

LANCASTER ROMAN CATHOLIC DIOCESAN TRUST

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED
5 APRIL 2018**



Registered charity number 0234331

LANCASTER ROMAN CATHOLIC DIOCESAN TRUST
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TRUSTEES AND ADVISORS

Status and administration

The Charity is governed by a Trust Deed dated 31 July 1934 (as subsequently amended by schemes of the Charity Commission) and is registered by the Charity Commission of England and Wales as charity number 234331. The Diocese was created by the Holy See in 1924, the northern area formerly having been within the Diocese of Hexham and Newcastle and the southern area having been within the Archdiocese of Liverpool.

Address

Lancaster Roman Catholic Diocesan Trust
The Pastoral Centre
Balmoral Road
Lancaster
LA1 3BT

Trustee

The sole trustee is the Lancaster Roman Catholic Diocesan Trustees Registered a body incorporated under the Charitable Trustees Incorporation Act 1872 (now Part 12 of the Charities Act 2011).

The individuals appointed to the corporate trustee body and known as trustees are:

Who served during the year

Right Rev M Campbell, Bishop of Lancaster (resigned 9 April 2018)

Mr P Briers

Mr M Gallagher

Rev Canon D Cooper

Canon H Doyle

Mr M Forrest

Rev Canon P Hart

Miss A Goddard

Rev F Olaseni

Rev T Sullivan

Sister R Thomas

Miss N Wisdom

Appointed after the year end

Right Rev Bishop P Swarbrick
(appointed 9 April 2018)

Resigned after the year end

Right Rev Bishop M Campbell

Financial Administrator

Reverend Canon P Hart

Secretary

Mrs L Forster

Auditors

MHA Moore & Smalley

Richard House

9 Winckley Square

Preston

PR1 3HP

Solicitors

Blackhurst Swainson Goodier

3 & 4 Aalborg Square

Lancaster

LA1 1GG

Investment managers

Quilter Cheviot

One Kingsway

London

WC2B 6AN

Bankers

HSBC Bank plc

35 Market Street

Lancaster

LA1 1JQ

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REPORT OF THE TRUSTEES

Appointment of a new Bishop

We are pleased to report the appointment of a new Bishop, Reverend Paul Swarbrick who was ordained as the seventh Bishop of Lancaster on 9 April 2018 and are looking forward to his spiritual and temporal guidance of the Diocese of Lancaster.

Aims and objectives

The principal purpose of the charity is the furtherance of the Catholic religion within the Diocese of Lancaster. This is achieved by such charitable purposes as the Bishop of Lancaster, in his absolute discretion, shall think fit in accordance with the Trust Deed, the principal objectives of which are as follows:

- The provision, maintenance and upkeep of churches, public chapels and presbyteries.
- The provision of religious services in these churches and public chapels.
- The provision and maintenance of houses and colleges for the education and training of priests and persons wishing to become priests.
- The maintenance, support and provision of medical and surgical aid and accommodation for infirm and aged priests and the burial of deceased priests.
- The provision of support for priests and clerics working in the Diocese. The relief of poor persons professing the Roman Catholic Religion.
- The provision and maintenance of schools and colleges for young people.
- The provision and maintenance of houses, study halls and residences for teachers.
- The provision and upkeep of accommodation for infirm or aged priests.
- The provision and maintenance of cemeteries.
- The provision and maintenance of parish rooms and halls for the enlightenment, education and religious and moral benefit of people of the diocese.
- The provision and maintenance of hospitals and sanatoria for the poor.
- The acquisition of sites for buildings in connection with the above.
- Generally for any such charitable purposes as, in the opinion of the Bishop, may be conducive to the advancement or maintenance of the Roman Catholic religion in the Diocese of Lancaster.
- Such charitable purposes as shall advance the religious and other charitable work of the Diocese as the trustees with the approval of the Bishop shall from time to time think fit. If at any time the Diocese shall cease to exist or there shall cease to be any religious or other charitable work carried on by the Diocese, then for such other lawful charitable purposes connected with the advancement of the Roman Catholic religion as the trustees shall determine.

Organisation, governance and decision-making

The Diocese of Lancaster has 76 parishes with regular services which are available in over 100 churches and chapels and 82 schools throughout the whole of the county of Cumbria and those parts of Lancashire, north of the River Ribble and the west of the Pennines. The communities served by the charity are quite diverse, and include towns/cities in Cumbria such as Barrow, Workington, Carlisle and Whitehaven, the whole of the Lake District. In urban areas, parishes might be just a few square miles in size, whereas in the more rural parts of Cumbria parishes can be 200+ square miles. In Lancashire the coastal resorts of Blackpool and Morecambe fall within our boundaries, as does the city of Preston.

Although a clear structure of accountability and authority exists within the Catholic Church, as far as possible, day-to-day decision-making and actual pastoral practice takes place at local level in accordance with diocesan policies and wider Church beliefs. Individuals are encouraged to be involved with the delivery and planning of the services that our parishes provide to local communities. Parishes are, for example, expected to have various committees to advise priest-leaders on finance and property as well as the care of the charity's beneficiaries. As there are declining numbers of priests in this country, local communities are increasingly taking a greater responsibility in the running of their parishes. Whilst the trustees of the charity have overall responsibility in civil law matters, many of these local committees are constituted in Church Law, and act in an advisory capacity to Parish Priests/Priests in Charge; however their work to support their Parish Priests/Priests in Charge and the trustees in their own responsibilities is invaluable.

Meetings of the board of trustees, at which the operation of the charity is discussed, are held every two months. Although overall governance is vested with this body, its decision-making is informed by the work of sub-committees through their regular reports. Trustees play a significant role on each of the charity's main sub-committees.

The principle sub-committees are:

Finance Sub-Committee

This committee, which is supported by a Certified Accountant who is a diocesan officer, monitors the day to day financial activities of the charity, particularly its liquidity and financial health, setting and controlling the central diocesan budget,

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and monitors delegated expenditure by parishes (up to £5,000 per project or item). The diocesan office, that this committee supervises, processes most of the charity's Gift Aid claims and the 'annual returns' submitted from parishes and other bodies; these are then consolidated into these main charity accounts. The charity's strategies against fraud (and possible bribery) also sit with this committee. The committee does not of itself currently have delegated spending powers; it is also responsible for liaising with the charity's external auditors. From November 2015 the Finance Committee in conjunction with the Property Committee is delegated to approve expenditure on individual property maintenance projects costing up to £25,000. Both committees must agree otherwise the matter is to be referred to the board of trustees.

Property Sub-Committee

The committee is supported by a qualified surveyor, who is also a diocesan officer, examines and makes judgment on the appropriateness, and the value for money of, property projects submitted by the trustees, or parishes of the diocese. Again, parishes must come to the trustees with any projects over £5,000 in value. The committee also examines proposed leases, and land sales or purchases in accordance with best practice and Charity Law. Currently, all proposed leases (and projects over £5,000) are ratified by the full trustee body. From November 2015 the Property Committee in conjunction with the Finance Committee is delegated to approve expenditure on individual property maintenance projects costing up to £25,000. Both committees must agree otherwise the matter is to be referred to the board of trustees.

