

THE HEREFORD DIOCESAN BOARD OF FINANCE

England & Wales · Charity number 249685

Details

Other names	HDBF
Status	Registered
Legal form	Charitable company
Company number	00144467
Registered	1966-10-18
Register	View on the Charity Commission register

Contact

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Activities

Objects: TO PROMOTE, AID, AND FURTHER THE RELIGIOUS AND OTHER CHARITABLE WORK, OF THE CHURCH OF ENGLAND (HEREAFTER CALLED "THE CHURCH") IN THE DIOCESE OF HEREFORD (WHATEVER FOR THE TIME BEING SHALL BE THE AREA OF THE DIOCESE CALLED THE DIOCESE OF HEREFORD, OR CALLED BY ANY NAME WHICH SHALL HEREAFTER BE SUBSTITUTED FOR THE PRESENT NAME OF THE DIOCESE, AND WHICH AREA IS HEREAFTER REFERRED TO AS "THE DIOCESE"), BUT AT THE DISCRETION OF THE TRUSTEES ELSEWHERE IN THE WORLD INCLUDING THROUGH: I. SUPPORTING FINANCIALLY OR OTHERWISE TRAINING FOR MINISTRY, CLERICAL AND LAY II. THE MAINTENANCE AND SUPPORT OF CLERGY AND OTHER PERSONS CONNECTED WITH MINISTRY OR THE WORK OF THE CHURCH III. THE PROVISION OF PENSIONS FOR MINISTERS, TEACHERS AND WORKERS OF THE CHURCH, AND OF PERSONS WHO HAVE PREVIOUSLY HELD ANY SUCH POSITION, AND DEPENDENTS OF THEM OR ANY OF THEM AND THE OVERSIGHT OF SUCH DEPENDENTS IN ACCORDANCE WITH AND SUBJECT TO THE CLERGY PENSIONS MEASURE 1961

Activities: Promotion of Christianity

Classification

- **How:** Makes Grants To Organisations, Provides Human Resources, Provides Buildings/facilities/open Space, Provides Services, Provides Advocacy/advice/information, Acts As An Umbrella Or Resource Body, Other Charitable Activities
- **What:** Education/training, The Prevention Or Relief Of Poverty, Religious Activities, Arts/culture/heritage/science, Environment/conservation/heritage, Human Rights/religious Or Racial Harmony/equality Or Diversity, Other Charitable Purposes
- **Who:** Children/young People, Elderly/old People, People With Disabilities, Other Charities Or Voluntary Bodies, The General Public/mankind

Geography

- **Area of benefit:** DIOCESE OF HEREFORD
- Herefordshire
- Shropshire

Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£6,235,313	£7,432,687	£95,094,443	44
2023-12-31	£5,898,678	£7,196,763	£91,129,272	40
2022-12-31	£6,115,156	£6,867,848	£93,226,168	43
2021-12-31	£5,610,926	£6,736,701	£90,986,696	44
2020-12-31	£5,739,807	£6,475,839	£83,068,498	43

Trustees

Name	Role	Appointed
Andrew Charles Wood		2023-03-25
Andrew Terence Teale		2025-01-16
Anna Kingsmill-Vellacott		2024-11-19
Charles Robson Houston		2025-01-16
David James Clements		2023-12-02
Emily Lauren Hill		2025-01-16
Marion Shirley Shuttleworth		2025-01-16
Nigel Anthony Sellar		2020-12-02
Rev CHRISTOPHER KEVIN WILLIAM MOORE		2024-11-19
Rev Guy Spenser Cole		2021-10-12
Rev Stephanie Ann Cecilia Fountain		2024-11-19
Rev William Ashley Buck		2020-12-02
The Right Reverend Richard Charles Jackson		2020-12-02
The Venerable Samantha Jane Hustwayte		2026-05-10
Venerable Derek Christopher Chedzey		2020-12-02
Very Revd Sarah Romilly Denner Brown		2021-10-02

Linked charities

- HEREFORD DIOCESAN BOARD OF EDUCATION (249685-1)
- HEREFORD DIOCESAN BOARD OF FINANCE EDUCATIONAL UNIFORM STATUTORY TRUSTS ACCOUNT (249685-2)

Accounts

Hereford Diocesan Board of Finance

Annual Report & Accounts 2024



— Diocese of —
Hereford
Proclaiming Christ ✦ Growing Disciples

Company limited by guarantee
Company number 144467
Charity number 249685

Hereford Diocesan Board of Finance

Report & Accounts for the year ended 31 December 2024

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Foreword by the Bishop of Hereford

For the year ended 31 December 2024

1. Foreword by the Bishop of Hereford

Dear Friends,

Welcome to the financial report and accounts for 2024.

As I write this, we have just begun our Year of Engagement following on from the encouragement of the Year of Faith. The feedback from the Year of Faith has been very positive. Many events were organised, both centrally and across the diocese in local churches. We had some fantastic outside speakers in Paul Williams and Andy Emerton from the Bible Society and Isabelle Hamley to our teaching days. Bishop's teaching days on the Bible were well attended across the diocese. We also held a number of Questions of Faith evenings in parish churches. People came and asked all sorts of spiritual questions which Dean Sarah and I sought to answer. It is encouraging to hear how these events were a catalyst for small groups which are now continuing the conversation. I hope we will continue these this year. I am so grateful to the diocesan team for all they did to organise these events. My hope at the beginning of the year was that it would contribute to a rather nebulous but discernible raising of the spiritual temperature. My sense is that it has done that, for which we thank the Lord.

We began our three-year cycle with the Year of Prayer. Moving on to the Year of Engagement is not an excuse to stop praying! Prayer remains the central component of our diocesan strategy. We are facing serious headwinds in our call to proclaim Christ and grow disciples. Prayer is part of the spiritual filling of the sails that pushes us forward. 2025 will mark a transition in our strategy towards a more outward focus.

We are blessed with historic assets which enable our trustees to release additional funds for strategic mission initiatives in parishes, even though the diocesan income and expenditure balance remains in a large deficit. In addition, the Church Commissioners are paying for several of our support staff. A recent successful bid to the central board has allowed us to start our innovative Youth Hubs in Leominster and Bishops Castle. We continue to have good relationships with Herefordshire Council who are paying for us to work with Ukrainian guests.

However, last year Diocesan Synod passed a motion requesting the Church Commissioners to increase their grants to dioceses for parochial ministry substantially. As I write this the preparation is in hand for this motion to be brought to General Synod. Several dioceses are supporting this. Our prayer is this will enable a more sustainable financial settlement between the Commissioners and dioceses.

We want to multiply ministry, by retaining as high a number of frontline clergy as we can. To do that we need both to increase our local giving and get more resource from the centre.

There are always challenges to growing the Kingdom of God. It has always been thus in the church. But God provides for what he calls us to do. I have faith that he will continue to do that in 2025.

With best wishes,



The Rt. Revd Richard Jackson
Bishop of Hereford

Annual report

For the year ended 31 December 2024

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements of the company and its linked charities, for the year ended 31 December 2024.

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.

STRATEGIC REPORT

2. Legal objects and responsibilities

The Hereford Diocese Board of Finance's (HDBF) objects are to promote, aid, and further the religious and other charitable work of the Church of England in the Diocese of Hereford and, at the discretion of the trustees, elsewhere in the world including through:

- supporting financially or otherwise, training for ministry, clerical and lay;
- the maintenance and support of clergy and other persons connected with ministry or the work of the Church;
- the provision of pensions for ministers and their dependants in accordance with and subject to the Clergy Pensions Measures of 1961 and 2018.

The Diocese of Hereford covers the county of Herefordshire, the southern part of Shropshire and a few parishes in the counties of Worcestershire, Powys and Monmouthshire. The objects of the Diocese apply across this geographic area.



Petertide ordinations

In addition, the HDBF also manages two linked charities; The Hereford Diocesan Board of Education (DBE) and the HDBF Educational Uniform Statutory Trust (UST), along with being the custodian Trustee of several smaller Trusts (more details in section 7.11).

The HDBF has the following principal statutory responsibilities: -

- to hold, manage and deal with Diocesan glebe land for the benefit of the diocesan stipends fund in accordance with the Church Property Measure 2018, and to comply with the extant provisions of the Endowments and Glebe Measure 1976;
- to repair benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- to manage the investments and act as custodian of assets relating to church schools under the Diocesan Boards of Education Measure 2021;
- to act as custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

The strategic priorities of the charitable company are established by the Diocesan Synod in communication with Deanery Synods, PCCs, and the Bishop of Hereford (in respect of his responsibility for the provision of the cure of souls). To this end, significant time and effort is committed to communication between and with these bodies, as well as with the church nationally; including an annual series of consultations on specific matters relating to the priorities for the forthcoming year, taking forward the commitments arising from synodical discussions including the diocesan budget. HDBF is responsible for the custody and management of the Diocesan Synod's financial affairs as well as those of the Diocesan Board of Education which works with church schools and academies.

