mission Action Planning sessions
- supporting children and youth workers with (before lockdown) a networking lunch for paid workers and (after lockdown) Zoom sessions
- continuing the work of the Woolwich Youth Forum with 13 sessions attended by 35 young people
- contributing to the work of the Synergy Network, which in December launched a new website aimed at tackling youth knife crime
- helping Southwark work towards becoming a Bronze Eco Diocese. Between November 2019 and November 2020, the number of churches registered as Eco Churches went up from 69 to 108. In the same time period, Bronze awards went up from nine churches with awards to 19, and Silver went up from four to six.

In addition:

- the Children and Youth team delivered 10 courses catering to a total of 207 attendees
- Together Southwark co-ordinated the work of Lunchbox Library, a service offering hot meals to children in the school holidays. In 2020, the service supported 487 children with 12,105 meals.

Safeguarding

- During 2020, with churches closed for much of the year, there was a



decline in safeguarding concerns from parishes.

- Safeguarding training courses were initially suspended during lockdown but later in the year, either in person or remotely, 931 people attended. These safeguarding training courses were delivered in line with the evolving national safeguarding learning and development framework.
- There was a 15% decrease in new matters referred to the Diocesan Safeguarding Team during 2020, down to 441 in 2020 from 516 the previous year.
- 1,425 online Disclosure and Barring Service (DBS) applications were made in 2020.
- The Diocese successfully started the past cases review (PCR2), a national requirement to review historical safeguarding cases.
- 2020 also saw the publication of the IICSA report into the Church of England which has recommendations which will impact

Dioceses as the Church consults on changes to safeguarding policies.

In addition, the DBF (DCT):

- ensured that there was adequate safeguarding resourcing in the Diocese in accordance with the instructions of Diocesan Synod, with an increase in Assistant Diocesan Safeguarding Adviser resource
- ensured that there were clear lines of accountability between the Diocesan Bishop and key Diocesan staff, including the Diocesan Safeguarding Adviser
- ensured safer recruitment and training of any church officers working with children, young people and/or vulnerable adults employed by the DBF.

Other activities

Grants and funding

- The Diocese successfully applied for a £600,000 sustainability grant from the Church Commissioners

Other activities and achievements (continued)

in light of the pandemic.

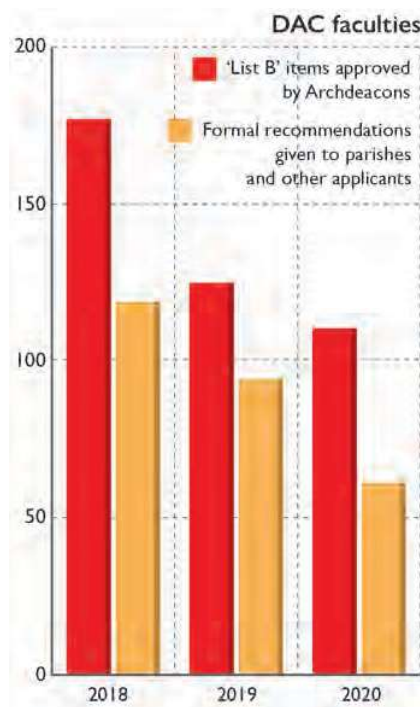
- The Diocese continues to recruit to fill posts paid for through the six Strategic Development Fund (SDF) projects in the Diocese, which will also enable us to consider how to replicate growth and development across the Diocese.

Personnel

- The Diocese paid the stipends of 292.5 full-time equivalent incumbents, curates and other clergy, based primarily in parishes.
- As part of the Diocese's ongoing human resources (HR) advisory service, during 2020 there were at least 219 enquiries. This was a significant increase on previous years as a direct consequence of the Coronavirus pandemic, with parishes seeking advice about the effects on their paid staff, including furlough arrangements, and in some cases issues about redundancy. Advice and updates about furlough was also provided through the Coronavirus Task Group bulletins. There were seven cases requiring longer-term support to parishes.

Buildings and pastoral

- During the year, the Diocesan Advisory Committee (DAC) gave 61 formal recommendations to parishes and other applicants, and 110 "List B" items were approved by Archdeacons after consultation with the DAC.
- 2020 was the first year in which Committee members participated in DAC virtual "visits" (by video-conferencing), in addition to



continuing to offer some in-person site visits where possible. The DAC worked with parishes seeking speedy advice and permissions in response to COVID-19, for example to install fixed live-streaming cameras and audio-visual equipment in church buildings or to make modifications to church entrances to enable safe use through one-way systems.

- Responding to General Synod's February 2020 environment motion to work towards Net Zero Carbon by 2030, the DAC has been giving guidance on churches' proposals such as roofing insulation, heating and lighting. There are now 55 churches who are registered

members of the 100% green electricity Energy Basket provided by the Parish Buying service.

- Staff also assisted parishes in applying for grant funding, including from the Government's Culture Recovery Fund (where six churches obtained a total of £348,445), and from Marshall's Charity (three churches received £37,000 between them).
- Despite the lockdown we completed three new units of accommodation in Southwark and Lewisham & Greenwich Archdeaconries, creating more accommodation, particularly for curates.

Communications

- Bishop Christopher established the Coronavirus Task Group, whose members comprised himself, the Dean of Southwark, the Archdeacon of Lewisham & Greenwich, the Diocesan Secretary and the Director of Communications. The CTG provided advice and support to clergy and parish officers throughout the pandemic, with more than 35 bulletins being sent by the Communications Department.
- The Communications Department also provided technical support to parishes taking their services and other communications online. In parallel, the Digital Communications Group was established to further develop the Diocese's digital presence, particularly during the lockdown.



Top left: volunteers at Christ Church, Gipsy Hill prepare to deliver care packages Above left: cloth laid out ready for cutting as part of St Mary, Putney's initiative to sew scrubs for NHS workers. Top right: deacons at their 2020 ordinations in Kingston Episcopal Area. Centre right: Croydon ordinations. Below right: Woolwich ordinations.

Volunteers

Volunteering, particularly at food banks and in pastoral ministry, flourished during 2020. The service provided to a community through church volunteering has a significant impact on people's relationships with the

Church, particularly at times of crisis. Enabling the Church to flourish enables volunteering to flourish. National figures show that some 88% of churches in the Diocese were involved in some form of social action in 2019 (the most

recent year for which data is available), compared with a national figure of 77%. During the same time frame, 67% of Southwark churches ran at least one social action project, against a figure of 51% nationally.

Related parties

These include:

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



Pupils from Archbishop Tenison's School in Croydon volunteer during lockdown.

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

- SDBE Multi Academy Trust, which is an exempt charitable company (No 10385920). The SDBF has made a specific grant through the SDBE to underpin the development of the Multi Academy Trust (MAT). The SDBF is a member of the MAT and is represented through the Diocesan Secretary. As a member, the SDBF is entitled to nominate one-third of the directors of the MAT
- Southwark Diocesan Welcare (Welcare), a separate registered charity (No 1107859) to which the SDBF makes a grant. Welcare is a Christian charity working in South London and East Surrey with disadvantaged children and

families, irrespective of faith, culture, abilities or life choices. By offering family support, mentoring services and group work with parents and children, Welcare empowers families to rebuild their lives and family ties, helping parents to give their children happier, more confident childhoods. Mrs Anne Coates and the Diocesan Secretary Ruth Martin were Diocesan-nominated trustees in 2020, and in addition the Venerable Moira Astin, Archdeacon of Reigate, is an independent trustee

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

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

Future plans

It is planned that there will be a Diocesan deficit until the end of 2023, with the deficit in 2021 reducing by the end of 2022 and the potential for a balanced budget by the end of 2023. It is essential to make further progress towards stronger cash reserves. The Diocese will continue to review its investments in funds closely, particularly in considering further movement from UK equities towards global equities.

2020 was a very unexpected year. Although the Diocese has had to review its future plans in light of the COVID-19 pandemic, it is still committed to focusing on growth through Southwark Vision, and on seeking to work towards its strategic objectives: that, by 2025, there will be growth in numbers and in discipleship as we journey along together. The continuing investment in the projects around the Diocese that are part-funded by the Church Commissioners' Strategic Development Fund will be sources of replication and learning.

Going forward, as churches develop recovery plans post-pandemic, the long term may see deeper structural change in the Church nationally. However, the Diocese remains committed to maintaining the maximum possible number of stipendiary clergy and supporting parish structures, whilst also innovating with new forms of ministry including lay and ordained pioneer ministry and authorised lay ministry such as children's and family workers.

This is part of our strategic deployment vision, which sees increasing flexibility as we also continue to strive for two-thirds of parishes financially supporting one-third, rather than the other way round as



Clockwise from above: a team from St Mary, Lewisham help build the church's therapeutic garden; the Revd Andy Dovey, Lead Chaplain for Croydon Health Services, holds an Angels of the Nation statue. This was an award given to relatives of those who died in the pandemic; Readers are licensed in Southwark Cathedral.

at present. The Diocesan giving strategy will continue to be key.

The Diocese is also continuing its focus on diversity, seeking to ensure that the leadership reflects the communities we serve, especially any unrepresented groups. We are also seeking to build on the significant increase in volunteers working in pastoral ministry in communities served by our parishes.

During 2020, two reports from the National Church on lay leadership and lay ministry, *A Vision for Lay Ministries* and *Kingdom Calling: the Vocation, Ministry and Discipleship of the Whole People of God*, will contribute to the developing work of the Lay Council in the years to come. In addition, our restructured departmental organisation will provide opportunities for new learning and

training initiatives, including lay and ordained colleagues together. Plans also include a focus on curates with a review in the medium term of their training, placements and provision, taking into account developments in a national review of provision.

Developing our integrated databases, and innovating with new forms of communication and "mixed mode" events, will continue to be a priority.

COVID-19 has had a major impact on our Diocesan schools, and the Southwark Diocesan Board of Education (SDBE), which receives its core funding from the Diocese, will continue to be an important focus for our work with families and schools including the Growing Faith initiative.