Investment Sub-Committee

Members are drawn primarily from the finance sub-committee and the diocesan Faith and Justice Commission, and this sub-committee is responsible for setting policy and monitoring performance of the charity's investments, most of which are designated to individual parishes, but are under the control of the charity in civil law. The portfolio of investments is managed externally by Cheviot Quilter. The charity was one of the first Catholic dioceses to introduce an ethical and socially responsible investment strategy, and it uses an ethical screening service to this end. The portfolio manager issues a quarterly report of investment performance and an ethical screening report twice yearly as well as meeting face-to-face annually. The charity is a member of the Church Investors Group (CIG), a collective of faith-based investors seeking to pro-actively engage with companies regarding their own corporate and social responsibilities, rather than just simply avoiding investing in them.

Board of Education and Formation

This body has a wide remit for organizing, managing and monitoring the Diocesan Education, particularly in regard to the schools which the diocese operates as part of the voluntary sector. Three trustees presently sit on this committee, together with a number of professionals with experience in the education of young people and adults. The committee also receives reports on the work of the Diocesan Education Service which provides our schools with support and training for teachers, leadership teams and also governors. The diocese has established a 'support academy trust' for the purpose of overseeing educational standards, governance and financial management in academies. The trustees have decided that the Board of Education and Formation will hold the portfolio for managing academies in the diocese. At any given time, more than 25,000 young people are on our school role.

School Buildings Committee

This monitors the repair and development budgets for school buildings in the diocese, which are part of the voluntary sector. In the voluntary sector, building work is commissioned by the governors/schools with the State paying up to 90% of eventual costs in grant-aid. This is provided in the form of an annual budgeted amount of 'LVCAP' money, which is then bid for by schools through a local committee process, aided by a professional, so as to prioritise projects according to need, and to ensure best value for the taxpayer.

Diocesan Youth Service Management Group

Currently two trustees serve with others on this committee which oversees the direction and management of our Diocesan Youth Service. Youth Service staff co-ordinate and train volunteers in the parishes, and assist with the organisation of events for young people, including the diocesan pilgrimage to Lourdes where our youngsters learn to work with elderly, sick and disabled individuals and groups. The residential diocesan youth centre at Casterigg in Keswick, which has been open for more than 40 years, draws together young people from schools and parishes from all over the Diocese and beyond – supporting both Catholics and those not of our tradition alike. The centre helps educate young people in order to develop their physical, mental, moral and spiritual abilities so that they grow up to enable them to contribute positively to society as well as helping them achieve their potential as human beings

Health and Safety Committee

The Health and Safety sub-committee ensure that the statutory duties under the Health and Safety at Work Act 1974 and other relevant statutory instruments are met within the Diocese of Lancaster. It will represent the diocese on health

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and safety and act to protect the health and safety of the clergy, diocesan employees and other people who might be affected by their business within the Diocese of Lancaster. We continue to develop the computerised system introduced across the diocese for the evaluation, monitoring and reporting of health and safety at each "site" operated. Training and health and safety advice and support is provided with this system.

Other diocesan commissions and agencies

See below for information on other diocesan commissions and agencies.

Trustees

In accordance with clause 15 of the Trust Deed, new trustees are appointed by resolution of the trustees but only with and subject to the approval of the Bishop of Lancaster. Trustees are appointed with a view to the overall needs of the Diocese, and also taking into account their skills and backgrounds. Recruitment is undertaken internally or externally whenever a vacancy arises, or at any time, so as to ensure there is an appropriate pastoral and professional representation including educational, finance, accountancy, legal and property experience. Trustees are not expected to have knowledge of all the operations of the charity upon appointment, but will learn about these through the way trustees' meetings are conducted as well as by serving on sub-committees. The responsibilities of trustees in law are clearly explained on the Charity Commission website, and training opportunities are offered as appropriate; though it is appreciated that many trustees are already in full-time employment.

The central administration of the charity has paid qualified staff supporting the work of the trustees. There are also a large number of volunteers working at every level within the charity, many of whom have considerable professional experience. We estimate (broadly) that volunteers provide a full-time equivalent of 75 employees, representing a donation of time equivalent to at least £1.5m throughout each year.

Subsidiary entities

The charity has a number of subsidiary charities and limited liability companies that it controls. Details of these are given in note 2. The subsidiary charities have similar aims to those of the Diocese of Lancaster. The limited companies carry out trading activities mainly that of social centres and clubs. The financial results of all of these subsidiary entities are consolidated into the group accounts.

Investment powers, policy and performance

The trustees' investment powers are governed by the Trustees Act 2000. By an Order of the Charity Commission dated 10th January 1996, the trustees were empowered to delegate certain management and dealing authority to their investment manager Quilter Cheviot. Investments generally comprise a mix of UK FTSE 350 equities, UK gilts, cash and unit trusts. Individual investments conform to the Trustees Investment Policy which includes criteria established in accordance with the Diocesan Ethical Investment Policy which is reviewed regularly. The return on investments in recent years has been good when considered against comparable benchmarking. The trustees are satisfied that the capital performance and income generated are more than satisfactory and meet our current needs and strategies.

It is noted that bank interest on cash balances has remained at an historic low for a period of years. As the charity is a net 'saver' rather than 'borrower' this has impacted on income generation from investments and reserves. The charity, however, has continued to perform relatively well.

Planning for the future

In line with many other Catholic dioceses in England and Wales, the charity is facing the issue of how best to deliver its services for stakeholders against the backdrop of declining numbers at church. Buildings for worship were often constructed in years gone by when demographics were quite different to today and when the principles of design were also quite different.

Our church buildings and parish communities have a special place in the hearts of many Catholics; therefore the capacity to adapt to changing circumstances does not always come easy, and the Bishop together with the trustees recognise this when plans for the future are being considered. An important strategic review document, formed after extensive consultation, 'Fit for Mission?' remains the blueprint for many of the changes that necessarily have to take place.

Our schools however remain popular, with overall pupil numbers broadly static. Many of our schools serve areas of relative social deprivation. We also have well-used church halls across the diocese, many of which are used by the wider community for non-religious use.

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Review of activities – general

The activities of the charity are carried out in three main areas: parishes, schools and diocesan. All are directed towards promoting the Faith and spreading the Word of God. Although most direct contact with beneficiaries is via parishes and schools there is a significant amount provided by the diocese which also provides support to the schools and parishes. It is difficult to quantify the Spiritual "success" of these activities but most parishes remain well supported despite the overall decline in Mass attendance and the number on roll at schools remain high. It is also difficult to gauge the financial benefit of activities. How can the "success" of rich and poor parishes be compared?

Review of activities - parishes

Most of the charity's beneficiaries' contact with the charity is at local level; that is our parishes. The reach and impact of parish ministry includes contact with people in schools, hospitals, higher education establishments and prisons. As well as religious services, parishes provide many additional activities including youth groups, social groups, and important support for some of the most vulnerable in our society.

Practical support for those in need, both at home and abroad, feature prominently in the regular activities of many parishes. Although many parish activities nourish those who attend church or are closely connected to it, the evangelising nature of the Gospel imperative and the call to service mean that our parishes are also outward-looking communities with a sense of contributing to the common good of the wider community and building-up 'social capital'.