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For the year ended 31 December 2024

3. Organisational Structure

3.1 Geography

The Diocese of Hereford was created in 676 and covers an area of 1,660 square miles encompassing all of Herefordshire, the southern half of Shropshire and small parts of Worcestershire, Powys and Monmouthshire. The overall population per the 2021 census is approximately 325,000. The largest settlement is the city of Hereford with a population of over 50,000. The other sizeable settlements are Leominster, Ludlow, Bridgnorth, and Ross-on-Wye with populations between 10,000-12,000. A significant proportion of the population live in small, scattered communities of less than 500 people.



St Peter's Church, Rowlestone

3.2 Company status

The Hereford Diocesan Board of Finance (HDBF) is a company set up under the Diocesan Boards of Finance Measure 1925, as amended. It was incorporated on 27 July 1916 as a charitable company (No. 144467) limited by membership guarantees and is registered with the Charity Commission (No. 249685). Its governing documents are the Memorandum and Articles of Association, as amended 22 May 1953, 11 April 1962, 21 March 1986, 23 May 1994, 25 May 2010 and 2 March 2019.

The registered office address is The Diocesan Office, The Palace, Palace Yard, Hereford HR4 9BL. Reference and administration information is given in section 13.

3.3 Company role

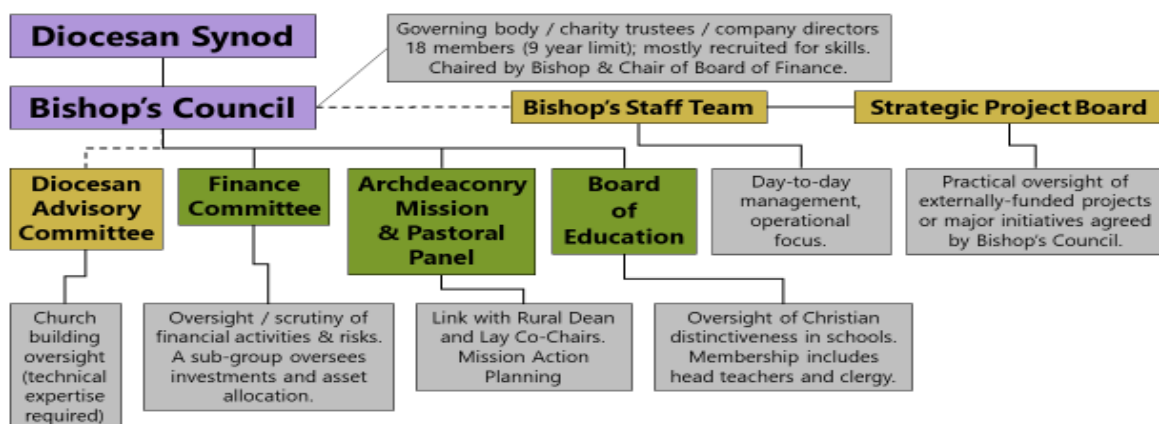
The main role of the HDBF is to manage and develop finances and assets to further its charitable objectives, promoting the mission and ministry of the Church of England across the Diocese of Hereford.

The HDBF's core responsibilities include the payment of stipends and pension contributions for parochial clergy, the provision and maintenance of clergy housing, and the selection and training of future clergy. HDBF also employs diocesan support ministers and staff who provide guidance and expertise to parishes in a variety of ways, as well as enabling the company to meet its legal and charitable obligations.

The Diocese of Hereford has c. 400 open churches across 79 benefices (340 parishes), and 78 church schools.

3.4 Overview of Board and Committee structure

The HDBF has delegated to the Bishop's Council all statutory functions under the Diocesan Boards of Finance Measure 1925, the Companies Acts and the Charities Acts as amended. Bishop's Council has responsibility for the day-to-day business of the company which it exercises by delegation to the Diocesan Secretary, who is supported by heads of departments and their staff.



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For the year ended 31 December 2024

4. Strategic aims

Vision:

Our vision remains unchanged: "To proclaim Christ and grow disciples."

Our Shared Strategic Aims (2023 – 2030)

Our strategy includes action for growth in prayerfulness, Christ-likeness and engagement through:

- welcoming new members and to go deeper in faith with all members (*faith/discipleship*)
- expanding the number of, supporting and equipping both clergy and lay leaders (*leadership/teams*)
- our congregational profile becoming younger (*youth/intergenerational mission*)
- sustainable finance through giving and asset management (*finance*)
- a clear future for every church building (*buildings*)

This strategic approach is reflected in five strategic aims to create:

- Youth / Intergenerational Mission Hubs**, each connected to at least one of our growing, healthy churches and resourcing others through training and support.
- Rural Church Missioners** who will work 50% as incumbents of rural parishes and 50% to support smaller rural churches to develop clear missional plans for the future of every church community and building in the ministry area. These won't be 'new posts' but recruited into existing full-time incumbencies with a renewed focus.
- A Funeral Care and bereavement service** that will provide a central system for booking funerals and working with incumbents of rural parishes to develop teams which offer excellent funeral ministry.
- Ministry Area Co-ordinators**
- 200+ lay and ordained self-supporting / volunteer leaders.**

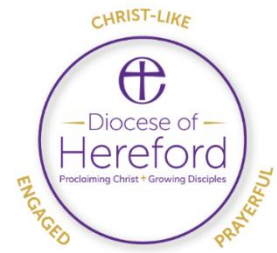
The above will be piloted through a number of initiatives. In particular, the 'hub and spoke' model of youth ministry in and around the market towns of Bishop's Castle and Leominster, has been supported with Archbishops' Council funding of £457k provided through the national Diocesan Investment Programme (DIP) from 2024-2027.

These strategic initiatives are delivered at a parish or deanery level through partnership, in a spirit of co-operation and reflect the importance of local community engagement.

5. Achievements and performance

5.1 Overview

Our most recent diocesan strategy has been in place since 2023 and builds on previous versions of it. There is a close link to the national church's priorities and a strong emphasis on supporting initiatives that come from parish, benefice and deanery level.



Christening, Abbeydore Deanery

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For the year ended 31 December 2024

5.2 Listening Findings

Throughout the events that formed the strategy we received many concerns in a variety of formats, but they broadly fell into the following categories:

1. Finances (sustainability, giving, Parish Offer)
2. Church Buildings (costs, use, maintenance)
3. Congregations (numbers, age profile, young people)
4. Clergy & Morale (tired, burnt out, some demoralised)



2024 Year of Faith event

5.3 Themes

The Diocese is determined to support the parish structure, keep churches open and maintain a Christian presence in every community but the listening events have led us to need to face the following realities (data sourced from annual Statistics for Mission or accounting records):

- Our Sunday attendance figures have declined by 30% between 2019-2023;
- Including the Cathedral there are only fourteen churches that usually get a congregation of over 50 on Sundays, whilst 250 churches have fewer than 20 people attending;
- There are very few children at most acts of worship on a Sunday: the mission statistics suggest about 400 young people are in churches across the diocese each week;
- Most of the children and young people we are in contact with are through schools and, to a lesser extent, outreach events like Messy Church;
- Outside urban centres the average Anglican is 72;
- There is an excessive reliance on clergy in many places;
- Parish Offer has not kept pace with inflation, declining by over 30% in real terms since 2019;
- The Hereford Diocesan Board of Finance is likely to have a structural operating deficit of c. £1.0 million a year for the foreseeable future unless it can grow income and reduce expenditure. Many parishes and benefices are not self-supporting in the sense that they are only meeting approximately two-thirds of the ministry costs of our stipendiary clergy and curates, with the HDBF providing top-up funding; only 14 out of 75 benefices currently cover the cost of their vicar, and 23 benefices cover less than half;
- HDBF has seen an increase in the value of its Diocesan Stipends (endowment) Fund of £7.6m since adopting Total Return accounting at the start of 2019, due mainly to one-off gains from the disposal of glebe land, although liquidity requirements to purchase clergy properties and fund the operating deficits mean that it also must sell assets periodically;
- There was consistent feedback from parish consultations that we have too many church buildings and often lack the capacity, energy and finances to realise their potential fully for local communities.

5.4 Key achievements

Serving our local communities:

- ❖ Provided regular services, Alpha and discipleship courses, Messy Church, Synods, conferences and many other church-led activities using a hybrid in person / online approach
- ❖ Actively support the running of foodbanks, provide pastoral care and developing youth activities through a range of Youth Hubs
- ❖ Provided support for vulnerable and isolated people, in particular asylum seekers and families displaced by the war in Ukraine.

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For the year ended 31 December 2024

Education:

- ❖ Supported the creation of two further church multi-academy trusts and a large expansion to the Diocese of Hereford Multi Academy Trust
- ❖ Strengthen the relationship between the Board of Education and the Board of Finance
- ❖ Established a resource sharing arrangement with the Diocese of Worcester for our DDE role
- ❖ Refined our strategy for helping schools to consider becoming academies.