Continued on page 24

Future plans (continued)

In 2021 we plan to:

- encourage parishes to develop COVID-19 Mission Action Plans that address our commitment to being Christ-centred and outward-focused, and seeking to encourage the ongoing development of Deanery Leadership Teams for mission
- launch the Diocese's Anti-Racism Charter and further commitment to supporting and sustaining ministry for ethnic minority communities, including those arriving from Hong Kong. This will also include work to systematically gather and review data to chart progress, mindful of the Black Lives Matter movement
- create training pathways to develop effective ministry in urban estates, expected to include new training approaches for lay pioneers
- continue to focus on the delivery of Southwark Vision which includes cultural changes to encourage diversity and innovation within the parish and deanery structures
- review parishes whose pledge to the Parish Support Fund is not covering their ministry costs, in order to move towards two-thirds of parishes supporting one-third where self-financing is not possible. This will link closely with our renewed giving strategy, especially the building up of the Parish Giving Scheme and the communication of the principles of informed generosity in our "new normal" post-pandemic context
- develop plans for a "quinquennial" conference in 2022 which for the first time will be non-residential and combine ordained and licensed lay ministers, as we celebrate being together again in events which can also include some mixed-mode



People in the Diocese enjoying online worship during the first lockdown.

- attendance for those unable to be present
- develop initial plans to consider long term the challenge of "carbon net zero", the launch of the Diocesan Environment Policy and continued work towards achieving Eco Diocese bronze status
- implement safeguarding reviews, including any actions from the Past Cases Review 2 (PCR2) and the Independent Inquiry into Child Sexual Abuse (IICSA) report
- launch the new Diocesan website, with renewed digital and social media communication whilst also recognising the significance of

hard copy and live communication and presentations as the Diocese journeys together, speaking well of each other through difference and diversity.

In addition, there will be a focus on growth and developing fruitful churches, including the implementation of the Strategic Ministry Deployment Vision with:

- continued investment from SDF funding providing opportunities for replication plants, for example St Matthew's at the Elephant
- an ongoing commitment to supporting our deprived communities, including 25 new worshipping communities on estates such as Thamesmead
- a review of parishes with usual Sunday attendance (uSa) of fewer than 50 adults to identify potential ministry and mission initiatives, including the use of pioneer ministry
- the implementation of our policy on "hub" and "resourcing" churches which will use innovative, flexible approaches to help grow, sustain and support local ministry, particularly as we aim for more pioneering ministers (both lay and ordained)
- development of new authorised ministries at commissioned level, particularly for those who work with children and families, and opportunities for affirmation at the local level in our communities, particularly in pastoral ministry.

Financial review

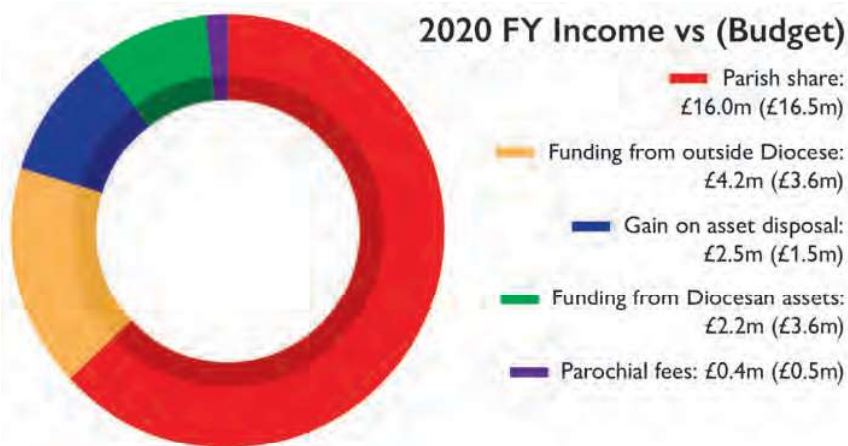
Financial performance

A surplus of £1.4m (2019: £3.9m) inclusive of gains on the disposal of investment funds and £1m on the reduction in pension liabilities was generated before revaluation, investment gains or losses. The result far exceeded the forecast made at the depth of the Coronavirus pandemic in April 2020 and is due to several factors: a redundancy programme in June 2020 resulted in the loss of six posts and a further three vacancies going unfilled; close monitoring of costs resulted in actual expenditure for the year coming in lower than budget; a £0.6m Sustainability Grant from the Archbishops' Council for COVID-19; the sale of three properties, which had been identified for disposal in the 2020 capital budget, all of which sold well; and from the reduction in pension liabilities of the Church of England Funded Pension Scheme of £1.0m (2019: £4.2m).

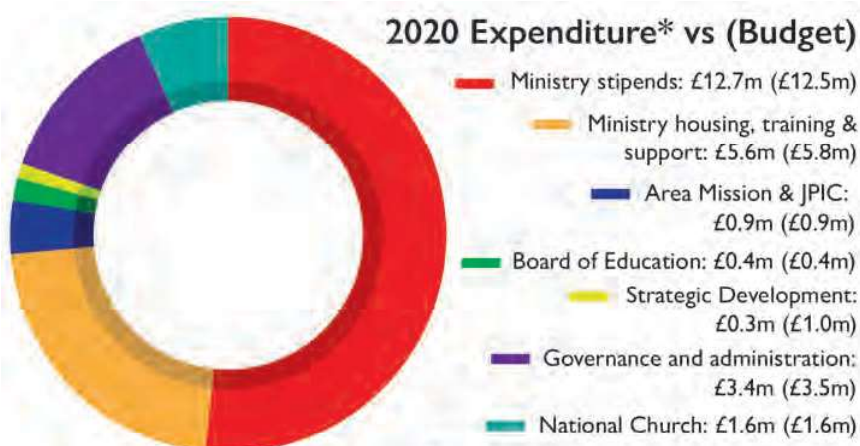
The increase in the value of Board and Diocesan Stipendiary Fund property of £0.4m (2019: £1.7m) was insufficient to offset the reduction in value of the investment portfolio of £4.6m (2019: £2.8m increase).

The donations made by parishes through the Parish Support Fund (PSF), which is the name of our parish share scheme, are our principal source of income. The generosity of our parishes has been magnificent. Income from the PSF in 2020 was £16.0m (2019: £16.4m). The collection rate for 2020 fell to 96.7% from 99% in 2019. The result is even more striking when set in the context of the mandatory closure of churches during the first lockdown from March to June 2020 and, from March 2020 onwards, significant reduction in letting income for parishes with halls. Grants from the Archbishops' Council increased due to the Sustainability Grant

2020 FY Income vs (Budget)

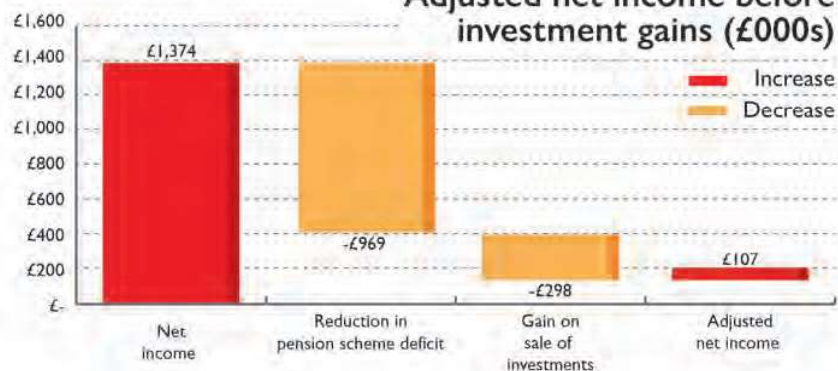


2020 Expenditure* vs (Budget)

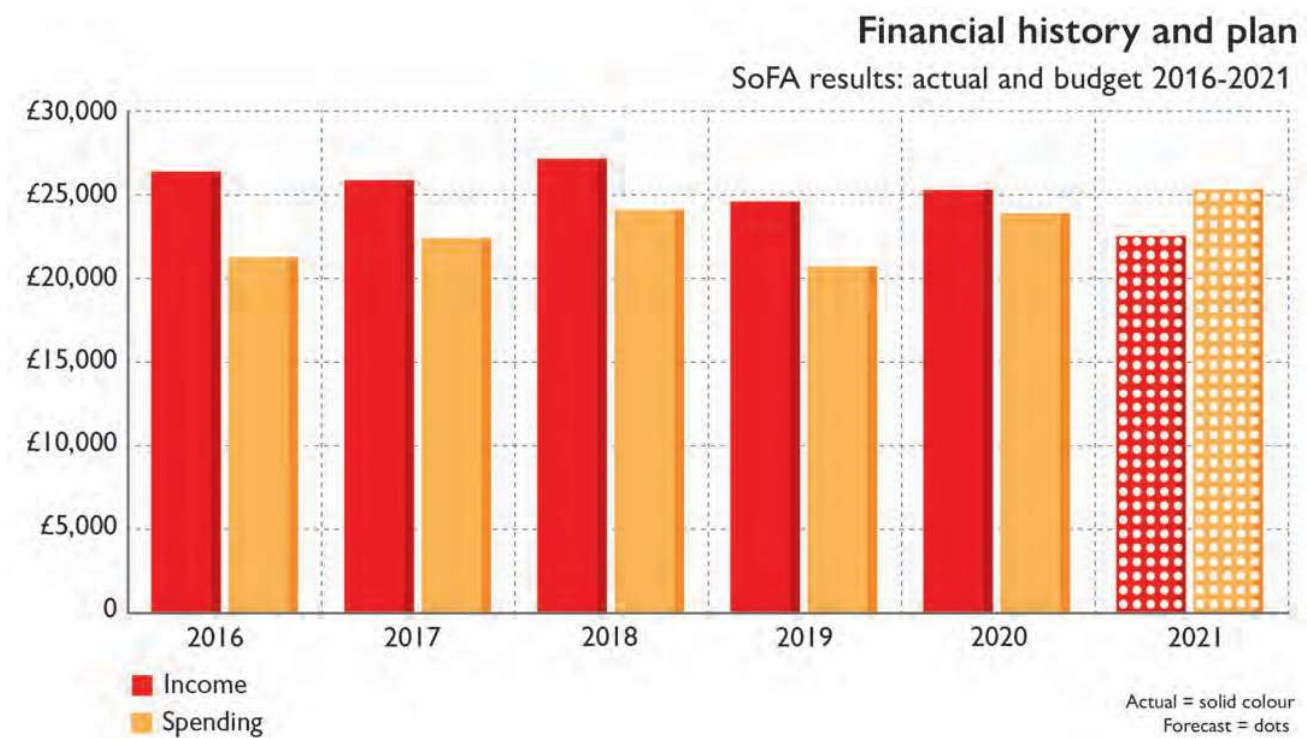


*Excludes reduction in pension scheme liability

Adjusted net income before investment gains (£000s)



Financial review (continued)



awarded in recognition of the steps taken by the Diocese to mitigate the effects of COVID-19 and to its very low level of historical assets. Other donations increased to £1.8m (2019: £1.6m), owing to an increase in the grant from the Trust for London and to a number of donations from parishes in excess of their agreed PSF pledge.