Parishes have a degree of autonomy within the charity, not least because locally delivered services are best planned and delivered by local people. Each parish has its own bank account and is responsible for its own income and expenditure, according to the principle of subsidiarity. Financial records are also kept locally, with annual returns being submitted. Independent Financial Examiners are appointed in each parish and a number of parishes are randomly selected for more detailed external audit each year. All bank balances and account transactions can be viewed centrally for monitoring purposes, with an alert system in place for any unusual or significant transactions.

There are around 68 priests working in the diocese, together with 11 priests on loan to us from elsewhere. We have approximately 37 retired priests for whom we care. Some priests and sisters from religious communities have a presence in the diocese, either working with the charity or doing similar work under their own auspices.

The Diocese has undertaken a number of initiatives to welcome more religious priests and sisters to minister in our community. Their presence in the Diocese adds a new and vibrant element which will be beneficial to the Diocesan Family. Any overseas religious coming to the Diocese comply with all immigration and safeguarding requirements.

The diocese is aware that immigration is an important national issue, and always seeks, as a recognised Level 1 Sponsoring Body, to only invite an appropriate number of individuals into the country. These have clearly defined religious roles and the diocese undertakes to provide for their upkeep. Thanks are due to the United Kingdom Visa and Immigration Office for the role they play. It should be noted that such invitations are to complement the work done by indigenous priests and religious communities, not replace it. Our strategy for promoting vocations to priesthood remains at the forefront of our minds, though it is recognised that this 'career' does not fit neatly into usual 'recruitment' models or remuneration packages.

Review of activities - diocese

In addition to the principal trustees' sub-committees listed above, diocesan structures exist to support and implement the decisions of the trustees generally, and the Bishop specifically. These include a range of committees, service delivery bodies, advisory boards and commissions to provide assistance to the Bishop in his ministry of oversight and service within the diocese. There are also a number of funds managed at diocesan-level for the general benefit of the diocese as a whole; these include:

Faith & Justice Commission

The commission works with parishes, schools and youth groups throughout the diocese in promoting justice and peace issues, particularly in raising awareness and encouraging involvement with these. Significant emphasis is placed on a greater understanding of world development. The commission organises conferences and produces regular newsletters for the people of the diocese. A part-time worker is employed to support this work.

Safeguarding Commission

The diocese and its trustees are committed to safeguarding children, young people and vulnerable adults in accordance with civil and national Church guidelines. The Lancaster Safeguarding Commission promotes good working practise in the diocese amongst those whose ministry or service brings them into contact with children, young people and vulnerable adults. The commission ensures that any allegations made against clergy or laity in a faith-related setting

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are properly investigated in consultation with the appropriate statutory authorities. It also oversees the creation and continuation of a safe environment throughout the diocese. Each parish has one or more safeguarding representatives. A Trustee attends meetings of this group.

Sick & Retired Priests Fund

The diocese looks after its aged and infirm clergy through the Sick and Retired Priests Fund. This is a restricted fund whereby priests who are recovering from illness are also provided for. The fund provides a discretionary retirement grant for priests no longer in active ministry, and a home where needed. Some retired priests are able to continue serving the diocesan community in a reduced role providing occasional help. The fund provides support for some retired housekeepers and also manages residential properties for retired clergy situated in the diocese.

Whilst many priests generously continue to serve past conventional retirement age (75 for clergy in Church Law), we do have an increasing number of those retired due to longevity of life and medical advances. Care of these priests is included as an integral part of the diocesan Trust Deed.

Ecclesiastical Education Fund

This (restricted) fund provides financial support for the selection and formation of students preparing for the Priesthood and for the Permanent Diaconate in the diocese. Currently we have three students in training for the Diocesan Priesthood. It also supports ongoing formation of the clergy, and provides for priests undertaking postgraduate studies in the UK or abroad. The fund also supports the Vocations Directors for Priesthood and the Permanent Diaconate and their teams in the work of promoting vocations.

Lancaster Diocesan Pilgrimage Trust

The Pilgrimage Trust oversees the annual diocesan pilgrimage to Lourdes for the sick and disabled pilgrims and their families. The pilgrimages are extensively supported by the young people and volunteer medics and carers of the diocese who assist in the care and transporting of the sick and disabled.

Public benefit

The Charities Act 2006 has included "Public Benefit" in the definition of a charitable purpose, such that all organisations wishing to be recognised as charities must demonstrate explicitly that their aims are for the public benefit. Based on the Charity Commission guidance, specific examples of a public benefit include the advancement of religion, the advancement of education, the prevention or relief from poverty, the relief of those in need by reason of youth, age, ill health, disability, financial hardship etc. As a "mainstream" religious denomination (and that religion has been stated by parliament to be a charitable purpose) the trustees are confident that the existing aims and activities of the charity, as set out above, sit comfortably within the Charity Commission guidelines.

Many parishes have outreach groups/activities committed to actively working for the needy in their locality. As far as is possible, practical help is given at the point of need, rather than to schemes and projects, though the latter often happens also. Many parishes in urban areas are now involved with local food banks.

International aid also features in the activities of many parishes, usually using existing recognised charities established for this purpose (e.g. CAFOD), or through religious orders who have people on the ground to ensure that aid is used for the purpose it is given and not subject to corrupt practises locally. Some parishes have formal links with the projects they support and this ensures good communication and education about the issues facing people in difficult situations abroad.

It should also be recognised that well over 1000 weekly visits are made to the elderly in their homes throughout the year. We also have teams of chaplains working in hospitals (often on 0.2 of a post) and other healthcare facilities; with many of the clergy working in these places offering a round-the-clock availability throughout the year. These are usually helped by volunteer visitors.

One of the principle activities within each parish is the celebration of Mass by the parish priests. Approximately 16,100 attend Sunday Mass within our Diocese. But parish priests do far more than celebrate Mass: they are active leaders in our communities and many of our clergy are involved with people at important times of their lives, such as births, marriages and bereavement. Although a church service may take only one hour, this is usually preceded by several hours of contact and preparation with those concerned. Most clergy are involved in personal counselling, even if informally; others have trained to use sign-language to provide spiritual support to those who have serious hearing impairments. There is clear evidence that the majority of our schools - which are open to non-Catholics as well as Catholics - produce good results, both academically and socially. Although our schools are denominational in nature, OFSTED reports often comment on their positive achievements in areas of social inclusion, community cohesion, mutual respect and understanding, and promoting citizenship. Faith groups also provide important support and anchor

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points for persons who are new to the country. One of the strengths of church communities is that they provide community 'anchor-points'; this often includes the church building itself, which has sometimes been used by generations of the same family. Of its nature, the Church does not only look after its 'own', but serves the wider locality; it is difficult to gauge the full amount of social investment that is accumulated from the efforts of people of faith, not least because they often do their work deliberately un-noticed and un-sung. We know that many parishioners are involved in other local charitable endeavours which may or may not have any faith connection.

The stability of parish life is important in a changing world, but that does not mean that local communities are not responding to changing times. Some youth groups, for example have been around for many years with in-flow and out-flow of young people; other activities for young people are established in the knowledge that they will have a time-span to serve a particular group of young people, who will inevitably move on to other things as they get older or move to university.