Hereford Academy pupils



Year 6 Leavers' service, Hereford Cathedral

Safeguarding young people and vulnerable adults:

- ❖ trained 347 individuals in Basic Awareness, 486 in Foundation safeguarding, and 50 in Safer Recruitment practices.

Mission and outreach:

- ❖ Supported a pioneer mission priest in Craven Arms
- ❖ Set up two new youth hubs in Leominster and Bishop's Castle
- ❖ Funded two school chaplains at large church secondary schools
- ❖ Concluded strategic mission initiative with St Peter & St James Hereford.

Learning and leadership:

In 2024, we were delighted to commission:

- ❖ 5 local ministers (3 more due to be commissioned in 2025)
- ❖ 56 local worship leaders
- ❖ 19 local parish volunteers
- ❖ 11 local missionaries
- ❖ Bishop Richard continued to record a short video each week, providing biblical wisdom, insights and encouragement for everyone.



Petertide ordinations, Hereford Cathedral

Supporting our 400 churches:

- ❖ Offered a wide range of training courses and guidance to our churches, including safeguarding, quinquennial inspections, modern slavery, church tourism, encouraging giving and generosity,

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parenting for faith, funding for church buildings, valuing churchyards, establishing stronger links between schools and churches, 'Living in Love & Faith', racial and social justice conversations.

Caring for the environment:

- ❖ The Net Zero Carbon ('NZC') steering group continues to develop and drive forward a differentiated approach to support the 'net zero by 2030' ambition within the Diocese (2020 CO₂ footprint estimated to be 5,500 tonnes), with key focus areas being clergy housing and Voluntary Aided schools. In 2024 one vicarage in Hereford was entirely retrofitted to be carbon neutral as one of the national church's demonstrator projects. We also put in place a partnership with Gloucester and Worcester Dioceses to promote and coordinate NZC activity and knowledge-sharing.
- ❖ Delivering the partnership with Gloucester and Worcester Diocese for NZC work.



St Peter's Church, Diddlebury

Financial stewardship:

- ❖ Monitored expenditure closely and kept the General Fund operating deficit before gains & losses per the management accounts to £(0.66)m, £0.2m favourable to budget.

5.5 The Christian presence

Clergy form a central part in the life of churches in the Diocese. In 2024, an average of 59.6 (2023: 59.6) trained stipendiary clergy and 13.2 (2023 16.7) curates were deployed in the Diocese; supporting them in their ministry, training and continued development is a key priority for HDBF and represents by far its largest financial commitment. The Diocese is also very grateful to the 29 self-supporting clergy who provide ministry across many of our communities. Although the HDBF does not 'employ' the parish clergy, it is responsible for training and paying them, and contributing to their pension fund. In turn, generous Parish Offer contributions from every Parochial Church Council (PCC) are essential in meeting these ministry costs.

It remains challenging to maintain the full complement of clergy across the Diocese due to the declining pool at national level combined with a larger group of clergy retiring. This leads to some lengthy vacancies. Notwithstanding these headwinds, our clergy and lay teams continue to provide an active and vibrant Christian witness across the Diocese.

5.6 Public benefit

Through carrying out the above objectives and in promoting the whole mission of the church (pastoral, evangelistic, social and ecumenical) the trustees are confident, having had regard to Charity Commission guidance, that HDBF delivers public benefit through:

- providing facilities for public worship, pastoral care, and spiritual, moral and intellectual development, both for members and for anyone who wishes to benefit from what the Church offers;



St Peter's Hub volunteers

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For the year ended 31 December 2024

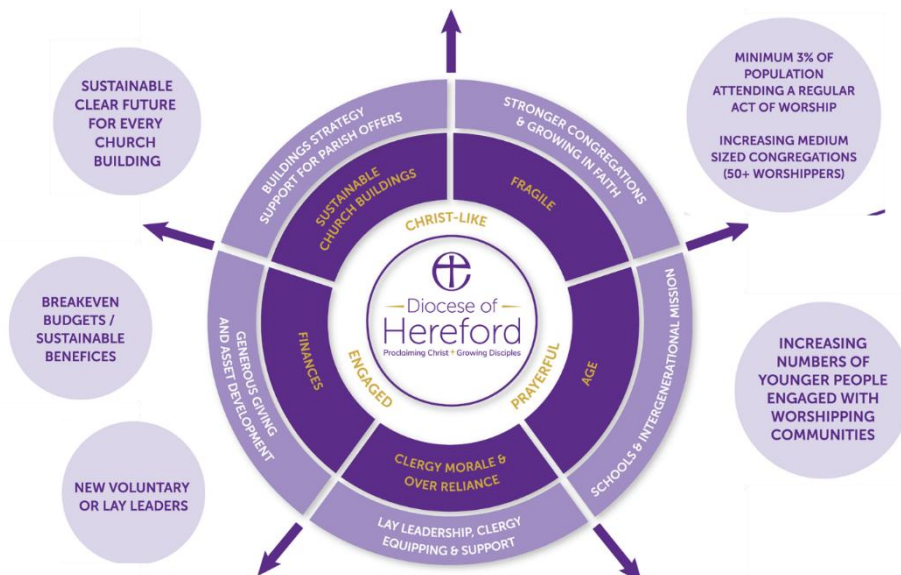
- The Diocese supports some 400 buildings in 344 parishes providing regular opportunities for public worship. As well as acts of worship, weddings and funerals, many of our buildings are accessed during the week for community activities.
- promoting Christian values, and service by members of local Anglican churches in and to their communities, for the benefit of individuals and society as a whole;
- community engagement, resourcing education (including our network of 78 schools) and supporting those in need both spiritually and physically.

6. Plans for future periods

6.1 2025 and beyond

Our Strategy

Our action plan sets out the specific tasks required to help us achieve our vision and goals but the following narrative indicates the range of activities that we expect to see over the course of this 5 year strategy.



The main premise of the plan accepts that the current model of ministry is not producing growth in numbers, partly because the role we are asking our clergy to do is unrealistic, and that there are not enough resources to cover what we currently have, let alone increase them. This means we need to stop trying to run faster with less.

Funding constraints mean there is a risk that we might need to reduce the number of stipendiary clergy over time, so the challenge is to secure long-term funding, whilst also increasing the number of self-supporting clergy and lay leaders and finding new ways of treasuring our church buildings – without laying additional burdens on small numbers of volunteers in our rural communities.

We will do this by:

- Developing a creative **deployment plan** that carefully redeploys clergy to make sure we have the right people in the right place. This could involve some combining of benefices and deaneries in a strategic way to avoid unmanageable benefices. This would reduce the number of stipends but if we do it in a planned way, taking account of natural retirement ages, it could take eight years to fully transition.
- At the same time, we will increase the support and training to new and existing **clergy** making sure they are **equipped for the future role**, regularly review their work and given manageable job roles.
- We are planning to train more **self-supporting ministers** and **lay leaders**. This aims to increase the level of the ministry on offer in parishes, not reduce it. We want to **release our excellent clergy to**

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For the year ended 31 December 2024

do more mission and discipleship work and less work maintaining creaking parish structures and buildings management. We want to see a network of small groups training, praying, worshipping and learning together across the diocese.

- HDBF has run an average annual operating deficit of £0.98m in the years 2020-2024, which is why we need to explore ways of reducing our cost base. However, we will continue our highly developed **asset management strategy** to increase the value of our portfolio through creative property development, investigating new uses for land, selling poor-performing vicarages / houses and getting the best investment advice. This is not about 'selling the family silver'; it is about turning the silver into something even more valuable. In our central teams we will continue to look at our costs, find new ways to do things and set the tone for an engaged, generous, prayerful and creative diocese.
- Our asset development approach has boosted our Diocesan Stipends Fund enabling us release more to defray the cost of clergy stipends. This has also enabled trustees to **release £500,000 a year into our stipends fund which has in turn released funds to invest into strategic mission initiatives**, new projects specifically designed to stimulate growth and match fund other funders. This targeted investment is aimed at new initiatives to grow churches and congregations in our larger population areas with the expectation that growth brings new energy, skills and money into the system that can be shared elsewhere. To date, this has funded work through the intergenerational missionaries, youth work through St Peter's and St James' Hereford and in West Hereford, and chaplains at the two main Hereford City secondary schools, a pioneer church plant in Craven Arms, and supporting the deaneries of Kington & Weobley and Abbeydore to release the existing clergy.
- Finally, we will consider **new ways to keep our church buildings open**. There is no desire or intention to see multiple closures, but it is challenging to continue to heat, light, insure and maintain over 400 buildings, with this responsibility resting on just a few faithful members. We must find a new model and we will prioritise resources into investigating some of the emerging ideas coming forward from other dioceses and the national church.