Income from charitable activities fell to £1.1m (2019: £1.4m), due principally to the significant fall in income from the Diocesan Retreat House because of the pandemic. Investment income fell to £1.9m (2019: £2.4m) due to the pandemic. UK equity income funds were particularly badly affected, and Government-imposed changes to

protect tenants during the pandemic negatively affected both the number of properties available for rent and the rent achieved.

In addition to gains from the disposal of properties of £2.0m (2019: £1.6m), which are the result of the ongoing programme of disposing of properties not suitable for missional needs, gains of £0.3m (2019: £nil) were realised on the sale of investments. However, these proceeds were reinvested in other funds.

The receipts from property sales are used to purchase more suitable properties, build more suitable accommodation, or substantially refurbish parsonage houses when they

fall vacant. During the year, work was completed on the conversion of a very large parsonage into three properties: a more manageably sized parsonage and two three- bedroom apartments for missional use or commercial let.

The reduction in costs is a result of proactive steps taken during the middle of the year to reduce staff numbers, a continuous examination of all areas of cost, and a fall in the deficit of the Church of England Funded Pensions Scheme for clergy.

The pandemic in general, and the first lockdown in particular, resulted in vacancy works not proceeding at the pace or in the quantity of previous years

Financial review (continued)

and this had a positive impact on costs in the year.

The amount spent on administration as a proportion of the total gross expenditure of the SDBF amounted to 8.2% (2019: 7.5%). This expenditure continues to be monitored rigorously. It is comparable to other Dioceses and other charities of a similar size and complexity.

The value of investments fell by £4.6m (2019: £2.8m increase) with UK equity income funds being especially badly affected. Net sales of investments during the year were £0.2m (2019: £nil). During the year £4.5m (2019: £nil) of funds were sold and the proceeds reinvested to increase diversification. Further detail on the investments and their performance can be found in the investment policy section on page 28.

This year we have separately disclosed impairment write-downs for greater transparency. Previously they have been included in the gains on revaluation of fixed assets. It is a non-cash item and is taken at a point in time. Properties are held for the long term and our experience has been that the sale price exceeds the carrying value of the asset.

The capital value of properties rose by £1.8m (2019: £2.6m). The overall increase reflected a stronger than expected London property market. Following the decision taken by the Trustees in 2016 whereby properties other than benefice houses were to be valued on a five-yearly cycle, one-fifth (20%) of the portfolio was revalued during the year by the SDBF's appointed

	2020 Number	2020 £'000	2019 Number	2019 £'000
Purchases:				
Parsonage	-	-	1	828
Board	-	-	2	1,070
Total	-	-	3	1,898
Property development and improvement:				
Parsonage	12	602	28	3,309
Diocesan Stipendiary Fund	3	100	4	363
Board	2	232	3	92
Total	17	934	31	3,764
Completed development projects:				
Parsonage	-	-	1	1,407
Diocesan Stipendiary Fund	3	844	-	-
Total	3	844	1	1,407
Sales at book value:				
Parsonage	1	409	4	1,980
Diocesan Stipendiary Fund	1	909	-	-
Board	1	511	4	3,488
Total	3	1,829	8	5,468

firm of chartered surveyors, and the average change in the value of the properties revalued was applied to the remainder of the portfolio.

Overall, funds on the balance sheet fell by £2.9m (2019: £8.4m increase).

Significant property transactions

A summary of property transactions

that took place during the year is shown in the table, right. Expenditure on property development and improvements continue to take place, both to increase the number of units available for curates and other church workers and to ensure that parsonage houses are fit for purpose. This is in line with our property strategy endorsed by Diocesan Synod and to support Southwark Vision.

Financial review (continued)

During the year work was completed on the sub-division of two parsonages to create three additional units of accommodation.

Our policy continues to be:

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

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

Balance sheet position

During 2020 the SDBF borrowed £2.3m from the Church Commissioners. The loan has been repaid in full after the balance sheet date. The borrowing from HSBC at Streatham Hill Saint Margaret has been refinanced due to delays in obtaining planning permission. Once

permission has been granted the site will be sold and the loan repaid.

The Trustees consider that the balance sheet, together with details in Note 21 (see pages 74-75), show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. The net assets at the balance sheet date totalled £289.1m (2019: £292.0m). Included in this total are properties, mostly in use for ministry, whose value amounted to £268.9m (2019: £269.0m).

Reserves policy

Free reserves

Free reserves are the total of the unrestricted General Fund. Having considered financial risk, liquidity requirement and the timing of cash flows throughout the year, the Trustees reviewed and amended the policy in 2019. The Trustees' policy was gradually to grow working financial reserves in the General Fund such that it was equivalent to three months' budgeted unrestricted expenditure by the end of 2020, with an aspiration to achieve six months' budgeted unrestricted expenditure by the end of 2025.

At 31 December 2020, the amount required under this policy totalled £5.9m (2019: £6.1m). Actual free reserves as at 31 December 2020 totalled £5.1m (2019: £6.8m).

Reserves invested in fixed assets

The General Fund comprises net assets amounting to £5.1m (2019: £6.8m), of

which £2.9m (2019: £3.3m) is invested in tangible fixed assets, principally freehold and leasehold property, and a further £2.5m (2019: £3.5m) is held in pooled fund investments.

Designated funds

The Trustees may designate additional unrestricted reserves to be retained for an agreed purpose where this is prudent. Such designated reserves are reviewed on an annual basis and returned to the General Fund if the purpose of their designation is no longer considered to be adequate justification for their retention.

A description of each reserve, together with the intended use of the reserve, is set out in Note 22 (see page 76). At 31 December 2020, total designated reserves were £45.2m (2019: £45.8m). The policy of the Trustees is to gradually return as many of these funds as possible to the General Fund.

Restricted and endowment funds

As set out in Note 21 (see pages 74-75), the SDBF holds and administers a number of restricted and endowment funds. As at 31 December 2020, restricted funds totalled £2.9m (2019: £3.5m) and endowment funds totalled £235.8m (2019: £235.9m). Neither are available for the general purposes of the SDBF.

Grant-making policy

The Articles of Association of the SDBF allow for the making of grants in pursuance of its objects. The grants made in the current and previous year

Financial review (continued)

are disclosed in Note 12 (see pages 62-63). All grants are made from budgets set aside for specific purposes and are subject to authorisation policies and criteria.

Investment policy

The SDBF is permitted by its Articles of Association to make investments. Note 21 (see pages 74-75) provides details of the assets of each fund, together with the related purposes. Note 16 (see page 69) summarises the movements in investments during the year. The investment principles were reviewed towards the end of 2018.

With most of its capital assets in residential housing, the focus of the Trustees is on the selection and review of investment funds to provide additional income to the Diocese whilst aiming to maintain the inflation-adjusted value of capital. The investment policy and principles in this align with the property strategy and Southwark Vision 2017-25.

The Trustees' investment policy is:

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

	Funds at 31 December 2020 £'000	Proportion of portfolio %	Income yield in year %	Total return in year %
Managed funds:				
M&G Equity Investment Fund for Charities	7,678	31.8	4.9	(12.5)
Cazenove Charity Equity Income Fund	3,746	15.5	4.8	(11.7)
JO Hambro UK Equity Income Fund	2,337	9.6	3.7	(15.4)
CBF Investment Fund	147	0.1	2.8	9.7
Savills Charities Property Fund	2,985	12.3	3.9	1.3
Mayfair Capital PITCH Fund	3,082	12.7	4.6	(1.3)
Sarasin Global Higher Dividend Fund	4,346	18.0	1.8	3.2
Total	24,321	100.0		

The investment objectives are:

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

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

Whilst the portfolio recovered some of the losses suffered during the March 2020 sell-off it finished the year 16% lower than it started. The

results were marginally lower than the benchmark FTSE All Share Total Return Index, generating a decrease of 11.2% compared with a decrease of 10.9% in the benchmark.

The SDBF does not adopt a total return policy for its investments but looks to identify investment managers who can produce income growth whilst preserving capital subject to agreed risk tolerances. Income generated in the year fell to £1.1m (2019: £1.5m).

During the year investments in UK equity funds were sold and the proceeds invested in global equity funds for diversification purposes, a policy agreed by the Trustees in 2019.

Principal risks and uncertainties

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

The principal risks below reflect the risks approved by Trustees for 2020 which were revised in light of the economy and indeed society as a whole being impacted by the COVID-19 pandemic.

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

The risk register for the year ended 2020 identified eight areas where the risk of either failure to act or the impact of the events was considered “high”. These areas and the associated mitigation strategies were as follows:

1. Communication

The parishes work in partnership with the DBF to promote Southwark Vision and to resource the Vision to cover the costs of ministry through the Parish Support Fund (PSF). This requires constant communication about the work of the Diocese across South London and East Surrey, its mission and ministry initiatives. The risk is that insufficient funds are generated and that support across the Diocese

wavers. Mitigants include:

- close, transparent working relationships with all parishes and high quality communications delivered by a professional team.
- There is an additional risk of poor media coverage leading to reputational loss, mitigated by high quality public relations and rigorous attention to the press and social media, in particular to any historical safeguarding issues.