It is worth mentioning that many church communities collaborate with other non-Catholic church communities in social projects, so that the interaction generated avoids duplication and best allows delivery of a quality service. One such project includes the 'Street Pastors' initiative which puts volunteers on the streets of cities and towns at night to coincide with young adults social activities. The initiative not only provides a listening-ear, but often helps people get home more safely, and also frees-up the emergency services to deal with more pressing matters – such initiatives are always done in partnership with the local authority and the Police.

Our Lake District churches and youth centre serve people who come to the area for recreation. Similarly, those coming to seaside resorts such as Blackpool and Morecambe, often come to services during their stay and receive hospitality.

Charitable objectives

The principal objectives of the charity are the provision of churches, religious services, halls, welfare of clergy, relief of poverty and education. The days of diocesan expansion through construction of new church buildings are all but over; these days the challenge is to keep existing places of worship open in the context of declining worshippers and fewer clergy. Creative twinning or merging of parishes is an on-going process, led by the diocesan bishop, who has the primary responsibility for the conduct of public religious worship. It is also true that use of motor vehicles generally aids mobility, and facilitates journeying to other Catholic churches further afield; this being said, there is still great loyalty to local parishes.

The charity continues to respond to developments in education. Our 12 secondary schools and 70 primary schools, some of which are in socially deprived areas, are run by good staff and are overseen by volunteer governing bodies. Generally, OFSTED reports are very positive with some outstanding schools being identified, or good schools with some outstanding features. The provision of an academy support trust, and close liaison with local authorities by the Diocesan Education Service helps to ensure that our faith-led education sector keeps up with change and is able to respond to developing needs quickly.

Our diocesan priests are required to take on more work as their numbers decline. The boom years for clergy were the 1960's and early 1970's. Since then the ratio of priests to people nationally has returned to where it was for much of the late 1800's and early 1900's (that is 1:750). However, we now have more churches open than 100 years ago, all of which need staffing (even if part-time). In common with other dioceses and denominations, clergy are developing new ways of working to ensure the provision of quality and quantity of worship and pastoral services to our beneficiaries, which includes an ever greater use of lay leadership and deacons. At the same time, our clergy are to be commended, that they have not withdrawn from other areas of pastoral ministry to prisons, hospitals and schools for example.

Serious incident reporting

No new serious incidents have been reported this last year.

Review of financial performance

The group (including social clubs) reported a deficit of £856k for the year (2017: surplus of £3.69m), after charging £2.98m for the transfer of assets following the demerger of a subsidiary trust (R J Stephenson Charities) and the receipt of £1.35m from the sale of land by another subsidiary trust, the St John's Poulton 1838 Charity. The R J Stephenson Charities had a £2.21m surplus on the sale of land sold during the year 2017. If these subsidiary transactions are excluded then there would have been a surplus of £773k for the year ended April 2018 and a surplus of £1.48m for the year ended 5 April 2017.

The charity (parishes and central diocese only) reported surplus of £737k (2017: £1.52m). The surplus is after gains on sale of assets (surplus properties) of £972k (2017: £1.49m). Without the sale of surplus assets the charity would have been in deficit.

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There was a modest increase in the market value of investments with an increase in group value of £68k (2017: £1m) and values continue to fluctuate post year end. The market value of group investments at 5 April 2018 was £28.4m compared to £26.3m at 5 April 2017. The majority of the increase being due to the deposit of surplus cash from the sale of asset.

At the end of the financial year, the diocese had net positive group credit bank balances of £11m, including cash balances of £1.7m held as part of the investment portfolio.

The following is a summary of the financial performance of the Diocesan charity for the last five years:-

	2014	2015	2016	2017	2018
	£000	£000	£000	£000	£000
	(re-stated)				
Net results of the charity	623	2,380	626	1,524	737
Gains/losses on investment	2,276	1,920	(1,181)	990	88
Net movement in funds	<u>2,899</u>	<u>4,300</u>	<u>(555)</u>	<u>2,514</u>	<u>825</u>

Total charity funds at 5 April 2018 were £74.8 (2017: £73.9m) and total group funds were £76.8m (2017: £77.6m).

Income

Total charity incoming resources were £9.03m (2017: £9.97m) and the charity generated a surplus on activities of £737k compared with a surplus of £1,524k for 2017. There was a modest increase on the value of investments and the unrealised gain on these for the charity was £88k (2017: gain £990k) resulting in total fund movement (increase) of £825k (2017: increase £2.51m). Gains on sale of assets decreased from £1.5m for 2017 to £972k. There has been a slight overall decline in voluntary income streams of the charity with the total of donations and legacies decreasing from £4.76m to £4.74m. Income from Charitable Activities has shown a decrease overall from £1.74m to £1.29m. This is due to a reduction in insurance claims and grant income.

Mass offertory collections have reduced from £2.55m to £2.5m. The long term trend is a decline in this income which reflects the trend of decline in Mass attendance.

Based on the latest available reported Mass attendance figure of approximately 16,100 (previously 17,600) persons per week, the average giving is £2.99 per head per week (52 weeks), before Gift Aid, and not including other donations. The average per head giving figure for 2017 was £2.78.

As the name suggests, 'voluntary donations' or 'donations' are at the discretion of the donor, and at the present time pushing for more, especially in poorer communities might be deemed inappropriate. However the trustees note that other charities have had to respond to drops in their income by developing new methods of fundraising. The scope for this within church on a Sunday is limited, but a possible fundraising initiative in the future might be adopted.

Thanks are due to our parishioners and other donors for their continued and generous support.

Income from stock and share investments has decreased. Bank interest rates remain at all-time lows and future interest receipts are expected to continue to fall.

Trading/cost of raising funds

The trustees do not consider that the charity has any trading income and that any sale of goods etc is from charitable activities and such activities are fund raising and not trading. Such income only forms a small part of the charity's total income. Although the charity has used the standard SORP heading "Other trading activities" which include "social clubs" and "fund raising – fetes etc", the income from these is not trading income. The trading of parish centre bars and proprietary parish clubs is operated through separate limited companies the results of which are consolidated in the group accounts.

Donated goods form only a very small amount of charity income, although there is no practical method of valuing donated goods, but the total value of these is not expected to be significant. Many of these would be given as raffle prizes.

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Expenditure

Resources expended by the charity decreased slightly from £8.44m in 2017 to £8.30m. There has been a reduction in the cost of the provision, including repairs and maintenance, of places of worship and other buildings. Such costs have decreased from £4.08m to £3.84m. This reflects the reduction in grant funded works and insurance repairs.

The two highest areas of expenditure are the provision of places of worship & ancillary buildings at £3.84m (2017: £4.08m), a significant number of which are listed buildings, and the provision of religious services and pastoral care at £2.19m (2017: £2.18m). These two cost headings account for approximately 72% (2017: 74%) of total expenditure of the charity and equate to over two thirds of the total income of the charity.

Generally there have not been any significant fluctuations in individual heads of expenditure. During the year the trustees again approved several schemes for more efficient church heating systems. The age and listed status of many of our properties mean that locally installed renewables, such as solar power are not often possible to consider.