6.2 Cultural Change

In a crisis there is a tendency to want to do and fix things. This often leads to structural or governance changes but fails to strike at the heart of the cultural transition that is required. We want to focus deeply on the following **diocesan values**:

PRAYERFUL CHRISTLIKE ENGAGED



Donkey being led through Much Wenlock church

After the 'Year of Prayer' in 2023, we organised a range of events in 2024 to support and encourage a 'Year of Faith' across the Diocese. In 2025, we turn to a 'Year of Engagement' as we look outwards across our communities.

Most of what we want to see changed is best achieved by encouraging and supporting local ministry to be effective. This is about making excellent appointments to lay and ordained roles before trusting and equipping them to do their job. The strategy is mostly about creating a framework to enable the local church to flourish but recognises that there are some things that will need to be stimulated centrally due to a lack of

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existing capacity or resources. There will be a need to focus on smaller, intense projects in key locations rather than trying to do everything everywhere. There will also need to be 'pruning of the vine' to maintain the overall health of the structure.

6.3 **Bold Outcomes by 2030**

To be a sustainable Diocese we would expect to see the following 'Bold Outcomes' by 2030:

1. (Growing) Many of our benefices having a least one congregation with a usual attendance of over 50 in rural areas or 100 in our market towns, with a minimum of 3% of the population attending a regular form of worship.
2. (Discipleship & wellbeing) We want worshipping communities to reflect our values, to be taught to know clearly what they believe and to feel able to share their everyday faith with others. We want to love, equip and care for our lay and ordained leaders to feel supported to carry out their calling and mission to enable a Christian presence in every community.
3. (Sustainable) We want at least 200 new voluntary or lay leaders to be trained and commissioned to support our stipendiary clergy to increase our ministry on offer. We want 75% of benefices to be sustainable, covering ministry costs and contributing towards others.
4. (Younger) We want to see an increased focus on children, youth and families alongside existing ministry with specific mission centres established that can support the wider diocese leading to growing 'intergenerational' worshipping communities of all ages.



Baby in Year of Faith event

5. (Buildings) We want to support our PCCs by creating a practical strategy to manage our buildings. We want to see many churches providing regular active worship. We want to honour and cherish our existing, smaller congregations by providing them with more regular non-stipendiary ministry but give permission for churches to close at a PCC's request.
6. We want to build on our network of 78 church schools by establishing close links between school, home and church. We will develop chaplaincy support in schools and colleges.

6.4 **Going concern**

The trustees have reviewed the charity's financial position, particularly in light of continuing cost of living pressures, and church attendance statistical trends in the Diocese of Hereford. The trustees recognise the financial constraints faced by many small church communities and hence do not expect substantial increases in the level of Parish Offer contributions to the 'Common Fund' in the short term. However, having reviewed HDBF's projected cash flows and forecasts, its annual budget and forecasts, overall level of reserves and funding facilities, its systems of financial and risk management, it is the trustees' opinion that the charity is well placed to manage financial and operational risks successfully.

Therefore, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future, and that there are no material uncertainties over the charity's financial viability in the short to medium term. Accordingly, the trustees consider that it is appropriate for the charity to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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7. Financial review

7.1 Overview

Parish ministry and mission has continued to rebound from the disruption of the COVID-19 pandemic, although overall Parish Offer contributions have continued to decline slowly.

The overall deficit for the year before investment gains and losses across all funds was £1.2m (2023: a deficit of £1.3m). This deficit, after transfers, comprises £0.17m deficit (2023: £0.47m deficit) in unrestricted funds, £0.36m deficit in restricted funds and £0.63m deficit in the endowment fund. Trustees are confident that the DBF has sufficient resources to support its strategic goals, particularly as the Unapplied Total Return within the Diocesan Stipends Fund provides flexibility to support clergy stipends over the medium term.

Total income for the year increased 5.7% to £6.2m (2023: £5.9m). Parish Offer contributions generated 53% of income (2023: 56%). In some parishes, patterns of worship and attendance had still not recovered fully compared to pre-COVID pandemic levels, resulting in lower cash collections and fundraising. Parish Offer commitments for 2024 were £3.35m (2023: £3.38m), the collection rate was 98.7% (2023: 98.1%) with actual Parish Offer receipts nudging down to £3.30m (2023: £3.33m), although this represented a 3.7% (2023: 2.9%) decline in real terms.

Total expenditure for the year rose 2.8% to £7.43m compared to £7.20m in 2023. This was due primarily to a further increase in restricted funds expenditure of £0.63m (2023: £0.40m) representing increased spending on parochial mission and ministry. General fund expenditure reduced by £0.40m (2023: reduction of £0.21m).

Net investment gains amounted to £2.29m (2023: £0.97m net gain) and a revaluation of fixed assets, mostly clergy housing, resulted in a gain of £2.88m (2023: loss of £1.8m). The overall net movement in funds for 2024 after revaluation gains was a surplus of £3.9m (2023: loss of £(2.1)m). The net cash outflow from operating activities for the year was £(2.1)m (2023: net outflow of £(1.6)m).

The Unapplied Total Return ('UTR') element of the Endowment fund detailed in note 26 increased by £0.8m (2023: £0.2m decrease), resulting in a UTR of £16.1m as at 31 December 2024.

The reduction in Parish Offer contributions in both nominal and real terms compared with parish ministry costs highlights the continuing level of support required from the DBF:

Resourcing ministry and mission				
Details from note 11 (General, Pastoral and DSF Income Fund)	2024	2023	2022	2021
	£'000	£'000	£'000	£'000
Funded through				
Parish Offer contributions	3,302 61%	3,328 63%	3,287 69%	3,256 65%
Support for stipends from DSF endowment fund	788 15%	514 10%	312 7%	263 5%
Other diocesan support	1,269 24%	1,452 27%	1,188 25%	1,513 30%
Total Resourcing ministry and mission	<u>5,359</u>	<u>5,294</u>	<u>4,787</u>	<u>5,032</u>

7.2 Comparison to budget

A key financial indicator for HDBF is actual performance compared to budget (focused on Unrestricted Fund activities). In November 2023, Diocesan Synod approved a 2024 operating budget deficit for the General, Pastoral and Diocesan Stipend funds of £(1.16)m (2023: £(0.9)m deficit) before investment gains and losses. The final management accounts result before year-end accounting adjustments and transfers was a deficit of £1.02m, a positive variance of £0.14m. In overall terms, this outcome was driven by higher levels of grants along with less stipends, reduced clergy pension, as well as lower education costs.

7.3 Significant property transactions

During the year, the DBF sold two houses resulting in proceeds of £1.3m (no gain arising on disposal). There was one property purchase for £0.7m. There were no other significant property transactions.

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7.4 Balance sheet position

The Directors consider that the balance sheet indicates that restricted and endowment funds are held in an appropriate mix of investment and current assets, given the purposes for which the funds are held.

Net assets at the balance sheet date totalled £95.1m (2023: £91.1m), although it should be noted that £91.2m (2023: £88.3m) was held in restricted and endowment funds (mainly properties used for ministry and glebe assets) which cannot be used directly for the general purposes of the HDBF. The restrictions that relate to these funds are detailed in note 33 to the accounts. The movement in net assets of £4.0m (2023: £2.1m) in the year comprised the fixed asset unrealised revaluation gains of £2.8m, operating losses of £1.2m and unrealised net investment gains of £2.3m.

7.5 Review of the Statement of Financial Activities by fund

Unrestricted General fund

The unrestricted General fund is summarised in the following table. The year-end adjustments made for the clergy pension liability creditor are shown separately. Favourable variances are shown as positive and unfavourable shown in brackets.

	2024	2023	Variance
	£'000	£'000	£'000
Income			
Parish Offer contributions	3,302	3,287	(25)
All other sources of income	1,552	1,624	(72)
Total income	4,854	4,951	(97)
Expenditure			
Raising funds and charitable activities before pension adjustments	(5,124)	(5,432)	308
Net gains on investments and disposals of fixed assets	61	94	(33)
Gains on revaluations of fixed assets	-	-	-
Transfers between funds (excluding pension movements):			
(To)/from for investment	(500)	(250)	(250)
From HDBF Uniform Statutory Trust	60	65	(5)
Other	417	(70)	487
Total transfers between funds (excluding pension movements)	(23)	(255)	232
From General to DSF: reduction in pension deficit liability	-	-	-
Net movements in funds as per SoFA	(232)	(642)	410
General funds brought forward as at 1 January 2023	2,526	3,168	(642)
General funds carried forward as at 31 December 2024	2,294	2,526	(232)

¹DSF: Diocesan Stipends Fund

Designated funds

For a number of years, Trustees have transferred £0.25m annually into a designated 'Strategic Mission Fund' in order to support and encourage mission initiatives within the Diocese. This was increased to £0.5m for 2024. During 2024 £0.27m (2023: £0.34m) was applied to such mission projects leaving a year-end balance of

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£0.47m. As at 31 December 2024, commitments for approved projects totalled £1.70m (2023: £1.27m), with future payments expected in the period 1 January 2023 to 31 December 2028.