2. COVID-19

This was a new risk area added in light of the pandemic and, whilst it impacts on and features in other risk areas, Trustees agreed it needed to be identified also as a separate principal risk. COVID-19 has had a major impact on the patterns of worship, and on much of what we call church, particularly on opportunities for fellowship, visiting those in need, and worship in our churches. It is driving considerable change, transforming the social and economic context of our life together, and our churches have had to adapt to how they interact with their congregations and local communities. There is a risk that the necessary focus on the short term will distract from longer-term strategic objectives, and there is a risk of reduced pledge payments as parishes see a fall in their income. There is also a risk that remote working by staff impacts the practical outworking of the values of the Diocesan leadership and staff team, particularly of collaborative team working, and prolonged periods of remote working can impact the support offered to parishes as well as the well-being of staff. Mitigants include:

- developing communications strategies in a more digital environment

- additional team meetings taking place remotely
- even closer working of DBF staff with the Archdeacons to ensure that parishes are fully supported and encouraged to maintain pledge payments
- support for churches with their online initiatives as they reach existing church members and new audiences
- a focus on growing faith outside the church setting, including with children and young people.

3. Data and data protection (GDPR)

The COVID-19 pandemic brought renewed urgency to our plans for integrated databases. The collection, integrity and interpretation of data are key for good strategic decisions. The principal risks are that incomplete, inaccurate or misinterpreted data leads to poor decisions, wasted resource and has a negative impact on reputation. Mitigants include:

- ensuring that IT systems (including the National Church Institution's systems) are capable of collection and reporting the data needed
- that close contact with parish offices allows timely and accurate reporting
- an ongoing review of the data collected to ensure that it meets the needs of decision-making.

The Diocese and all parishes must comply with GDPR or risk legal and reputational consequences.

Mitigants include:

- all new staff being required to complete a training module during their probation
- the latest guidance from the ICO being followed and a helpline available to parishes for ad hoc queries.

4. Diocesan growth

The Southwark Vision includes five strategic objects which will lead to growth. The risk, exacerbated by the impact of COVID-19, is that the progress towards achieving these objectives is slowed, if not stalled. Mitigants include:

- a focus on supporting parishes with simplified Mission Action Plans
- an increased focus on children and young people
- a focus on Fresh Expressions of Church and pioneer posts (lay and ordained) as churches are encouraged to create new forms of engagement
- putting further energy into lay vocations and new lay ministries which maintain the momentum of ordained vocations
- a focus on growing leaders and representation that reflects the diversity of our Diocese.

5. Financial risks

The economic downturn and closure of churches because of COVID-19 has resulted in loss of income and cash flow difficulties for many of our churches with the consequential risk of a reduction in pledges being paid. Mitigants include:

- a renewed effort and priority given to communication with parishes and specific support through Archdeacons where this is helpful
- launching innovative approaches to giving, and ensuring that our digital communication commends different forms of giving
- a continued focus on the theology of generosity supported by resources for parishes through the Head of Giving post and the new Giving Advisor post, offering alternative ways of giving, for example online
- close monitoring of pledge receipts and offering support

with financial planning

- the launch of the Parish Giving Scheme.

6. Governance

Given the increasing and evolving compliance and regulatory framework for large charities, the risk is a lack of accountability and lack of transparency in decision-making. Mitigants include:

- ensuring that the scheme of delegation is followed and matters are dealt with at the correct level of governance with all terms of reference of the constituent bodies being rigorously followed
- that meetings between the Diocesan Secretary and Chair and Vice-Chair of the DBF occur at least monthly reviewing financial performance and that there is a formal presentation of annual objectives and progress on objectives to Trustees and Diocesan Synod.

7. IT

There is a risk that the loss of access to electronic data, including e-mails, affects the ability of Diocesan staff to fulfil their responsibilities. Mitigants include:

- ongoing investment in IT, especially in light of more remote working, as the outcome of the external IT Review is implemented with a move to the cloud
- frequent backups, with a robust disaster recovery plan. The sudden move to remote working in March 2020 was a good test of the migration to the cloud and of our IT systems development.

8. Safeguarding

As a result of the national Independent Inquiry into Child Sexual Abuse (IICSA), and new requirements for the way in which

serious incidents are recorded, resourcing was expanded during 2020. Where there might be one or more occurrences of abuse by someone working for or on behalf of the Church, with consequences for those affected, there is also a reputational risk in the event of poor safeguarding practices. Mitigants include:

- ensuring that transparent accountability is robust and secure, and that the Safeguarding Team is fully resourced and line-managed by the Diocesan Secretary
- legal advice being sought where necessary, particularly with regard to information-sharing
- that parishes are required to use the online arrangements for Disclosure and Barring Service checks as part of the safe recruitment of those who work with children, young people and adults who may be at risk of harm
- that the comprehensive training programme is developed and delivered by the Safeguarding Team to all relevant staff and volunteers, with compulsory attendance for those in key roles and delivered online during COVID-19. The risk of a backlog developing can be mitigated by online programme
- rigorous recording of data and production of statistics to allow full and ongoing reviews of Diocesan safeguarding processes as well as input into IICSA
- all safeguarding work being supported by a proactive and sensitive PR and media strategy
- the formal reporting of safeguarding activity and key risks for annual scrutiny by the Diocesan Audit and Risk Committee and the whole Trustee body at the DCT is a further important mitigant of risk.

Governance

A stylized background graphic on a dark blue gradient. It features a large, light blue flame-like shape on the left side, and a large, dark blue cross-like shape on the right side. The cross is composed of two thick, intersecting lines.

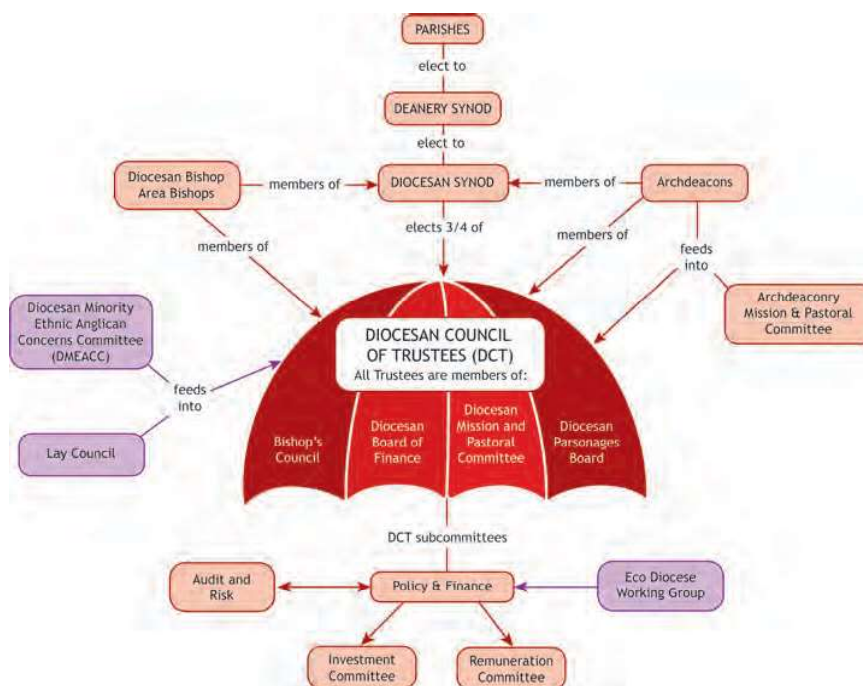
Structure and governance

Summary information about the structure of the Church of England

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

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

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



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

Organisational structure

The South London Church Fund & Southwark Diocesan Board of Finance (SDBF) is a company limited by guarantee (No 236594) and a registered charity (No 249678) governed by its Articles of Association. It was incorporated in 1929. The Articles were updated and modernised during

2017. The Company Secretary is the Diocesan Secretary.

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

Structure and governance (continued)

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

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

each of these, except that the Deputy Diocesan Secretary is Secretary to the DMPC.

Decision-making structure

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

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

- initiating proposals for action by the Synod and advising it on matters of policy
- delegating, where appropriate, deliberation of policy and review

of decisions to its Policy and Finance Committee, Audit and Risk Committee and Investment Committee

- transacting the business of the Synod when it is not in session, subject to the directions of the Synod and in accordance with Synod Standing Orders
- acting as the Trustees of the Board
- establishing ad hoc review groups, their terms of reference and membership
- carrying out such other functions as the Synod delegates to it
- appointing members to committees and representatives to external bodies, subject to the direction of the Synod.

The Trustees are assisted in their work by two committees.

The Policy and Finance Committee (PFC)

The Policy and Finance Committee (PFC) is the standing committee of the DCT and monitors management accounts and budget, the use of assets and investment policies, and exercises the authority delegated to it by the Trustees in areas such as grants and loans. It also undertakes the Board's responsibilities under the Parsonages Measures 1938 and 1947; the Repair of Benefice Buildings Measure 1972; the Parochial Church Councils (Powers) Measure 1956, as amended, and the Incumbents and Churchwardens (Trusts) Measure 1964 (with respect to parochial property); the Endowment and Glebe Measure 1976 (with regard to property assets); and the Mission and Pastoral Measure 2011 (with regard to redundant churches). In addition, this

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

The Audit and Risk Committee

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

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

Trustee recruitment, selection and induction

Board Trustees (DBF) are also members of the Bishop's Council, DMPC and Diocesan Parsonages Board and are selected as set out above. Potential

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

Remuneration of key management personnel

Remuneration of the Diocesan Secretary is determined annually by the Remuneration Committee, which also receives the Diocesan Secretary's remuneration recommendations for members of the Senior Management Team, which the Remuneration Committee then considers for approval. The committee is a sub-committee of the PFC, formally reporting through it to the Board. It is chaired by the Bishop of Southwark and includes the Chair and Vice-Chair of the SDBF and any external consultants as they determine. The committee in 2020 included the Chair of the PFC.

Delegation of day-to-day delivery

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

Funds held as Diocesan Authority

The Board acts as Diocesan Authority or Custodian Trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956, as amended, and the Incumbents and Churchwardens (Trusts) Measure 1964 where the Managing Trustees are PCCs and others. These assets are not aggregated in the financial statements as the SDBF does not control them, and they are segregated from the SDBF's own assets by means of a separate bank account, separately identified investment holdings and a separate accounting system. Further details of financial trust assets, whose market value amounted to £16.6m at 31 December 2020 (2019: £16.5m), are available from the SDBF on request, and are summarised in Note 29 (see page 83). Where properties are held as Diocesan Authority, the deeds are identified as such and held in safe custody by the SDBF's solicitor, Winckworth Sherwood LLP.