The charity rarely makes external grants from central diocese; however parishes have a degree of discretion in supporting local causes. Those organizations supported by central diocese include ecumenical partnerships (£12k) and for the structures of the Catholic Church nationally (68k). Total of grants, donations and levies for the charity as a whole amounted to £705k (2017: £591k)

Staff costs

No employee within the charity received remuneration over £60,000. No trustee received payment (for services as a trustee, though clergy trustees receive payments as office holders). We employ professional persons, as senior management, to work in the central administration of the diocese in the areas of: financial management, property management, safeguarding and education. These professional staff and their support staff represent fewer than ten persons (full-time equivalent) with remuneration (including pension and National Insurance cost) at circa £256k (2017: £248k). The increase due to a consultant being replaced by a new employee during the year.

Again, it should be noted that some of our management, and most of the charity's governance, is by the efforts of volunteers, many of whom have a lifetime of experience in their given field. This applies to the main trustee body, principal sub-committees and also often at parish level.

Total staff costs for the year were £1.04m (2017: £1.02m) with the majority of staff engaged at parish level. A total of £324k (2017: £292k) was paid to clergy as office holders in active ministry.

Staff pay is determined by the trustees for those staff not engaged at parish level. The trustees may decide directly or via one of the sub-committees or boards. The pay of parish staff is decided at local level following available guidance from the trustees. The Diocese is committed to ensuring that all of its staff, where ever engaged, are remunerated at least to the living wage level.

Fund Raising

Fund raising within the diocesan charity is carried out at local parish or department level and there is no co-ordinated diocesan wide fund raising structure or activity. We do not use any professional fund raisers and are not registered with any fund raising body or organisation.

Local fund raising is usually by mean of appeals made at public events such as Mass or by organising events such coffee mornings, sale or fetes for example. Appeals and events are organised by the Parish Priest or by parishioners on his behalf. A parish priest may on occasion approach an individual parishioner direct for support but this would be rare and by exception and only if the parishioner was well known to him.

Although these public events are open to all, the majority of those who attend are regular and well know supporters i.e. local parish congregations and are often social occasions as well as fund raising opportunities. The members of the congregation are all well known to and by the parish priest and many to each other. These close relationships allow for the easy identification of people who are vulnerable and to take appropriate action to protect them such as involving family member if person were to offer a large or unusual donation.

The Catholic Church has a long tradition of raising funds from its supporters. These supporter range from those who are very poor to those who are very wealthy and will include many vulnerable people. The Church has taken care to ensure the people can only give what they can afford and that donations are freely given. People are free to attend events or not, will not be pressurised to donate and will not be contacted at home.

LANCASTER ROMAN CATHOLIC DIOCESAN TRUST
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 5 APRIL 2018
REPORT OF THE TRUSTEES

The Diocesan Trustees do not have a formal system for monitoring of fund raising activities and due to the nature and wide spread location of such activities it would not be possible or practicable to introduce one. The Trustees have not received any complaints regarding fund raising during the current financial year.

Reserves policy

The Diocesan Trust recognises that its reserves reflect the full range of activities across parishes and the diocese as a whole. There are funds that it holds for specific purposes (restricted funds). Detailed records are held which identify the range of reserves for internal management purposes (see note 13), and it should be noted that the policy for the financial management of these reserves will vary with the purpose for which they are held.

Parish based reserves often reflect endowments or legacies from previous years, many of which have been given or established to provide for the longer-term costs associated with the care of often large and old buildings, some of which are 'listed' for the public benefit of the nation. It is also important to recognise that in the canon law of the Catholic Church, each parish is an individual entity and the designation of the particular finances of each entity has to be respected; therefore it is often not possible for cash-based funds to be simply moved from one part of the charity to another. However, given that a levy is paid on various sources of parish income to contribute to the costs of centrally provided diocesan services, then those parishes which are better off, or which have reserves are, in fact, contributing to the common good of all.

Generally speaking, the majority of regular voluntary donations by the charity's beneficiaries and donors in parishes will be spent on the general purposes of the charity in that parish within a reasonably short amount of time as 'revenue' expenditure.

When a parish with unrestricted reserves in any asset class requires funding for a particular project, the trustees will consider using these reserves as either partial, or occasionally as full, funding for the project, whilst taking the longer term future of the parish and the overall diocesan position into account. However, some fundraising at local level is normally expected for significant projects, so that parish reserves are not exhausted all at once, unless this is absolutely necessary.

Diocesan reserves reflect funds held for broader or group obligations, such as those for investing in the formation of future clergy and the care of sick and retired priests, as well as funds held for specific purposes. There is no doubt that the diocese needs to consider how these reserves can best be applied in the future to help support changes that will take place due to changes in demography, pastoral need and the actual practise of the faith from place to place (i.e. where the charity is committed to provide churches in order to maintain genuine accessibility by the charity's beneficiaries, even where a particular church might be deemed financially non-viable as a standalone unit). It should be noted that the central diocesan administration does not presently hold any long term reserves itself, but has an internal historic debt to parishes, which represents previous expenditure. With the agreement of parishes, a long term plan is in place to repay this debt over an appropriate period, primarily using 'windfall' receipts.

The net asset distribution of the reserves set out in note 14 reflects conscious decisions which have been taken in respect of liquidity and longer term investment. Across the charity, banking and market based investment arrangements are pooled, and the trustees are satisfied that the unrestricted reserves are sufficiently liquid and under their control that they are able to fund the activities of the diocese for a period in excess of 12 months.

The charity is currently meeting all its pension contribution arrangements and is fully compliant with auto enrolment. The clergy retirement grants are paid from a separate restricted fund with its own management body. Its portfolio is also actively managed by Quilter Cheviot.

The total of group reserves, including endowment funds and restricted funds, at 5th April 2018 was £76.79m (2017: £77.58m) with £38.34m (2017: £39.16m) held in fixed-assets, the majority of which is property; the investments in shares/stocks £28.41m (2017: £26.30m) and £9.53m in cash at bank (2017: £11.87m).

Investments

Reserves are held in a number of different asset classes, which include cash, market-based investments and property. On occasion, reserves held in physical assets (land and buildings) may be converted from one asset class to another to provide a better income return.

As indicated above, parish reserve cash balances which are not needed for use in the medium-term future may be pooled with those reserves of others for investment purposes. Our investments, held in FTSE 350 companies, gilts and cash have performed quite well over several years. The portfolio valuation at 5th April 2018 was £28.41m (2017: £26.30m) including the investments of the restricted fund for Sick and Retired Priests valued at £2.63m (2017: £2.67m)

LANCASTER ROMAN CATHOLIC DIOCESAN TRUST
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 5 APRIL 2018
REPORT OF THE TRUSTEES

which is held in a separate fund with a greater emphasis on the generation of income to provide a source of funding for our revenue obligations in this regard.