Restricted funds

As set out in note 24, the HDBF administers several restricted funds. As at 31 December 2024, restricted funds totalled £67.1m (2023: £63.8m). These funds are not available for the general purposes of the HDBF with the exception of surpluses arising on the Pastoral fund as set out in note 33. As at 31 December 2024 the Pastoral Fund comprised fixed asset investments and net current assets totalling £6.5m (2023: £5.6m).

Endowment (Diocesan Stipends) fund

The Endowment fund recorded net income of £0.66m (2023 £0.39m) before investment gains. The fund is made up of two components: the Trust for Investment and the Unapplied Total Return. As at 31 December 2024, the balance on the Trust for Investment amounted to £9.2m (2023: £8.9m) and is not available for the general purposes of the HDBF. The balance on the Unapplied Total Return fund at the year-end was £16.1m (2023: £15.6m). The Unapplied Total Return fund is available to support clergy stipends over the long term.

7.6 Investment policy

The HDBF is empowered by its Memorandum of Association to invest monies not immediately required for its charitable purposes.

HDBF's policy is review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles. The trustees seek to manage HDBF's assets responsibly within an acceptable level of risk in order to resource the medium to long-term strategic goals of the Diocese of Hereford.

HDBF trustees actively review the charity's property assets to determine if any are surplus to requirements for the provision of ministry or if any additional properties are required. Surplus properties are designated as properties held for investment. Properties held for investment may be rented out, sold or developed and then sold. Proceeds from sales may be used for diocesan activities or be re-invested in appropriate investment vehicles.

HDBF's trustees have delegated some investment decisions to the Investment Advisory Group ('IAG'), a sub-group of the Finance Committee. The IAG is advised by Rathbones and assesses the optimum strategy for investing funds taking into account the need for short term liquidity, availability of investment funds and fund managers, and risk.

The Trustees place the majority of investment funds with an authorised professional investment manager, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. HDBF's primary investment manager is Rathbone Investment Management Ltd ("Rathbones"). The trustees also invest with CCLA Investment Management Limited ("CCLA"), which is authorised and regulated by the Financial Conduct Authority and provides investment funds specifically designed for the Church of England.

Funds required for short term liquidity are held in a UK bank account or deposited with UK institutions with a minimum credit rating of A-, or invested in a diversified money market fund. Funds required for short term working capital are typically held as deposits with the Central Board of Finance administered by CCLA.

HDBF trustees pursue a responsible investment approach based on:

- Environmental, social and governance ('ESG') and ethical investment criteria – this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders;
- long-term responsibilities – Directors are aware of their long-term responsibilities in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions.

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In line with HDBF's responsible investment approach, trustees seek to invest, and ensure all managers apply investment decisions, based on the guidelines of the Church of England's Ethical Investment Advisory Group ('EIAG'). Trustees also seek to ensure investment managers monitor companies' ESG performance and invest in those entities that adopt high ESG standards that will underpin the long-term sustainability of their businesses.

HDBF's policy for Rathbones is to prohibit direct investment in companies whose main business is in armaments, tobacco, gambling, alcoholic beverages, doorstep credit provision, and to prohibit direct investment in companies which derive more than 10% of their revenues from fossil fuel (oil, gas, and coal) production. This definition includes thermal and metallurgical coal.

CCLA's portfolios already restrict direct investment in companies that generate more than 10% of their revenue from the extraction and/or refining of oil and gas. This is part of their approach to avoid investing in/profitting from companies that cause the most social and/or environmental harm. CCLA explain that this is a codification of their long-standing position that, due to the likelihood of legislation and regulation impacting negatively upon the business models of these businesses, they choose not to allocate clients' capital to them.

HDBF's investment policy for long-term funds is aimed primarily at generating a sustainable income with due regard to the need for the preservation of capital value and the possible need to realise investments to meet operational needs. The glebe investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

Glebe investments are held in agricultural land, property, equities and fixed interest securities. The agricultural land is managed by professional land agents. Any surplus land with development potential is marketed for sale through the same land agents. The equities and fixed interest securities are managed by Rathbone Investment Management Ltd or CCLA Investment Management Ltd.

7.7 Investment performance

Overall performance

The total value of all investments (including DSF endowment fund net current assets) at 31 December 2024 was £33.8m (2023: £33.5m) and the total return on investment was +3.9% (2023: +2.2%).

Listed investments for each fund are held with Rathbones and CCLA. Rathbones have a mandate to generate a return from each portfolio of CPI+4%, with a balance between capital growth and income, managed with a moderately high risk profile (level 5 of 6). From 1 January 2019, the Main, Pastoral and Diocesan Stipends Fund portfolios were managed on a total return basis and UST fund portfolio managed on a total return basis from 1 January 2022. In the year to 31 December 2024, the combined Rathbones portfolios achieved a total return of +10.4% (2023: +5.8%) compared to the composite benchmark of 15.1% (2023: +11.7%). 2024 full year performance improved compared to 2023 and exceeded the CPI+4% target of +6.7%. Trustees monitor the relative performance of the portfolio over the long-term.

In 2022, trustees agreed to invest over time a sum not to exceed 10% of the value of the investment portfolio managed by Rathbones in listed private equity shares. The aim of this section of the portfolio is to achieve capital growth with a target return of CPI+5% over time. Trustees are willing to accept greater pricing volatility associated with private equity investments in return for the potential for higher returns over the long term.

Agricultural, commercial and industrial land and buildings (excluding school land) were valued at £8.0m at 31 December 2024 (2023: £7.8m). Rents receivable from glebe amounted to £123k (2023: £131k) – an income yield of 1.5% (2023: 1.7%).

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7.8 Reserves policy

General unrestricted fund

A reserves policy is necessary to ensure that, in the event of significant reduction in income, or capital losses during periods of geopolitical or economic uncertainty, HDBF will be able to meet these financial commitments (particularly paying Clergy Stipends and maintain Clergy property) as they fall due whilst avoiding the need to resort to external borrowings.

In formulating a minimum reserve policy, consideration has been given to the following:

- Economic instability giving rise to a significant fall in Parish Offer;
- Inflationary pressures above expectation;
- Unavoidable increases in expenditure.

In the light of the above, the Directors' policy is to maintain free reserves equivalent to at least four months' operating expenditure in cash and readily liquid assets in the general unrestricted fund.

Based on 2025 budgeted expenditure, the level of free reserves that would be required under this policy totals £2.1m. As at 31 December 2024, the unrestricted reserves (excluding property) stood at £1.8m (2023: £1.9m). The free reserves figure excludes £1.0m of General fund freehold property and office equipment that could only be realised through asset disposal. It also excludes £67.0m of restricted fund and £25.3m endowment fund assets that are not available for the general purposes of the charity. Although the General fund year-end reserves figure of £1.8m is slightly below the minimum level indicated by the policy, the Directors consider this amount remains appropriate given 2025 budget and liquidity requirements. Management and trustees monitor reserve levels throughout the year and take remedial action as required.

Other funds

The HDBF maintain a number of discretionary, restricted and endowment funds. The balances are earmarked for the purposes outlined by the Trustees or Trust Deed. These are explained further in the Accounting Policy note 1.12.

7.9 Grant making policy

The Memorandum of Association of the HDBF permits the company to make grants in pursuance of its objects, and the nature of grants made in 2024 is indicated in note 14 to the financial statements.

7.10 Total Return accounting

The law governing the use of Diocesan Endowment funds changed in 2016. Traditionally, permanent endowment funds draw income only, maintaining capital in perpetuity for the benefit of future generations. A Total Return investment approach allows the release of both income and capital gains for use by current beneficiaries. The Directors adopted Total Return accounting for the Diocesan Stipends Fund (DSF) with effect from 1 January 2019 by reference to the following:

- The date used for the initial value of the trust for investment was 31 December 1986.
- The initial value of the trust for investment was determined by reference to the cash, land (by acreage) and properties as detailed in the 1986 statutory accounts. Reasonable estimates for the land and properties were ascertained using valuations provided in the 1995 statutory accounts discounted to 1986 by appropriate indexes.
- CPIH was used to uplift the trust for investment giving rise to a valuation as at 1 January 2019 of £7.3m. The Unapplied Total Return fund as at 1 January 2019 amounted to £9.6m.

The Directors have adopted the following policy in determining the amount to be allocated from the unapplied total return fund (UTR) each year to the DSF Income (Stipends) fund to be used for clergy stipends, as detailed in note 26 to the accounts:

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- All income that would have been credited to the general fund had a Total Return accounting policy not been implemented. To include dividend income, land rental income, special dividends and any other income such as dilapidations (where appropriate); *plus*
- An additional amount to be calculated as 0.5% of the DSF Rathbones' investment portfolio valued as at 1 January of each respective year; *plus*
- An additional £250k to be released annually (£500k for four years from 2024) to the DSF Income (Stipends) fund.
- CPIH is to be used as the inflationary measure to uplift the value of the trust for investment on an annual basis.

The Trust for Investment funds as at 31 December 2024 were £9.2m, which remain ring-fenced to preserve the real value of the original permanent endowment.