Structure and governance (continued)

Section 172 statement

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

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

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

- The Directors are fully aware of their responsibilities to promote

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

- The Board regularly reviews how we engage with the parishes and Deaneries across the Diocese which comprise the electing body of Synod. In effect, the Directors through the DBF are the standing committee of Synod, and the Chairs of both the House of Laity and the House of Clergy are on the Board, as are representatives of both parish clergy and lay people in parishes.
- The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. In our Strategic Report (pages 12-31) we set out some of our other principal stakeholders, how and why we engage, and detail engagement outcomes. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision-making.
- The SDBF has good relationships with its suppliers, parishes and others. Committees of the DBF include members who hold roles in parishes; and engagement with parishes, including with volunteer lay officers and clergy, includes annual meetings across the Diocese, organised on an Archdeaconry and Deanery basis.
- The Diocesan Secretary is

effectively the Chief Executive Officer and is held accountable to the Board through regular meetings at least monthly with the Chair and Vice Chair; and through the Policy and Finance Committee where a range of employees attend, and through the Board meetings, any of which can be attended by employees from the Senior Management Team.

- Directors of the Board include the six Archdeacons and four Bishops and they have regular and open contact with employees at all levels of the organisation. All heads of departments have team meetings and individual meetings with staff and there are also all-staff meetings.
- The Senior Management Team has been designated as "senior management" for the purposes of the 2018 Code but not for the purposes of section 414C(8) of the Companies Act 2006. It comprises the senior functional management roles and together is made up of those with responsibility for interacting with the Company's principal stakeholders.
- The Board has had in place since 2015 measures to ensure that stakeholder interests are always taken into account. Where external legal advice is required, the Directors can consult with the Diocesan Registrar or ask senior staff such as the Diocesan Secretary or Deputy Diocesan Secretary to do so on their behalf.

Trustees' responsibilities

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

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

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

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



St Stephen, Dulwich; the picture, by St Stephen's Director of Visual Communications, Sarah Bucknall, won Ecclesiastical Insurance's regional photography prize early in 2020.

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

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

Statement of disclosure to the auditor

So far as the Trustees are aware:

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

Appointment of auditor

The appointment of new auditors, Buzzacott LLP, will be proposed at the Annual General Meeting.

Administrative details

Trustees

No Trustee had any beneficial interest in the Company during 2020. The following Trustees were in post during the period 1 January 2020 to the date of approval of these financial statements.

President

The Right Revd Christopher Chessun,
The Bishop of Southwark

Ex-officio

The Right Revd Jonathan Clark,
The Bishop of Croydon

The Right Revd Dr Richard Cheetham,
The Bishop of Kingston

The Right Revd Dr Karowei Dorgu,
The Bishop of Woolwich

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

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

The Venerable Simon Gates,
The Archdeacon of Lambeth

The Venerable Alastair Cutting,
The Archdeacon of Lewisham & Greenwich

The Venerable Moira Astin,
The Archdeacon of Reigate

The Venerable Dr Jane Steen,
The Archdeacon of Southwark

The Venerable John Kiddle,
The Archdeacon of Wandsworth

Chair of the House of Clergy of Diocesan Synod

The Venerable Dr Rosemarie Mallett

Chair of the House of Laity of Diocesan Synod

Mr Adrian Greenwood

Appointed by the Bishop of Southwark

Mr Alan Saunders,
Chair of the Board of Finance

Mrs Lotwina Farodoye

*Vice Chair of the Board of Finance (to 19 September 2020,
then the Bishop's nominee as the Revd Lotwina Farodoye
from 28 October 2020)*

Sir David Beamish

Vice Chair of the Board of Finance (from 14 November 2020)

Elected by Synod (House of Clergy)

The Revd Canon Peter Farley-Moore (to 21 December 2020)

The Revd Jonathan Macy

The Revd Gregory Prior

The Revd Katie Thomas

The Revd Alison Way (to 22 January 2020)

The Revd Canon Leslie Wells

Elected by Synod (House of Laity)

Mr Bill Bishop

Sir David Beamish (to 14 November 2020)

Mrs Rebecca Chapman

Mrs Jacqueline Dean

Mr John Dewhurst

Ms Despina Francois

Ms Vasanthini Gnanadoss

Mr Joseph Goswell

Mr Alex Helliwell

Dr David Keiller

Ms Solabomi Ogun

Mr Colin Plant

Lay persons elected as specialists

Dr Nicholas Burt

Mr Philip Fletcher

Mr Michael Hartley

Mr Andrew McMurtrie

Mr Nicholas Stansbury (from 4 March 2020)

Senior staff

Ms Ruth Martin (Lay Canon),
Diocesan Secretary

The Revd Canon Stephen Roberts
Deputy Diocesan Secretary (to 31 July 2020)

Mr Anthony Demby,
Director of Finance and Financial Assets

Mr Colin Bushell,
Diocesan Surveyor

Mr David Loft,
Director of Human Resources

Mr Mark Charlton,
Director of Information Technology
The Revd Canon Wendy Robins,
*Director of Press and Communications (to 2 November 2020,
then Director of Discipleship, Lay Ministry and Continuing
Ministerial Education)*
Ms Sophia Jones,
Director of Communications (from 2 November 2020)
Mrs Jacqueline Pontin
*Director of Strategic and Operational Projects (to 31 July 2020,
then Deputy Diocesan Secretary)*

Registered office

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

Advisers

Bankers

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

HSBC UK Bank plc
10 York Road, London SE1 7ND

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

Independent Auditor

Haysmacintyre LLP
10 Queen Street Place, London EC4R 1AG

Solicitors

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

Investment Fund Managers

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

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

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

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

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

Sarasin & Partners LLP
Juxon House, 100 St Paul's Churchyard, London EC4M 8BU

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

Insurers

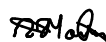
Ecclesiastical Insurance Group plc
Beaufort House, Brunswick Road, Gloucester GL1 1JZ

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

By order of the Trustees



Alan Saunders
Chair of the Board of Finance
20 May 2021



Ruth Martin (Lay Canon)
Secretary
20 May 2021

Financial statements

A stylized, monochromatic background graphic. It features a flame-like shape at the top, which transitions into a heart shape below it. Inside the heart is a cross. The entire graphic is rendered in shades of gray and brown, with a soft, ethereal glow effect.

Independent auditor's report

Opinion

We have audited the financial statements of The South London Church Fund & Southwark Diocesan Board of Finance for the year ended 31 December 2020, which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2020, and of the charitable company's net movement in funds, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements

Independent auditor's report (continued)

or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Annual Report (which incorporates the Strategic Report and the Directors' Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report included within the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the charitable company or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company 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.

Responsibilities of Trustees for the financial statements

As explained more fully in the Trustees' Responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether owing to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to

continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including

fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the charitable company and the environment in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to charity law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Charities Act 2011, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- inspecting correspondence with regulators and tax authorities;
- discussions with management including consideration of known

or suspected instances of non-compliance with laws and regulation and fraud;

- evaluating management's controls designed to prevent and detect irregularities;
- identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- challenging assumptions and judgements made by management in their critical accounting estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

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 charitable company and the charitable company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



David Sewell
Senior Statutory Auditor

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

Date: 27 May 2021

Statement of Financial Activities

for the year ended 31 December 2020

		Unrestricted funds		Restricted funds	Endowment funds	Total funds 2020	Total funds 2019
		General	Designated				
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:							
Donations	3						
Parish contributions		15,980	-	-	-	15,980	16,413
Archbishops' Council		876	-	1,150	-	2,026	1,123
Other donations		1,714	38	-	-	1,752	1,631
Charitable activities	4	1,096	-	-	-	1,096	1,360
Other activities	5	61	-	-	-	61	148
Investments	6	1,798	-	97	-	1,895	2,358
Other	7	274	1,341	-	853	2,468	1,568
Total		21,799	1,379	1,247	853	25,278	24,601
Expenditure on:							
Raising funds	8	7	-	-	17	24	24
Charitable activities	9	22,813	-	1,061	6	23,880	20,687
Total		22,820	-	1,061	23	23,904	20,711
Net income/(expenditure) before investment gains		(1,021)	1,379	186	830	1,374	3,890
Net (losses)/gains on investments	16	(553)	-	(495)	(3,593)	(4,641)	2,839
Impairment write-downs	15	-	-	-	(1,400)	(1,400)	(950)
Net (expenditure)/income		(1,574)	1,379	(309)	(4,163)	(4,667)	5,779
Transfers between funds	14	(103)	(2,399)	(246)	2,748	-	-
Other recognised gains:							
Gains on revaluation of fixed assets	15	-	445	-	1,364	1,809	2,636
Net movement in funds		(1,677)	(575)	(555)	(51)	(2,858)	8,415
Total funds brought forward		6,813	45,784	3,498	235,897	291,992	283,577
Total funds carried forward	20	5,136	45,209	2,943	235,846	289,134	291,992

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

Income and expenditure account for the year ended 31 December 2020

	2020	2019
	£'000	£'000
Total income	24,425	24,601
Total expenditure	(23,881)	(20,695)
Operating surplus for the year	544	3,906
Net (losses)/gains on investments	(1,048)	672
Net (expenditure)/income for the year	(504)	4,578
Other comprehensive income:		
Revaluation of fixed assets	445	772
Net assets transferred to endowments	(2,748)	(4,328)
Total comprehensive (expenditure)/income	(2,807)	1,022