Our investment manager has a low-medium balanced risk brief for potential progressive capital growth and income. In recent years the performance of our investments have compared favourably with the financial sector benchmarks considered by the Investment Committee. The main benchmark used is a composite index of income and capital return of FTSE 350 shares and Government Gilts on a weighted 75%/25%. Investment income of the Group for the year was £879k (2017: 803k) and unrealised capital gains was £68k (2017: £1m)

Risk management

The trustees actively review the major risks which they believe the charity is potentially exposed to, identifying the types of risk and the likelihood and potential impact of occurrence, as well as the steps that can be taken to mitigate against these. To mitigate risk the trustees maintain and regularly review a risk register and have put in place insurances, checks, controls and procedures which are communicated to parishes and other diocesan organisations.

A significant percentage of voluntary donations are in cash. Our auditors select a number of parishes each year for audit. The audit includes a check on procedures for counting and banking cash donations, including separation of duties.

Staff in our Finance Office scrutinizes local bank account balances online daily, noting any significant account movements which are reported to the Finance Sub-committee. Urgent action will be taken to investigate any suspicious transactions or account activity immediately.

Property projects are monitored by the Property Sub-committee to prevent escalation of costs. Parishes are required to report significant variations on any projects costs. School projects are also closely monitored through the School Building Committee.

At the present time, three schools in Blackpool have converted to academy status (Sept 2014), with the diocese and several trustees being 'members' of two academy trusts. Although we have a good track record with our voluntary schools, academy status is a new area of risk, especially as the directors of academy trusts are responsible for education standards and financial control. Our Diocesan Education Service has appointed key experienced personnel to the directorship of our academy support trust.

The on-going financial and pastoral viability of a number of parishes continues to be a matter of concern. Where a parish makes a financial loss for three years in a row, this is formally reported to the trustees.

The central administration budget is monitored monthly and a variance report is presented to trustees.

Trustees' responsibilities in respect of the financial statements


The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the financial activities of the charity during the year and of its financial position at the end of the year. In preparing financial statements, giving a true and fair view, the trustees should follow best practice and:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless this basis is not considered appropriate.

The trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and to ensure that the financial statements comply with the applicable law and provisions of the Trust Deeds. The trustees are also responsible for safeguarding the assets of the charity and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Appointment of auditors

A resolution to re-appoint MHA Moore & Smalley as auditors will be made at a meeting of the trustees.



Rev Canon P Hart - Trustee

Date: 10.1.2019

LANCASTER ROMAN CATHOLIC DIOCESAN TRUST
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 5 APRIL 2018
REPORT OF THE INDEPENDENT AUDITORS

We have audited the financial statements of the Lancaster Roman Catholic Diocesan Trust (the 'parent charity') and its subsidiaries (the 'group') for the year ended 5 April 2018 which comprise of the consolidated and parent charity Statement of Financial Activities, the consolidated and parent charity Balance Sheet, the consolidated Cash Flow Statement and 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).

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 5 April 2018, and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

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 group and parent charity 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

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

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

Other information

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

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

We have nothing to report in this regard.

**LANCASTER ROMAN CATHOLIC DIOCESAN TRUST
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 5 APRIL 2018
REPORT OF THE INDEPENDENT AUDITORS**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept; or
- the parent charity's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement (set out on page 13), the trustees are responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and parent charity'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 group or the parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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

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.

MHA Moore and Smalley

MHA Moore and Smalley
Statutory Auditor
Richard House
9 Winckley Square
Preston
PR1 3HP

Date: 24/1/19

MHA Moore and Smalley is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

LANCASTER ROMAN CATHOLIC DIOCESAN TRUST
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 5 APRIL 2018
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	PARISH				CENTRAL DIOCESAN AGENCIES				GROUP TOTAL	Group 2017
	Unrestricted Funds £000	Restricted Funds £000	Endowment £000	Total £000	Unrestricted Funds £000	Restricted Funds £000	Total £000		£000	
INCOME FROM:										
Donations and legacies	4,398	4	-	4,402	190	155	345	4,747	4,772	
Charitable activities	437	23	-	460	710	123	833	1,293	1,735	
Other trading activities	1,407	-	-	1,407	79	32	111	1,518	1,553	
Investments	556	-	17	573	99	286	385	958	918	
Other	972	-	-	972	1,354	-	1,354	2,326	3,712	
TOTAL	7,770	27	17	7,814	2,432	596	3,028	10,842	12,690	
EXPENDITURE ON:										
Raising funds	456	-	-	456	145	21	166	622	646	
Charitable activities	5,949	28	-	5,977	1,495	625	2,120	8,097	8,340	
Other	-	-	-	-	2,979	-	2,979	2,979	16	
TOTAL	6,405	28	-	6,433	4,619	646	5,265	11,698	9,002	
NET INCOME/(EXPENDITURE) before other recognised gains	1,365	(1)	17	1,381	(2,187)	(50)	(2,237)	(856)	3,688	
Net gains/(losses) on investments	99	-	2	101	(19)	(14)	(33)	68	1,004	
NET INCOME/(EXPENDITURE)	1,464	(1)	19	1,482	(2,206)	(64)	(2,270)	(788)	4,692	
Transfers between funds	(798)	(23)	(17)	(838)	886	(48)	838	-	-	
NET MOVEMENT IN FUNDS	666	(24)	2	644	(1,320)	(112)	(1,432)	(788)	4,692	
RECONCILIATION OF FUNDS										
Total funds brought forward	60,900	99	557	61,556	3,493	12,530	16,023	77,579	72,887	
FUNDS CARRIED FORWARD	61,566	75	559	62,200	2,173	12,418	14,591	76,791	77,579	

The Statement of Financial activities includes all recognised gains and losses in the year. All of the above relate to continuing activities.
The notes to the accounts form part of the Financial Statements.

LANCASTER ROMAN CATHOLIC DIOCESAN TRUST
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 5 APRIL 2018
CHARITY STATEMENT OF FINANCIAL ACTIVITIES

	PARISH				CENTRAL DIOCESAN AGENCIES			CHARITY TOTAL	Charity 2017
	Unrestricted Funds £000	Restricted Funds £000	Endowment £000	Total £000	Unrestricted Funds £000	Restricted Funds £000	Total £000	£000	£000
INCOME FROM:									
Donations and legacies	4,399	4	-	4,403	186	155	341	4,744	4,765
Charitable activities	437	23	-	460	711	123	834	1,294	1,736
Other trading activities	1,025	-	-	1,025	79	32	111	1,136	1,128
Investments	555	-	17	572	29	286	315	887	842
Other	972	-	-	972	-	-	-	972	1,496
TOTAL	7,388	27	17	7,432	1,005	596	1,601	9,033	9,967
EXPENDITURE ON:									
Raising funds	63	-	-	63	117	21	138	201	152
Charitable activities	5,951	28	-	5,979	1,491	625	2,116	8,095	8,291
Other	-	-	-	-	-	-	-	-	-
TOTAL	6,014	28	-	6,042	1,608	646	2,254	8,296	8,443
NET INCOME/(EXPENDITURE) before other recognised gains	1,374	(1)	17	1,390	(603)	(50)	(653)	737	1,524
Net gains/(losses) on investments	100	-	2	102	-	(14)	(14)	88	990
NET INCOME/(EXPENDITURE) before transfers	1,474	(1)	19	1,492	(603)	(64)	(667)	825	2,514
Transfers between funds	(798)	(23)	(17)	(838)	886	(48)	838	-	-
NET MOVEMENT IN FUNDS	676	(24)	2	654	283	(112)	171	825	2,514
RECONCILIATION OF FUNDS									
Total funds brought forward	60,523	99	557	61,179	238	12,530	12,768	73,947	71,433
FUNDS CARRIED FORWARD	61,199	75	559	61,833	521	12,418	12,939	74,772	73,947

The Statement of Financial activities includes all recognised gains and losses in the year. All of the above relate to continuing activities.
The notes to the accounts form part of the financial statements.