7.11 **Linked charities: HDBE and UST**

The Hereford Diocesan Board of Education (HDBE) is a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2019. The HDBE is accounted for as a 'branch' of HDBF and is managed through a subcommittee of Bishop's Council and the funds are included within restricted funds. The HDBE has no income/expenditure and the value of the net assets at 31 December 2024 was £nil (2023: £nil).

The Hereford Diocesan Board of Finance Educational Uniform Statutory Trusts Account (UST) is also a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2020. The UST is accounted for as a 'branch' of HDBF and included within restricted funds. None of the assets of the UST are available for the general purposes of the HDBF.

Income arising on the UST during 2024 amounted to £84k (2023: £83k) and was attributable to investment income. Expenditure amounted to £13k (2023: £15k) and was attributable largely to investment management costs. The trustees of the Hereford Diocese Board of Education have the discretionary authority to make grants from UST capital to support school building projects. In 2020 a loan was made from the UST to the Stottesdon School Trust, a Trust accounted for as a branch of HDBF. As at 31 December 2024, the loan stood at £128k (2023: £135k). This loan has been eliminated on consolidation of HDBF branches and repayments appear as a transfer between funds. A further transfer of £60k (2023: £65k) was made from the UST to the HDBF general fund to support the educational work of the Diocese.

The UST receives School Condition Allocations (SCA) funds annually from the Department of Education to fund school capital projects. These funds are not income of UST but rather the UST acts as agent to facilitate the projects. The funds are ring-fenced and shown as a creditor of the UST. At the year-end, the SCA creditor amounted to £579k (2023: £259k).

The summary of the assets of the UST and the analysis of the movement in UST funds are shown in notes 24 and 25 respectively.

8. **Principal risks & uncertainties**

The Directors are responsible for the identification, mitigation and/or management of risk. To achieve this, the Board has compiled a register of all material risks together with mitigation plans and management controls to address these risks. This is subject to review by the Directors periodically with the responsibility for delivery of the mitigation strategies identified being delegated to the Diocesan Secretary.

The risk register identifies several areas where the residual risk after application of mitigating controls is considered high. These areas and the associated mitigation strategies are:

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8.1 Parishes

Decline in church attendance Church attendance has not returned to pre-Covid levels. Our increasingly secular society, busy family lives, the breadth of community and sporting activities, and stretched clergy covering large rural benefices with poor transport links are among the many factors leading to fewer committed churchgoers. To address this risk the Diocese is:

- Encouraging parishes, benefices and deaneries to consider a Mission Action Plan with a specific remit to consider how to achieve spiritual and numerical growth;
- Develop Messy / Forest Church initiatives, youth church projects, and support new church communities;
- Develop Youth Hubs and links to schools through School Chaplains;
- Recruit Rural Church Missioners, working closely with clergy to develop teams of lay and ordained leaders to deliver worship locally in smaller rural churches.

Church buildings The Diocese recognises that caring for historic church buildings can impose a burden on small parishes, or become a distraction from the core mission of the church, and that church closures can reduce parish income and add to diocesan costs. Hence the Diocese is:

- Pursuing its church building strategy, which includes the roll-out of 'Crossing the Threshold' and 'Mission and Mortar' toolkits to help parishes optimise the use of their church buildings or explore Festival Church status;
- Providing expert advice and guidance to parishes through the Diocesan Advisory Committee, Church Buildings Officer, and Community Partnership and Funding Officer;
- Encouraging PCCs to reduce running costs through 'smart purchasing' via the Parish Buying service;
- Supporting the access of grants for Net Zero Carbon initiatives to enable more sustainable buildings;
- Helping PCCs to explore wider use of their church buildings as community assets.

8.2 Clergy

Long term vacancies and difficulty in recruiting clergy. Recognising that the national Church faces a reduction in the number of ordained ministers over the next few years due to the age profile of existing clergy and the difficulties in recruiting to rural ministry, the Diocese is exploring innovative approaches to deployment and continuing to invest in a full-time Director of Vocations and Ordinands to focus on helping (young) people to explore their call to stipendiary ministry, and encouraging all-age vocations in daily life and in church ministries;



2024 Petertide ordinations

- Raising stipends to place the Diocese of Hereford amongst the top quartile of English dioceses;
- maintaining levels of stipendiary clergy despite financial pressures;
- Maintaining focus of supporting lay leaders, self-supporting ministers, voluntary ministers, supporting retired clergy to stay connected and growing local worship leaders as well as encouraging and recognising the vital ministry of Readers;
- Promoting and developing lay ministry, by offering diverse and flexible courses for initial and continuing training for a widening variety of ministries.

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8.3 Finance

Whilst Parish Offer contributions from PCCs have remained relatively stable in cash terms over the past four years, they have declined in real terms whilst the cost of providing parish ministry and outreach has increased. In face of these pressures the Diocese has;

- Implemented a Generous Giving Strategy;
- Employed two Giving Advisers on a permanent basis;
- Continued to promote the national Parish Giving Scheme and legacy giving;
- Encouraged open conversations about generous giving, stewardship and Parish Offer;
- Nurtured the growth of giving and fundraising forums in deaneries.

8.4 Leadership

The Diocese is aware that within a large geographic area with around 400 churches, there is a risk of poor communication and a disconnect within the Diocese. The HDBF is implementing a new communication strategy and policy to help mitigate this risk.

8.5 Education

The Diocese recruited a new Director of Education during 2024. Trustees consider that residual risks remain adequately controlled. However, Trustees are aware that any dip in performance of church schools or multi-academy trusts could result in some reputational or financial risk to the Diocese. The Diocesan Board of Education meets regularly to review strategy and ensure clear reporting and engagement with key stakeholders, including the Department for Education.

8.6 General geopolitical and economic uncertainties

The charity is not immune from the effects of short-term economic or stock market disruption which can depress investment returns. The charity's discretionary fund manager may intervene to limit downside risks but the Directors remain confident that a well-balanced and diversified portfolio focussed on companies with competitive advantages, strong balance sheets, and low debt will be well-positioned to weather any near-term volatility.

9. Structure, governance and management

9.1 General

Information on the structure of the Church of England and National Church Institutions may be found on the Church of England's website.

Hereford Cathedral is the mother church of the Diocese and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its trustees' report and financial statements may be obtained from Hereford Cathedral, 5 College Cloisters, Cathedral Close, Hereford HR1 2NG. Tel: 01432 374200.

9.2 Members and Trustees

The Trustees of the HDBF are Directors in accordance with the Companies Act 2006. The Directors are drawn from the Members or appointed by virtue of their office.

The Trustees are appointed in line with the Hereford Synod / Diocesan Board of Finance Articles of Association and Standing Orders. Trustees are drawn from the membership of the Diocesan Synod

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/ Diocesan Board of Finance on a three-yearly cycle. Some trustees are appointed by virtue of their office while others are elected in line with Standing Orders.

Every member of Diocesan Synod is a member of HDBF for company law purposes and has a personal liability limited to £1 under their guarantee as company members in the event of its being wound up. The Company Directors of the HDBF form the Bishop's Council.

9.3 *Trustee training*

On appointment all trustees complete an induction day (held every three years) and are provided with two Charity Commission publications ('Trustee Handbook' and 'The Essential Trustee - What you need to know') together with copies of the previous year's accounts and the current year budget. New trustees are given a one-to-one briefing on the structure and organisation of the Church of England nationally, regionally and locally and given access to company policies, past papers and minutes to previous meetings. Meetings are designed to include space for trustees to be informed about key areas of business prior to decisions being made. Some ad hoc training for trustees is provided throughout the year and last year included safeguarding and the new mission and pastoral measure.

9.4 *Code of governance*

While the Trustees have not formally adopted the Charity Governance Code, the HDBF is committed at all times to maintaining the highest standards of honesty, openness and accountability. The HDBF's expectation on propriety and accountability is that Trustees, officers, line managers and employees will lead by example in ensuring adherence to rules, and that all procedures and practices are above reproach.

9.5 *Remuneration of key management personnel*

Emoluments of higher-paid employees are determined by a remuneration group consisting of four members of the Finance Committee. The terms of reference for this group were established by the Bishop's Council and include regular appraisals, remuneration and salary benchmarking and consequent recommendation of changes. Higher paid employees may have Director in their job title but are not Directors as defined by the Companies Act 2006.

9.6 *Trustee remuneration*

Trustees do not receive remuneration for their duties as Directors of the HDBF, although they may claim out-of-pocket expenses necessarily incurred in carrying out their duties as a Director.

9.7 *Directors' insurance*

Trustees' liability insurance (for trustees in their capacity as directors) has been maintained throughout the year for the benefit of the charitable company and its trustees.

9.8 *Social media policy*

The HDBF has adopted the Church of England's social media guidelines. These recognise the use of social media to communicate quickly and with a wide range of individuals. However, care is needed to ensure reputations are protected and that while individuals may be acting in a personal capacity, views expressed could harm the reputation of the Diocese. The use of social media by HDBF is outlined in the External Communications Strategy (approved September 2023).