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

Balance sheet as at 31 December 2020

Company Number 236594			2020	2019
	Note	£'000	£'000	£'000
Fixed assets:				
Tangible assets	15		269,280	269,379
Investments	16		24,321	29,169
Total			293,601	298,548
Current assets:				
Debtors	17	1,897		1,170
Cash on deposit		1,895		669
Cash at bank and in hand		1,202		803
Total		4,994		2,642
Creditors: amounts falling due within one year	18	(5,195)		(2,251)
Net current (liabilities)/assets			(201)	391
Total assets less current liabilities			293,400	298,939
Creditors: amounts falling due after more than one year:				
Pension scheme liabilities	19		(185)	(1,154)
Other creditors	19		(4,081)	(5,794)
Net assets			289,134	291,992
Funds:				
Endowment funds			235,846	235,897
Restricted income funds			2,943	3,498
Unrestricted income funds:				
General Fund			5,136	6,813
Designated funds			45,209	45,784
Total funds	21		289,134	291,992

The financial statements were approved by the Board of Trustees and authorised for issue on **20 May 2021** and signed on behalf of the Board by:



Alan Saunders
Chair of the Board of Finance

Statement of cash flows for the year ended 31 December 2020

	2020	2019
	£'000	£'000
Net cash outflow from operating activities	(4,763)	(3,784)
Cash flows from investing activities:		
Dividends, interest and rent from investments	1,894	2,358
Proceeds from the sale of:		
Tangible fixed assets	4,536	6,790
Investments	4,465	-
Purchase of:		
Tangible fixed assets	(1,845)	(5,741)
Fixed asset investments	(4,259)	-
Net cash provided by investing activities	4,791	3,407
Cash flows from financing activities:		
Repayment of borrowing	(713)	(767)
Cash inflow from new borrowing	2,311	1,000
Net cash provided by financing activities	1,598	233
Change in cash and cash equivalents in the reporting period	1,626	(144)
Cash and cash equivalents at 1 January	1,471	1,616
Cash and cash equivalents at 31 December	3,097	1,472

Notes to the statement of cash flows for the year ended 31 December 2020

Reconciliation of net income to net cash flow from operating activities	2020 £'000	2019 £'000
Net income before investment gains for the year	1,374	3,890
Adjustments for:		
Depreciation charges	109	109
Dividends, interest and rent from investments	(1,894)	(2,358)
Movement in pension deficit recovery creditor less contributions paid	(969)	(4,164)
Decrease in value of Value-Linked Loans	15	-
Profit on sale of fixed assets	(2,306)	(1,568)
(Increase)/decrease in debtors	(726)	821
Decrease in creditors	(366)	(514)
Net cash used in operating activities	(4,763)	(3,784)

Analysis of cash and cash equivalents	2020 £'000	2019 £'000
Cash in hand	1,202	803
Notice deposits (less than three months)	1,895	669
Total	3,097	1,472

Analysis of changes in net debt	At 1 January 2020 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 December 2020 £'000
Cash	1,472	1,625	-	3,097
Loans falling due within one year	(300)	(1,598)	(1,713)	(3,611)
Loans falling due after one year	(5,794)	-	1,713	(4,081)
Total	(4,622)	27	-	(4,595)

Notes to the financial statements

I. Accounting policies

a. General information

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

b. Accounting convention and basis of preparation

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

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

c. Going concern

In light of the COVID-19 epidemic, the Directors/ Trustees have reviewed forecasts for the 12 months from the date of the approval of these financial statements and consider that there are no material uncertainties regarding the SDBF's ability to continue as a going concern.

d. Income

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

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

- iii) **Interest and dividends** are recognised as income when receivable.

- iv) **Grants received** that are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are not recognised in the SoFA and are included in creditors.

- v) **Parochial fees** are recognised as income when receivable.

- vi) **Donations** other than grants are recognised when receivable.

- vii) **Gains on disposal of fixed assets** are included within other income. Losses on disposal are included within other expenditure.

- viii) **Diocesan Stipendiary Fund income** is governed by the Diocesan Stipends Fund Measure 1953, as amended, and is restricted to the payment of clergy stipends. The income is fully expended within the year of receipt. The income and the related stipend expenditure are both included in the unrestricted column of the SoFA.

e. Expenditure

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

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

Notes to the financial statements

I. Accounting policies (continued)

e. *Expenditure (continued)*

- iv) **Support costs** comprise central management, administration and governance costs. The amount spent on raising funds and other activities is considered by the Trustees to be immaterial and all support costs are included within charitable activities. Costs are charged directly to the activity to which they relate, but where this is not possible, they are apportioned on the basis of staff time cost.
- v) **Pension contributions.** The SDBF participates in two defined benefit pension schemes (see Note 26 on pages 78-81): the Church of England Funded Pensions Scheme for clergy and the Church Workers Pension Fund (CWPF) for SDBF lay staff. The SDBF closed the Defined Benefit Scheme section of the CWPF to new members in July 2013 and it will close to existing members from 31 December 2022.

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

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

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

f. *Tangible fixed assets and depreciation*

Freehold and leasehold properties

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

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

Assets under construction

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

Properties subject to value-linked loans

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

Benefice houses

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

I. Accounting policies (continued)

f. **Tangible fixed assets and depreciation (continued)** **Depreciation on buildings**

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

Leasehold improvements

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

g. **Other tangible fixed assets**

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

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

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

h. **Other accounting policies**

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

i. **Financial instruments: assets and liabilities** **Concessionary loans**

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

Debtors

Debtors are recognised at the settlement amount due.

Cash and cash equivalents

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

Creditors and provisions

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

Value-linked loans

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

Notes to the financial statements

I. Accounting policies (continued)

j. Funds

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

- **Unrestricted funds** are the SDBF's corporate funds and are freely available for any purpose within the SDBF's charitable objects at the discretion of the Trustees. There are two types of unrestricted funds:
 - ◊ **general funds** which the SDBF intends to use for the general purposes of the SDBF
 - ◊ **designated funds** set aside out of unrestricted funds by the SDBF for a purpose specified by the Trustees.
- **Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- **Endowment funds** are those held on trust and administered by the SDBF to be retained for the benefit of the charitable company as a capital fund. In the case of the Parsonage Capital Fund, there are discretionary powers to convert capital into income and this fund is classified as expendable endowment. The Ministry Fund and the Diocesan Stipendiary Fund are endowment funds where there is no provision for expenditure of capital and these are classified as permanent endowments.

2. Critical accounting estimates and judgements

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

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

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

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

3. Donations

Parish contributions

Donations are made by the parishes of the Diocese using an informed generosity system.

	2020 £'000	2019 £'000
Unrestricted General Fund:		
Current year receipts from parishes	15,939	16,357
Previous year receipts from parishes	41	56
Total income	15,980	16,413

Church Commissioners and Archbishops' Council

2020	Unrestricted General Fund £'000	Restricted funds £'000	Total funds 2020 £'000
Sustainability grant	600	-	600
Strategic Development grant	-	529	529
Ordinand training grant	-	621	621
Area Bishops grant	276	-	276
Total	876	1,150	2,026

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

Two unrestricted grants were received: from the Church Commissioners, an Area Bishops grant to fund the Area Bishops' administrative costs; and, from the Archbishops' Council, a Sustainability grant to address the impact of COVID-19.

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

Notes to the financial statements

3. Donations (continued)

Other donations

2020	Unrestricted funds		Total funds 2020
	General	Designated	
	£'000	£'000	£'000
Unrestricted General Fund:			
All Churches Trust grant	258	-	258
Trust for London grant	1,369	-	1,369
Legacy income	-	38	38
Other grants and donations	87	-	87
Total	1,714	38	1,752

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

4. Charitable activities

	2020	2019
	£'000	£'000
Unrestricted General Fund:		
Statutory fees	361	421
Reimbursement of stipends	619	499
Other income	70	150
Diocesan Retreat House	46	169
Total	1,096	1,360

5. Other trading activities

	2020	2019
	£'000	£'000
Unrestricted General Fund:		
Room hire and recharges	61	148
Total	61	148

6. Investment income

2020	Unrestricted General Fund	Restricted funds	Total funds 2020
	£'000	£'000	£'000
Dividends receivable	965	97	1,062
Interest receivable	12	-	12
Rents receivable	821	-	821
Total	1,798	97	1,895

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

Notes to the financial statements

7. Other income

2020	Unrestricted funds				Total funds 2020
	General	Designated	Restricted funds	Endowment funds	
	£'000	£'000	£'000	£'000	
Coronavirus Job Retention Scheme claim	161	-	-	-	161
Gain/(loss) on sale of investments	(20)	-	-	318	298
Gain on disposal of other properties	133	-	-	535	668
Gain on disposal of benefice houses	-	1,341	-	-	1,341
Total	274	1,341	-	853	2,468

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

8. Fundraising costs

2020	Unrestricted funds				Total funds 2020
	General	Designated	Restricted funds	Endowment funds	
	£'000	£'000	£'000	£'000	
Property rental costs	7	-	-	17	24
Total	7	-	-	17	24

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

Notes to the financial statements

9. Charitable activities

2020	Unrestricted funds				Total funds 2020
	General	Designated	Restricted funds	Endowment funds	
	£'000	£'000	£'000	£'000	£'000
Contributions to Archbishops' Council:					
Training for Ministry	668	-	-	-	668
National Church responsibilities	651	-	-	-	651
Retired clergy housing costs	267	-	-	-	267
	1,586	-	-	-	1,586
Resourcing mission and ministry:					
Parish Ministry:					
Stipends and National Insurance	9,796	-	-	-	9,796
Pension contributions	3,129	-	-	-	3,129
Defined benefit pension scheme movement	(969)	-	-	-	(969)
Housing costs	3,520	-	-	-	3,520
Removal and resettlement grants	557	-	-	-	557
Other expenses	3,277	-	-	6	3,283
	19,310	-	-	6	19,316
Support for parish ministry	1,686	-	1,061	-	2,747
Diocesan Retreat House	231	-	-	-	231
	21,227	-	1,061	6	22,294
Total	22,813	-	1,061	6	23,880

9. Charitable activities (continued)

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

Notes to the financial statements

I0. Analysis of expenditure including allocation of support costs

2020	Activities undertaken directly	Grant funding of activities	Support costs	Total costs 2020
	£'000	£'000	£'000	£'000
Charitable activities:				
Contributions to Archbishops' Council	-	1,586	-	1,586
Resourcing parish ministry	18,663	880	1,961	21,504
Education and social responsibility	-	559	-	559
Diocesan Retreat House	231	-	-	231
Total	18,894	3,025	1,961	23,880