LANCASTER ROMAN CATHOLIC DIOCESAN TRUST
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 5 APRIL 2018
BALANCE SHEET

		GROUP		CHARITY	
		2018	2017	2018	2017
		£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	9	38,341	39,158	38,059	38,354
Investments	10	28,408	26,300	26,986	26,005
		66,749	65,458	65,045	64,359
CURRENT ASSETS					
Stocks		20	20	3	4
Debtors	11	954	930	958	925
Cash at bank and in hand		9,529	11,870	9,287	9,282
		10,503	12,820	10,248	10,211
Creditors: amounts falling due within one year	12	(456)	(694)	(521)	(623)
NET CURRENT ASSETS/(LIABILITIES)		10,047	12,126	9,727	9,588
Creditors: amounts falling due after more than one year	12	(5)	(5)	-	-
NET ASSETS		76,791	77,579	74,772	73,947
FUNDS					
Restricted income funds	13.1	12,493	12,629	12,493	12,629
Endowment funds	13.2	559	557	559	557
Parish general funds	13.3	61,566	60,900	61,199	60,523
Diocesan general funds	13.4	2,173	3,493	521	236
TOTAL FUNDS		76,791	77,579	74,772	73,947

Approved by the Trustees on 08 January 2019 and signed on their behalf by

P. Swarbrick
 The Right Reverend P Swarbrick
 Bishop of Lancaster & Chair of the
 Trustees

P. Hart
 Reverend Canon P Hart
 Financial Administrator & Trustee

LANCASTER ROMAN CATHOLIC DIOCESAN TRUST
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 5 APRIL 2018
CONSOLIDATED CASH FLOW STATEMENT

	2018 £000	2017 £000	
Cash flows from operating activities			
Net cash provided by (used in) operating activities	<u>(4,380)</u>	<u>(837)</u>	
Cash flows from investing activities:			
Dividends, interest and rents from investment	958	918	
Proceeds from sale of property, plant & equipment	3,257	4,313	
Purchase of property, plant & equipment	(137)	(47)	
Proceeds of sale of investments	3,599	4,088	
Purchase of investments	(4,929)	(4,845)	
Net cash provided by (used in) investing activities	<u>2,748</u>	<u>4,427</u>	
Cash flows from financing activities:			
Repayment of borrowing	-	-	
Cash inflows from new borrowing	-	-	
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>	
Change in cash and cash equivalents in the reporting period	(1,632)	3,590	
Cash and cash equivalents at the beginning of the reporting period	12,882	9,292	
Change in cash and cash equivalents due to exchange rate movement	-	-	
Cash and cash equivalents at the end of the reporting period	<u>11,250</u>	<u>12,882</u>	
Reconciliation of net income/(expenditure) to net cash flow from operating activities			
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(788)	4,692	
Adjustments for:			
Depreciation charges	23	33	
(Gains)/losses on investments	(69)	(1,004)	
Dividend, interest and rents from investments	(958)	(918)	
Loss/(Profit) on sale of fixed assets	(2,326)	(3,712)	
(increase)/decrease in stocks	-	3	
(increase)/decrease in debtors	(24)	26	
increase/(decrease) in creditors	(238)	43	
Net cash provided by/(used in) operating activities	<u>(4,380)</u>	<u>(837)</u>	
Analysis of change in cash in hand and at bank			
Bank	9,529	11,870	change (2,341)
Held by investment fund managers	1,721	1,012	709
	<u>11,250</u>	<u>12,882</u>	<u>(1,632)</u>

LANCASTER ROMAN CATHOLIC DIOCESAN TRUST
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 5 APRIL 2018
NOTES TO THE ACCOUNTS

1 Accounting Policies

Basis of accounting

Lancaster Roman Catholic Diocesan Trust is a registered charity in the United Kingdom. The address of the charity, the nature of its operations and its principal activities are all detailed in the Trustees' report and Trustees and Advisors pages of these financial statements.

The charity constitutes a public benefit entity as defined by FRS102. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at valuation. The financial statements are prepared in sterling which is the functional currency of the charity.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Preparation of the accounts on a going concern basis

The trustees have assessed whether the use of the going concern basis is appropriate in the preparation of the financial statements. The period of assessment is one year from the date of approval of these financial statements. The trustees have concluded that there are no material uncertainties that cast doubt on the ability of the charity/group to continue as a going concern. The trustees are of the opinion, based on available financial data, that there will be sufficient incoming resources and assets to meet future liabilities when they fall due and they do not expect significant changes in future income resources or resources used or expended during the period of assessment.

A significant area of uncertainty is the value of investments and the income from these which can be drastically affected by economic and other factors beyond the control of the trustees. The trustees are of the opinion that the Charity can withstand a significant fall in the value of these and in investment income receipts, though this is not anticipated.

Basis of consolidation

The consolidated financial statements of the group incorporate the financial statements of the Diocesan Trust, "the charity" which comprise the parishes and central diocesan agencies and subsidiary entities over which the diocese is considered to exert control. Details of the subsidiary entities are given in note 2.

Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the charity's balance sheet when the charity becomes party to contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless

LANCASTER ROMAN CATHOLIC DIOCESAN TRUST
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the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

The charity has no assets which are classified as other financial assets.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of financial activities.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

De-recognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the charity transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the charity after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities including creditors are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

The charity has no liabilities which are classified as other financial liabilities.

De-recognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

Judgement and key sources of estimation uncertainty

In the application of the charity's accounting policies the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In the opinion of the trustees there have been no significant estimate or judgements made in the process of applying the charity's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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Income recognition

Income is included in the period in which the charity/group becomes entitled to the income, it is probable that it will be received and the amount of income receivable can be measured reliably. Specific policies apply to the categories of income noted below.

Legacies are accounted for on entitlement which is considered to be the earlier of notification from the executor that probate has been granted and confirmed that there are sufficient assets to make a distribution or when a distribution is received.

Collections, including Mass offerings, and other donations are accounted for on a cash received basis as such voluntary donations can only be measured with certainty upon receipt.

Gift Aid donations are accounted for on a cash received basis with any related Gift Aid or Gift Aid Small Donation Scheme tax credits accounted for on an accruals basis.

Revenue grant income is accounted for when received.

Capital grants are recognised as restricted income when received or receipt can be measured reliably and associated costs are charged against these restricted funds.

Investment income is accounted for on an accruals basis.

Income from charitable activities is accounted for on a cash received basis.

Income from fund raising activities is accounted for on a cash received basis.