9.9 *Funds held as custodian trustee*

The HDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements

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as the HDBF does not control them, and they are segregated from the HDBF's own assets by means of a separate accounting system. Further details of financial trust assets, whose market value amounted to £5.6m at 31 December 2024 (2023: £5.5m), are available from the HDBF on request.

9.10 Related parties

9.10.1 General

Under FRS102 'related parties' are defined as those who can directly influence management decisions. In addition to the Board of Trustees this includes senior managers and their close relatives. All these individuals are required to make annual declarations.

9.10.2 General Synod, Church Commissioners and Archbishops' Council

HDBF has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council based on an apportionment system to fund national training of ordinands and the activities of various national boards and councils. The stipends of the diocesan and suffragan bishops are borne by the Church Commissioners and are not reflected in the financial statements.

9.10.3 Diocese of Hereford Multi-Academy Trust (DHMAT)

HDBF works closely with this multi-academy trust (formerly known as the Bishop Anthony Education trust, created in 2013) as it seeks to foster, maintain and celebrate the Christian distinctiveness of church schools within the Diocese of Hereford.

9.10.4 Parochial Church Councils (PCCs)

HDBF is required by Parochial Church Councils (Powers) Measure 1956 to be custodian trustee in relation to PCC property, but the Company has no control over PCCs, which are independent charities. The accounts of PCCs do not form part of these financial statements. PCCs can contribute to decision-making within HDBF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

9.10.5 Pension schemes

A money purchase scheme is available to all employees. HDBF contributes above the minimum employer contribution level required under the Pensions Act 2008. Since August 2015 all new employees have been automatically enrolled in the 'Pension Builder 2014' section of the Church Workers Pension Fund (CWPF). The Pension Builder 2014 scheme is a hybrid scheme with a guarantee such that on reaching normal retirement age, the employee will receive, as a minimum, the contributions paid into the scheme on their behalf.

Ordained clergy are within the Church of England Funded Pensions Scheme (CEFPS).

10. Directors' responsibilities

The Trustees (Directors) 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 Directors to prepare financial statements for each financial year. Under that law the Directors 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 Directors 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 Directors are required to:

- select suitable accounting policies and apply them consistently;

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- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the HDBF website. Legislation in England & Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

11. Internal controls

Boards as custodians have a duty to manage the organisation's resources responsibly. Under charity and other law, the Directors are responsible for ensuring funds and assets are protected, properly used and applied, and accounted for.

The Directors ensure that there is an appropriate internal controls framework to ensure the protection of funds. This includes having an Anti-Fraud, Bribery, Corruption and Malpractice Policy (incorporating "Whistleblowing").

The controls ensure the activities of the organisation remain lawful and trustees confirm, as required by The Economic Crime and Corporate Transparency Act, that the organisation has been formed for lawful purposes.

12. Statement of disclosure to the auditor

So far as the Directors are aware:

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

Annual report

For the year ended 31 December 2024

13. Reference and administrative details

13.1 Administrative details

Company limited by guarantee, registration number 144467

Charity registration number 249685

Registered office: The Diocesan Office, The Palace, Palace Yard, Hereford HR4 9BL

Telephone: 01432 373300

Email: diooffice@hereford.anglican.org

Website: www.hereford.anglican.org

13.2 Directors

The following served as Directors and Trustees from 1 January 2024 to the date this report was approved (unless shown otherwise):

Ex officio Directors:

The Rt Revd R C Jackson, Bishop of Hereford – President

Revd C J Rogers – Chair (until 19 November 2024)

Mr A C Wood – Chair (from 19 November 2024, Vice Chair until then)

The Very Revd S R D Brown

Revd Preb W A Buck

The Ven D C Chedzey

The Ven F R Gibson

Mr D Clements

Elected Directors:

Revd S Fountain

Mrs J C Beavan (until 19 November 2024)

Revd G S Cole

Mr N A Sellar

Mr M Teague (until 19 November 2024)

Mrs A Kingsmill-Vellacott (from 19 November 2024)

Revd C Moore - Vice Chair (from 19 November 2024)

Mr C Houston (from 16 January 2025)

Nominated Directors:

Mr M R Hall (until 19 November 2024)

Mrs M Shuttleworth

Revd G P Smith

Revd G Ward (until 19 November 2024)

Miss E Hill (from 16 January 2025)

Mr A Teale (from 16 January 2025)

13.3 Principal officers

Diocesan Secretary: Mr S R Pratley

Diocesan Director of Education: Mr A T Teale (to April 2024)

Diocesan Director of Education: Mrs G Martin (from April 2024)

Director of Finance: Mr S G P Herbert

Annual report

For the year ended 31 December 2024

13.4 *Members of the Board*

Since July 2010 membership of the Hereford Diocesan Board of Finance has, in common with many other dioceses, become co-terminus with membership of the Diocesan Synod.

13.5 *Agents*

Solicitors / Registrar

Gabbs Solicitors
14 Broad Street
Hereford
HR4 9AP

Investment managers

Rathbones Investment Management
8 Finsbury Circus
London
EC2M 7AZ

CCLA Investment Management Limited
One Angel Lane
London
EC4R 3AB

Bankers

Lloyds Bank PLC
8 High Town
Hereford
HR1 2AE

Insurance agents

Ecclesiastical Insurance Office PLC
Beaufort House, Brunswick Road
Gloucester
GL1 1JZ

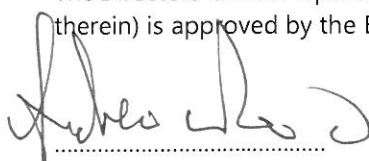
Glebe agents – agricultural

Berrys
Shiretown House
41-43 Broad Street
Hereford
HR4 9AR

Independent auditor

Crowe UK LLP
Round Greens Road
Oldbury
West Midlands
B69 2DG

The Directors' annual report is approved on behalf of the Board of Directors and the Strategic Report (included therein) is approved by the Board of Directors on 26 June 2025 and signed on its behalf by:



Andrew Wood
Director

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

Opinion

We have audited the financial statements of The Hereford Diocesan Board of Finance for the year ended 31 December 2024, which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes, 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 2024, 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 twelve 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 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.

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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 safeguarding vulnerable beneficiaries, health and safety, and employment (including taxation), 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 and Church of England Measures.

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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 and revenue recognition. 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;
- Designing tests over Parish Offer and grant income recognition including completeness;
- Identifying and testing journals; 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.



.....
Helen Blundell LLB FCA FCIE DChA (Senior Statutory Auditor)
For and on behalf of Crowe UK LLP, Statutory Auditor

Round Greens Road, Oldbury, West Midlands B69 2DG

21 July 2025

Statement of financial activities

For the year ended 31 December 2024

Income and endowments from:		Unrestricted funds	Restricted funds	Endowment funds	Total	Total
	Note	General	Designated		2024	2023
		£'000	£'000	£'000	£'000	£'000
Donations						
Parish Offer contributions	3	3,302	-	-	3,302	3,327
Archbishops' Council	4	551	-	208	759	736
Other donations	5	100	48	134	282	200
Charitable activities	6	414	-	-	414	444
Other trading income	7	452	-	3	455	399
Investment income	8	35	-	230	727	771
Other income	9	-	-	32	32	22
Total income and endowments		4,854	48	607	727	6,236
Expenditure on:						
Raising funds	10	136	-	84	68	288
Charitable activities: excl. pension deficit	11	4,988	269	1,888	-	7,145
Charitable activities: remeasurement of pension deficit liability	32	-	-	-	-	-
Total expenditure		5,124	269	1,972	68	7,433
Net (expenditure)/income before investment gains		(270)	(221)	(1,365)	659	(1,197)
Net gains/(losses) on investments		61	-	888	1,336	2,285
Net (expenditure)/income		(209)	(221)	(477)	1,995	1,088
Unapplied Total Returns (UTR) allocated to income for stipends				1,288	(1,288)	
Transfers between funds	23	(23)	340	(317)	-	-
Other recognised gains						
Gains on revaluation of fixed assets	15	-	-	2,539	102	2,641
Loss on disposal		-	-	-	-	(5)
Gain on disposal of schools	36	-	-	237	-	237
Net movement in funds		(232)	119	3,270	809	3,966
Funds brought forward at 1 January		2,526	346	63,755	24,502	91,129
Funds carried forward at 31 December		2,294	465	67,025	25,311	95,095

All activities derive from continuing activities. The Notes on pages 33 to 65 form part of the financial statements.