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

11. Analysis of support costs

2020	Unrestricted General Fund £'000	Endowment funds £'000	Total funds 2020 £'000
Central administration	1,860	6	1,866
Governance:			
External audit	34	-	34
Registrar and Chancellor	60	-	60
Synodical costs	1	-	1
Total	1,955	6	1,961

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

Notes to the financial statements

I2. Analysis of grants made

2020	Number	Individuals £'000	Institutions £'000	2020 total £'000
From unrestricted funds for National Church responsibilities:				
Contributions to Archbishops' Council	1	-	1,586	1,586
	1	-	1,586	1,586
From unrestricted funds:				
Southwark Diocesan Board of Education	1	-	351	351
Southwark Diocesan Welcare	1	-	208	208
Southwark Cathedral	1	-	18	18
Parishes for mission	138	-	181	181
Other institutions for mission	36	-	33	33
Individuals for mission	7	1	-	1
Clergy for settling in/first appointment	58	209	-	209
Clergy for study/sabbatical	20	12	-	12
Ordinands in training	17	230	-	230
	279	452	791	1,243
From restricted funds for various purposes within resourcing parish ministry:				
Mission and growth (Strategic Development Fund)	1	-	143	143
Education and development of women clergy (Gilmore Fund)	22	9	-	9
Clergy and lay training (Dartmouth House Fund)	12	44	-	44
	35	53	143	196
Total	315	505	2,520	3,025

I2. Analysis of grants made (continued)

2019	Number	Individuals £'000	Institutions £'000	2019 total £'000
From unrestricted funds for National Church responsibilities:				
Contributions to Archbishops' Council	1	-	1,593	1,593
	1	-	1,593	1,593
From unrestricted funds:				
Southwark Diocesan Board of Education	1	-	334	334
Southwark Diocesan Welcare	1	-	206	206
Southwark Cathedral	1	-	18	18
Parishes for mission	145	-	222	222
Other institutions for mission	47	-	93	93
Individuals for mission	10	13	-	13
Clergy for settling in/first appointment	68	229	-	229
Clergy for study/sabbatical	30	30	-	30
Ordinands in training	61	525	-	525
	365	797	873	1,670
From restricted funds for various purposes within resourcing parish ministry:				
Mission and growth (Strategic Development Fund)	1	-	3	3
Education and development of women clergy (Gilmore Fund)	29	10	-	10
Clergy and lay training (Dartmouth House Fund)	16	13	-	13
	46	23	3	26
Total	412	820	2,469	3,289

Notes to the financial statements

13. Staff costs

	2020	2019
	£'000	£'000
Employee costs during the year were as follows:		
Wages and salaries	2,445	2,435
National Insurance contributions	266	259
Pension costs	464	490
Termination payments	77	-
	3,252	3,184
The average number of persons employed during the year, including temporary staff:	2020	2019
	Number	Number
Administration and financial management	20	22
Property	11	11
Vocations, ministry, safeguarding and Diocesan Retreat House	23	28
Mission and public policy	20	26
	74	87
The average number of persons employed during the year based on full-time equivalents:	2020	2019
	Number	Number
Administration and financial management	19.9	17.6
Property	10.6	9.6
Vocations, ministry, safeguarding and Diocesan Retreat House	13.9	17.3
Mission and public policy	16.9	20.6
	61.3	65.1

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

	2020	2019
	Number	Number
£60,001-£70,000	3	5
£70,001-£80,000	1	1
£90,001-£100,000	1	1
Total	5	7

13. Staff costs (continued)

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the Trustees, for planning, directing and controlling the activities of the Diocese. During 2020 they were:

Diocesan Secretary and Company Secretary	Ms Ruth Martin (Lay Canon)
Deputy Diocesan Secretary	The Revd Canon Stephen Roberts (to 31 July 2020)
Director of Finance and Financial Assets	Mr Anthony Demby
Diocesan Surveyor	Mr Colin Bushell
Director of Human Resources	Mr David Loft
Director of Information Technology	Mr Mark Charlton
Director of Press and Communications	The Revd Canon Wendy Robins (to 2 November 2020, then Director of Discipleship, Lay Ministry and Continuing Ministerial Education)
Director of Communications	Ms Sophia Jones (from 2 November 2020)
Director of Strategic and Operational Projects	Mrs Jacqueline Pontin (to 31 July 2020, then Deputy Diocesan Secretary)

Remuneration, employer's National Insurance and pensions for these nine employees (2019: eight) was £707,000 (2019: £710,000).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out-of-pocket expenses totalling £1,000 (2019: £6,000) in respect of General and Diocesan Synod duties and other duties as Trustees. The following table gives details of the Trustees who were in receipt of a stipend and/or housing provided by the SDBF during the year.

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

Notes to the financial statements

13. Staff costs (continued)

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

The SDBF paid an average of 299 (2019: 292) stipendiary clergy as office-holders holding parochial or Diocesan appointments in the Diocese, and the costs were as follows:

	2020	2019
	£'000	£'000
Stipends	8,995	8,899
National Insurance contributions	707	713
Apprenticeship levy	40	39
Pension costs — current year	3,128	3,141
Total	12,870	12,792

The stipends of the Diocesan Bishop and Area Bishops are paid and funded by the Church Commissioners and are in the range £37,670-£46,180 (2019 range: £36,930-£45,270). The annual rate of stipend, funded by the SDBF, paid to Archdeacons in 2020 was in the range £36,635-£38,050 (2019 range: £36,272-£37,673) and other clergy who were Trustees were paid in the range £25,630-£27,342 (2019 range: £25,376-£27,071). The Archbishops' Council has estimated the value to the occupant, gross of income tax and National Insurance, of Church-provided housing in the Diocese in 2020 at £25,993 (2019: £26,940).

I4. Analysis of transfers between funds

2020	Unrestricted funds			
	General	Designated	Restricted funds	Endowment funds
	£'000	£'000	£'000	£'000
From General Fund to Diocesan Stipendiary Fund for reduction in CEFPS pension scheme deficit	(969)	-	-	969
From Strategic Development Fund to General Fund for project costs	246	-	(246)	-
From Parsonage Capital Fund to Diocesan Pastoral Account for the sale of benefice houses	-	409	-	(409)
From Diocesan Pastoral Account to Parsonage Capital Fund for benefice house additions	-	(147)	-	147
From Diocesan Pastoral Account to Diocesan Stipendiary Fund for property additions	-	(2,041)	-	2,041
From Board Property Fund to General Fund for sale of property	511	(511)	-	-
From Southwark Vision Development Fund to General Fund for project costs	109	(109)	-	-
Total	(103)	(2,399)	(246)	2,748

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

Notes to the financial statements

15. Tangible fixed assets

	Freehold & leasehold properties	Leasehold improvements	Furniture & equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation:				
At 1 January 2020	268,969	355	453	269,777
Additions	1,778	-	67	1,845
Disposals	(2,229)	-	-	(2,229)
Revaluation/impairment	394	-	-	394
At 31 December 2020	268,912	355	520	269,787
Depreciation:				
At 1 January 2019	-	115	283	398
Charge for the year	-	30	79	109
At 31 December 2020	-	145	362	507
Net book value at 31 December 2020	268,912	210	158	269,280
Net book value at 31 December 2019	268,969	239	171	269,379

Freehold and leasehold properties in the balance sheet are all vested in the SDBF, except for benefice houses which are vested in the incumbent. All properties in the current year and prior years are stated at fair value, except for benefice houses which are stated at deemed cost. The carrying value of benefice houses held at deemed cost at the balance sheet date is £143,186,000 (2019: £143,609,000).

All properties other than benefice houses were revalued to fair value at 31 December 2015 and are subject to revaluation on a five-year cycle. Properties with a fair value of £19,017,000 at 31 December 2020 (2019: £20,407,000) were revalued. The revaluation was carried out by Rapleys LLP in accordance with Royal Institute of Chartered Surveyors' professional standards and valuation practice statements and resulted in an increase in the value of these properties, excluding impairments, of £226,000 (2019: £590,000). An impairment review was carried out on certain parsonage and Diocesan Stipendiary Fund (DSF) houses resulting in a write down in value of £616,000 (2019: £950,000) against parsonages and £784,000 (2019: £nil) against DSF houses.

To maintain consistency with the SDBF's accounting policy of measuring properties other than benefice houses at fair value, the results of this valuation have been extrapolated across those assets not revalued at the balance sheet date. This has resulted in an additional revaluation gain in the year of £1,583,000 (2019: £2,047,000).

I 5. Tangible fixed assets (continued)

The carrying value of leasehold properties included within freehold and leasehold properties amounts to £1,809,000 (2019: £1,613,000).

The carrying value of assets under construction included within freehold and leasehold properties amounts to £44,000 (2019: £1,240,000).

Certain properties have been purchased with the help of value-linked loans from the Church Commissioners. The properties are revalued to fair value annually. On disposal the agreed share of the net sale proceeds will be remitted to the Church Commissioners and the related loan liability extinguished. During the year, one property (2019: one) with a carrying value of £400,000 (2019: £250,000) was disposed of. The value of these properties included within freehold and leasehold properties amounts to £2,490,000 (2019: £2,905,000). The revaluation loss on these properties amounts to £15,000 (2019: £nil) and has been netted off against the matching movement in the linked liability.