Rental income from functional properties is accounted for when received under the terms of the lease or hire agreement and when it is probable that it will be received and the amount can be reliably measured.

Trading subsidiary accounts are produced on an accruals basis.

Expenditure

Liabilities are recognised as soon as there is a legal or constructive obligation committing the charity to the expenditure, it is probable that settlement will be required and the amount can be reliably measured. All expenditure is included in the financial statements on an accruals basis inclusive of irrecoverable VAT.

Expenditure on direct charitable activities mainly comprise: the provision of places of worship and associated buildings e.g. presbyteries; provision of religious services and pastoral care and support; support of education and youth services; training of priests and deacons and the financial support of sick and retired priests.

Support costs include the costs of the Finance and Property Offices, Health & Safety services, Safeguarding Office, the provision of the Pastoral Centre, which houses the administrative offices of the diocese and provide a central meeting venue, and governance costs. Support costs are apportioned to charitable activities based on an estimate of management and employee time spent in support of these activities.

Governance costs are now included under support costs and comprise those costs of the organisation administration and compliance with constitutional and statutory requirements including external audit, legal and other professional services. Governance costs are apportioned to charitable activities based on an estimate of management and employee time spent in support of these activities.

Investments

Investments are initially recognised at their transaction value then subsequently included in the balance sheet at their fair value using the closing quoted market price. Any realised and unrealised gains and losses on revaluation or disposals throughout the year are included in the statement of financial activities.

Tangible fixed assets - other than schools

Functional freehold properties including churches, presbyteries, houses, parish hall/centres and similar buildings are included in the balance sheet at deemed cost. The deemed cost is the discounted insurance value at 1997, which

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have been discounting based on inflation statistics to arrive at original cost. For the purposes of these financial statements and in line with the provisional arrangements of FRS 102 these estimates of depreciated value at 1997 are now the deemed cost.

The charity has taken advantage of the transitional provisions under FRS 102 to take the value of freehold property as deemed cost on transition at 6 April 2014 but as historical cost is unknown and cost per the accounts refers to an earlier valuation by the charity, the trustees have continued to show brought forward valuation and accumulated depreciation at transition date in the notes to the accounts.

Freehold properties purchased since 1997 are recorded at cost. Properties donated after 1997 are included at valuation.

Depreciation is calculated to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values over the expected useful economic lives of the assets concerned. The principal annual rates and method used for this purpose are as follows:

	Rate	Method
Fixtures, fittings and equipment	25%	reducing balance basis
Motor Vehicles	25%	reducing balance basis

All additions to fixtures, fittings and other fixed assets after 6th April 1995 in excess of £5,000 are included at purchase cost less accumulated depreciation.

The charity owns a number of works of art, including paintings, manuscripts and sculptures. All parishes own silverware, in daily use for the purposes of the parish, which are on display within the diocese and parishes. Many have been donated, bequeathed or inherited by the diocese or parishes. Such items are not included at any value in the financial statements because it is considered that no meaningful value can be attributed to them.

Tangible fixed assets – schools property

The diocese owns land on which its voluntary aided schools are built. The school buildings are occupied, improved, extended and repaired by the school governors. Each school is an exempt charity and occupies the land and buildings rent free. The nature of occupation of the land and buildings by these exempt charities means that the diocesan trustees do not have the power to dispose of the land or buildings until a school ceases its occupation, which in turn would require the approval of the governing body and the Secretary of State and may involve recovery of grant aid by the DCSF or the obligation to use the proceeds for other educational provision. Consequently such land and buildings are not in direct use by the charity, do not generate any income, cannot be disposed of on the open market and cannot be used for any other purpose during the schools' occupation, which may be indefinite. In view of these restrictions the trustees believe the recoverable amount of these assets is nil and are included at nil valuation in these financial accounts.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Debtors and creditors within one year

Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

Cash and cash equivalents

Liquid resources comprise amounts held on deposit with recognised banks and building societies and cash on hand held at parish level.

Provisions

These are recognised when there is a commitment made to the incurring of expenditure.

Pension costs

The charity operates a defined contribution scheme. Contributions are charged in the Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

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Fund accounting

The charity/group has various types of funds for which it is responsible, and which require separate disclosure within the financial statements. These are:

Endowment funds

Funds given to the charity or its subsidiaries, subject to the restriction that they are held as capital. Income derived from endowment funds is included in the Statement of Financial Activities, and may be restricted to a particular purpose.

Restricted funds

Donations, grants or legacies received which have been given for a specific purpose or purposes as specified by the donor; where such purposes are within the overall aims of the organisation. These funds may represent capital only (where the capital must be retained) or income and capital (where the donation and income deriving from them may be utilised).

General funds

These represent unrestricted funds which are available at the discretion of the Trustee in furtherance of the objectives of the charity and which have not been designated for other purposes.

Designated funds

These are funds included within the general funds that have been set aside and designated by the trustees for specific purposes.

Parish funds

There are included within the general funds. In civil administration a parish is not a distinct legal entity but forms part of the wider diocese, but with a degree of independence and autonomy. Parish funds and assets, unless subject of a separate trust recognised in law, are funds of the Diocesan Trust and therefore the responsibility of the diocesan trustees. In Canon Law a parish is a public juridical person with the parish priest carrying out his ministry under the authority of the Bishop. A parish has the right under Canon Law to acquire, retain, administer and alienate temporal goods subject to the norms of Canon Law.

Taxation

The Roman Catholic Diocese of Lancaster is a charity within the meaning of section 1119 Corporation Taxes Act (CTA) 2010. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478 - 489 of the CTA 2010 or section 256 of the Taxation of Chargeable Gains Act 2010, to the extent that such income or gains are applied to exclusively charitable purposes.

The charity's subsidiary and associated undertakings are subject to corporation tax in the same way as any commercial or charitable organisation, as appropriate.

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2 Group Bodies

The charity has interests in associated and subsidiary undertakings, which are consolidated in the financial statements, as follows:

Limited companies

St Kentigern's Parish Centre Ltd	Subsidiary	100%	Social club/centre
St Anthony's Parish (Preston) Centre Ltd	Subsidiary	100%	Social club/centre
St Margaret Mary's Parish Centre (Carlisle) Ltd	Subsidiary	100%	Social club/centre
Our Lady & St Edward's Parish Centre (Preston) Ltd	Subsidiary	100%	Social club/centre

All the above companies are incorporated in the United Kingdom.

Trusts and Charities

The charity has consolidated the financial statements of the following associated or subsidiary trusts and charities into these financial statements:

The Moyston Trust

Lancaster Diocesan Pilgrimage Trust

St Cuthbert's Carlisle School Charity

St John's Poulton 1838 Charity

The R J Stephenson Charities ceased to be a controlled subsidiary on 20 July 2017 following the resignation of three of the trustees of the R J Stephenson Charities who are also trustees of the Lancaster Roman Catholic Diocesan Trustee Registered.

The result of the R J Stephenson Charities are no longer consolidated with those of Lancaster Roman Catholic Diocesan Trust and the assets and liabilities of this trust have been removed from the consolidated accounts. See note 18. No income or expenditure of the R J Stephenson Charities has been consolidated into the group accounts for the year ended 5 April 2018.