I 6. Fixed assets investments

	At 1 January 2020	Additions	Disposals	Transfers	Change in market value	At 31 December 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds:						
Unit trusts and similar funds	3,481	391	(840)	-	(553)	2,479
Restricted funds:						
Unit trusts and similar funds	2,805	-	-	-	(495)	2,310
Endowment funds:						
Unit trusts and similar funds	22,883	3,867	(3,625)	-	(3,593)	19,532
Total	29,169	4,258	(4,465)	-	(4,641)	24,321

Notes to the financial statements

17. Debtors

	2020	2019
	£'000	£'000
Due within one year:		
Concessionary loans to parishes	102	113
Loans to others	6	25
Other debtors and prepayments	1,242	573
	1,350	711
Due after more than one year:		
Concessionary loans to parishes	546	453
Other debtors	1	6
	547	459
Total debtors	1,897	1,170

18. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Bank loan repayment instalments due in one year	1,300	300
Church Commissioners' non value-linked loan	2,311	-
Other taxes and social security	73	73
Other creditors and accruals	511	878
Church of England Funded Pension Scheme	1,000	1,000
Total creditors: amounts falling due within one year	5,195	2,251

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

	2020	2019
	£'000	£'000
Loans repayable in instalments due after more than one year:		
Commercial loans	591	1,889
CBF loan	1,000	1,000
Church Commissioners' value-linked loans	2,490	2,905
	4,081	5,794
Pension scheme liabilities:		
Church of England Funded Pension Scheme	185	1,154
	185	1,154
Total creditors: amounts falling due after more than one year	4,266	6,948
	2020	2019
	£'000	£'000
The maturity of the above loans may be analysed as follows:		
Between two and five years	1,591	2,889
In five years and more	2,490	2,905
	4,081	5,794

The commercial loan comprises a five-year loan repayable in monthly instalments with HSBC UK Bank plc. The loan is secured against Board freehold property with a carrying value of £9.9m. Interest is charged at 1.5% above base rate.

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

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

Notes to the financial statements

20. Summary of fund movements

2020	Balances at 1 January 2020 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and losses £'000	Balances at 31 December 2020 £'000
Unrestricted funds:						
General	6,813	21,799	(22,820)	(103)	(553)	5,136
	6,813	21,799	(22,820)	(103)	(553)	5,136
Designated funds:						
Diocesan Pastoral Account	2,773	1,341	-	(1,779)	-	2,335
Board Property Fund	42,572	-	-	(511)	445	42,506
Southwark Vision Development Fund	439	38	-	(109)	-	368
	45,784	1,379	-	(2,399)	445	45,209
Restricted funds:						
Strategic Development Fund	-	529	(283)	(246)	-	-
Ordinand Training Fund	130	621	(725)	-	-	26
Gilmore Fund	378	15	(9)	-	(61)	323
Dartmouth House Fund	2,990	82	(44)	-	(434)	2,594
	3,498	1,247	(1,061)	(246)	(495)	2,943
Endowment funds:						
Ministry Fund	4,241	(10)	-	-	(591)	3,640
Diocesan Stipendiary Fund	90,933	863	(23)	4,874	(2,422)	94,225
Parsonage Capital Fund	140,723	-	-	(2,126)	(616)	137,981
	235,897	853	(23)	2,748	(3,629)	235,846
Total funds	291,992	25,278	(23,904)	-	(4,232)	289,134

20. Summary of fund movements (continued)

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

Notes to the financial statements

21. Summary of assets by fund

2020	Fixed assets tangible	Investments	Current assets	Creditors	Net assets
	£'000	£'000	£'000	£'000	£'000
Unrestricted funds:					
General	2,857	2,479	8,076	(8,276)	5,136
	2,857	2,479	8,076	(8,276)	5,136
Designated funds:					
Diocesan Pastoral Account	-	-	2,335	-	2,335
Board Property Fund	46,675	-	(4,169)	-	42,506
Southwark Vision Development Fund	-	-	368	-	368
	46,675	-	(1,466)	-	45,209
Restricted funds:					
Strategic Development Fund	-	-	-	-	-
Ordinand Training Fund	-	-	26	-	26
Gilmore Fund	-	301	22	-	323
Dartmouth House Fund	-	2,008	586	-	2,594
	-	2,309	634	-	2,943
Endowment funds:					
Ministry Fund	-	2,850	790	-	3,640
Diocesan Stipendiary Fund	76,562	16,683	2,165	(1,185)	94,225
Parsonage Capital Fund	143,186	-	(5,205)	-	137,981
	219,748	19,533	(2,250)	(1,185)	235,846
Total funds	269,280	24,321	4,994	(9,461)	289,134

21. Summary of assets by fund (continued)

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

Notes to the financial statements

22. Description of funds

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

23. Capital commitments

At 31 December 2020, the SDBF had capital expenditure commitments authorised but not contracted for of £nil (2019: £nil), and contracted for but not yet due of £63,000 (2019: £234,000).

24. Operating leases

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

	2020	2019
	£'000	£'000
Minimum lease payments payable:		
Within one year of the balance sheet date	264	257
In the second to fifth years inclusive of the balance sheet date	107	33
More than five years from the balance sheet date	1	-
Total	372	290

Total lease rental payments expensed in the year are £474,000 (2019: £471,000).

	2020	2019
	£'000	£'000
Minimum lease payments receivable:		
Within one year of the balance sheet date	438	536
In the second to fifth years inclusive of the balance sheet date	280	267
More than five years from the balance sheet date	724	789
Total	1,442	1,592

25. Post balance sheet events and contingent liabilities

There were no contingent liabilities at the balance sheet date.

Notes to the financial statements

26. Pensions

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

Church of England Funded Pensions Scheme

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the scheme's assets and liabilities to each specific Responsible Body, and that contributions are accounted for as if the scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2020: £2,168,000, 2019: £2,184,000), plus the figures highlighted in the table opposite as being recognised in the SoFA, giving a total charge of £3,128,000 for 2020 (2019: £3,141,000).

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

- an average discount rate of 3.2%
- RPI inflation of 3.4% per annum (and pension increases consistent with this)
- an increase in pensionable stipends of 3.4% per annum
- mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvement in mortality rates in line with the CMI 2018 extended model, with a long-term annual rate of improvement of 1.5%, a smoothing parameter of 7 and an initial additional mortality improvement of 0.5% per annum.

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

	January 2018 to December 2020	January 2021 to December 2022
Percentage of pensionable stipends: Deficit repair contributions	11.9%	7.1%

As at 31 December 2018, the deficit recovery contributions under the recovery plan in force at the time were 11.9% of pensionable stipends until December 2025. As at 31 December 2019 and 31 December 2020, the deficit recovery contributions under the recovery plan in force were as set out in the table above.

26. Pensions (continued)

Church of England Funded Pensions Scheme (continued)

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

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

	2020	2019
	£'000	£'000
Balance sheet liability as at 1 January	2,154	6,318
Contributions paid	(960)	(957)
Interest cost (recognised in the SoFA)	18	123
Remaining change to the balance sheet liability* (recognised in the SoFA)	(27)	(3,330)
Balance sheet liability as at 31 December	1,185	2,154

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

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

	December 2020	December 2019	December 2018
Discount rate	0.2%	1.1% pa	2.1% pa
Price inflation	3.1%	2.8% pa	3.1% pa
Increase to total pensionable payroll	1.6%	1.3% pa	1.6% pa

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

Church Workers' Pension Fund

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

The CWPF has a section known as the DBS, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014. The SDBF closed the DBS section to new entrants from July 2013, and will close the section to existing members on 31 December 2022.

Notes to the financial statements

26. Pensions (continued)

Church Workers' Pension Fund (continued)

Defined Benefits Scheme

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

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

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

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. This means that contributions are accounted for as if the DBS were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year: £151,000 for 2020 (2019: £238,000).

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

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

A valuation as at 31 December 2019 was underway as at 31 December 2020. The contributions agreed at that valuation will be reflected in the figures disclosed in the 2021 accounts.

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

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

Pension Builder Scheme

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

26. Pensions (continued)

Church Workers' Pension Fund (continued)

Pension Builder Scheme (continued)

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

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

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

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and contributions are accounted for as if the scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2020: £251,000, 2019: £239,000).

A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2016. A valuation as at 31 December 2019 was under way as at 31 December 2020.

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

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

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

27. Related party transactions

The SDBF has related party relationships with connected organisations as detailed on page 22 of this annual report. Grants made in the current and previous year to these related parties are disclosed in Note 12 (see pages 62-63) to these accounts.

Notes to the financial statements

28. Prior year Statement of Financial Activities

2019	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2019
	General	Designated			
	£'000	£'000	£'000	£'000	£'000
Income and endowments from:					
Donations					
Parish contributions	16,413	-	-	-	16,413
Archbishops' Council	283	-	840	-	1,123
Other donations	1,555	76	-	-	1,631
Charitable activities	1,360	-	-	-	1,360
Other activities	148	-	-	-	148
Investments	2,213	-	145	-	2,358
Other	195	1,373	-	-	1,568
Total	22,167	1,449	985	-	24,601
Expenditure on:					
Raising funds	9	-	-	15	24
Charitable activities	20,142	(40)	584	1	20,687
Total	20,151	(40)	584	16	20,711
Net income/(expenditure) before investment gains	2,016	1,489	401	(16)	3,890
Net gains on investments	305	-	367	2,167	2,839
Impairment write downs	-	-	-	(950)	(950)
Net income	2,321	1,489	768	1,201	5,779
Transfers between funds	(965)	(3,163)	(200)	4,328	-
Other recognised gains:					
Gains on revaluation of fixed assets	-	772	-	1,864	2,636
Net movement in funds	1,356	(902)	568	7,393	8,415
Total funds brought forward	5,457	46,686	2,930	228,504	283,577
Total funds carried forward	6,813	45,784	3,498	235,897	291,992

29. Funds held as Diocesan Authority

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

	2020	2019
	£'000	£'000
CBF Church of England Investment Fund	10,397	9,511
M&G Equities Investment Fund for Charities	1,578	1,992
CBF Church of England Global Equity Income Fund	858	714
Other CBF Church of England funds	498	463
Other Common Investment and OEIC holdings	1,288	1,294
Direct holdings in UK equities	122	334
CBF Church of England Deposit Fund	1,806	2,225
Cash	14	-
Total assets held as Diocesan Authority	16,561	16,533

30. Subsidiary undertaking

The SDBF is the beneficial owner of a subsidiary undertaking, Southwark DBF Trading, a company limited by guarantee, which is registered in England and supplies property and administrative services to the SDBF. The company did not trade during the current or prior year and had no assets or liabilities at the Balance Sheet date (2019: £nil).

Appendix

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

Notes

This image shows a full page of white paper with horizontal dashed lines, resembling notebook paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings present.

Notes



**Hearts
on Fire**

Loving God
Walking with Jesus
Led by the Spirit
Luke 24:13-35



**The Diocese of
Southwark**