Income and expenditure account

For the year ended 31 December 2024

	2024	2023
	£'000	£'000
Total income	5,509	5,445
Total expenditure	(7,365)	(7,137)
Operating deficit for the year	(1,856)	(1,692)
Net gains on investments	949	398
Net expenditure for the year	(907)	(1,294)
Other comprehensive income:		
Revaluation of fixed assets	2,539	(1,709)
Overage gains	237	-
Loss on disposal of assets	-	(5)
Net assets transferred from endowments	-	-
Unapplied Total Return allocated to income for stipends	1,288	764
Total comprehensive income	3,157	(2,244)

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

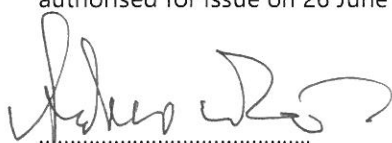
Balance sheet

For the year ended 31 December 2024

Company Number: 144467

		Unrestricted funds		Restricted funds	Endowment funds	Total 2024	Total 2023
	Note	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Fixed assets							
Tangible assets	15	1,006	-	56,644	2,113	59,763	57,768
Investment property	17	-	-	502	8,044	8,546	8,278
Other investments	18	881	70	9,158	14,738	24,847	23,838
		1,887	70	66,304	24,895	93,156	89,884
Current assets							
Stocks		2	-	-	-	2	2
Debtors: amounts falling due within one year	19	245	70	46	-	361	425
Debtors: amounts falling after one year	20	-	-	-	-	-	11
Cash at bank & in hand		470	326	1,275	465	2,536	1,374
		717	396	1,321	465	2,899	1,812
Creditors: amounts falling due within one year	21	(310)	(1)	(600)	(49)	(960)	(567)
Net current assets/(liabilities)		407	395	721	416	1,939	1,245
Total assets less current liabilities		2,294	465	67,025	25,311	95,095	91,129
Creditors: amounts falling due after more than one year	22	-	-	-	-	-	-
Net Assets		2,294	465	67,025	25,311	95,095	91,129
Funds							
Unrestricted income fund	24	2,294	-	-	-	2,294	2,526
Designated funds	24	-	465	-	-	465	346
Restricted income funds	24	-	-	67,025	-	67,025	63,755
Endowment funds	24	-	-	-	25,311	25,311	24,502
Total funds		2,294	465	67,025	25,311	95,095	91,129

The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 26 June 2025 and signed on their behalf by:



Andrew Wood
Director

Cash flow statement

For the year ended 31 December 2024

	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Net cash outflow from operating activities		(2,091)		(1,611)
Cash flows from investing activities				
Dividends, interest and rent from investments		992		771
Proceeds from the sale of:				
Tangible fixed assets for the use of HDBF	1,788		303	
Fixed asset investments	7,805		9,436	
Proceeds from overage gains	237		-	
Purchase of:				
Tangible fixed assets for the use of HDBF	(699)		(864)	
Fixed asset investments	(6,870)		(9,168)	
Net cash provided by investing activities		2,261		(293)
Cash flows from financing activities				
Loan repaid to HDBF		-		4
Change in cash and cash equivalents in the reporting period		1,162		(1,129)
Net cash funds as at 1 January		1,374		2,503
Net cash funds as at 31 December		2,536		1,374
Notes to the cash flow statement				
<i>Reconciliation of net movements in funds to net cash flow from operating activities</i>				
Net movement in funds for the year ended 31 December		(1,197)		(1,297)
Add: depreciation & amortisation charges		14		11
Less: dividends, interest and rent from investments		(992)		(771)
Loss/(profit) on sale of functional assets		(386)		(5)
(Increase)/Decrease in stocks		1		1
Decrease/(Increase) in debtors		76		772
Increase in creditors		393		(322)
Net cash used in operating activities		(2,091)		(1,611)

No analysis of changes in net debt is presented as the charitable company has no borrowings.

Notes to the accounts

For the year ended 31 December 2024

1. Accounting policies

1.1 General information

Accounting convention and basis of accounting

The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (Charities SORP) FRS 102, (second edition effective 1 January 2019), the Companies Act 2006, Charities Act 2011, and applicable UK accounting standards (FRS 102). The financial statements have been prepared in accordance with the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in note 1.5, and fixed asset investments, which are included at their market value at the balance sheet date.

The financial statements are prepared on a going concern basis, as set out in section 6.4 on page 12.

The HDBF meets the definition of a public benefit entity under FRS 102.

The principal accounting policies and estimation techniques are as follows;

1.2 Income recognition

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

- **Parish Offer contributions by parishes** is recognised as income in the year in which it is receivable. Parish Offer relating to the year but received between 1 January and 31 January after the year end is included within other debtors.
- **Land rent** is recognised as income when receivable.
- **Property rental income** is recognised as income in the period to which it relates.
- **Interest and dividends** are recognised as income when receivable.
- **Grants** are generally included in the financial statements when received. If the grant conditions are not met at the year-end, they are included in creditors carried forward to the following year.
- **Parochial fees** are recognised as income of the year to which they relate.
- **Donations** other than grants are recognised when receivable.
- **Gains on disposal of fixed assets for the HDBF's own use** (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.
- **Diocesan Stipends Fund (DSF)**(endowment fund). The endowment fund is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. The investment income arising on the DSF is credited to the unapplied total return in the year in which the distribution is due.

1.3 Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

- **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages, investment management costs of glebe and any other investments.
- **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the Diocese, expenditure on education and Church of England schools in the Diocese and direct support for parishes and clergy.

Notes to the accounts

For the year ended 31 December 2024

- **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the HDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- **Support costs** consist of central management, administration and governance costs. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis as set out in notes 12 and 13.
- **Pension contributions.** The HDBF's staff are members of the Church Workers Pension Fund (CWPF) and Clergy are members of the Church of England Funded Pensions Scheme (CEFPS) (see note 32). The pension costs charged as expenditure represent the HDBF's contributions payable in respect of the accounting period, in accordance with FRS 102. Any deficit funding for the pension schemes to which HDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.
- **Employee benefits.** Short term employee benefits including holiday pay if material, are recognised as an expense in the period in which the service is received. All costs involved in terminating employee contracts are accounted for in the period to which they relate and are disclosed in aggregate in note 30.

1.4 ***Tangible fixed assets and depreciation***

Freehold properties

Freehold properties are recognised at cost and subsequently measured at fair value. Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The HDBF 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. The Trustees perform annual impairment reviews in accordance with the requirements of FRS 102 to ensure that the carrying value is not more than the recoverable amount.

Investment properties

Glebe properties which are held for investment purposes and rented out are initially recognised at cost and subsequently measured at fair value at each reporting date.

Parsonage houses

The HDBF has followed the requirements of FRS 102 in its accounting treatment for benefice houses (parsonages). FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The HDBF 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 therefore consider the most suitable accounting policy is to capitalise such properties as restricted fund assets and to carry them at their estimated current market value. Revaluation gains or losses arising are reported within other recognised gains and Activities.

Other tangible fixed assets

All capital expenditure over £500 is capitalised and depreciated. Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of fixed assets over their currently expected useful economic lives on a straight line basis

Notes to the accounts

For the year ended 31 December 2024

as follows:

Improvements to leasehold property	8 years
Plant & equipment:	
Office Fixtures and fittings	7-10 years
Computer equipment	5 years
Solar panels	20 years

1.5 Investment property

Fixed asset investments

Fixed asset investments are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.

Glebe land with the potential for development is valued according to its agricultural value until such a time as either outline planning permission is received or a development agreement is in place, at which point it is revalued to reflect the development value, provided this can be determined with reasonable accuracy. The costs of reports and investigations incurred with the aim of obtaining outline planning permission for housing developments on specific glebe land is initially capitalised. The accumulated costs are scrutinised by the Directors at the end of each accounting year. In cases where the Directors believe that planning permission is unlikely to be obtained, the accumulated planning costs are treated as an investment loss and taken to the Statement of Financial Activities in the year in which the decision is made.

1.6 Financial instruments

The HDBF generally has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost with the exception of investments which are held at fair value.

Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

1.8 Debtors

Trade and other debtors are recognised at the settlement amount due. A specific provision is made for debts for which recoverability is in doubt.

1.9 Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with short term maturity.

Notes to the accounts

For the year ended 31 December 2024

1.10 Creditors and provisions

Creditors and provisions are recognised where the charity 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.

1.11 Operating Leases

The HDBF has entered into operating lease arrangements only for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or break clause where there is an expectation that this will be utilised.

1.12 Fund balances

Fund balances are split between unrestricted, restricted and endowment funds.

1.12.1 Unrestricted funds are the HDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the HDBF. There are two types of unrestricted funds:

- **General fund** which HDBF intends to use for the general purposes of the charitable company; and
- **Designated funds** set aside out of unrestricted funds by the HDBF for a purpose specified by the Trustees. Such designations may be set aside from time to time according to policy decisions.

1.12.2 Restricted funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

As a matter of policy, the Board has agreed that it should aim to achieve a capital base on the restricted pastoral fund sufficient to generate dividends and interest to meet average annual expenditure on essential property improvements.

1.12.3 Endowment funds are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the Diocesan Stipends (endowment) Fund administered by the HDBF, there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Trustees have elected to adopt a total return accounting policy for the Diocesan Stipends Fund, and details of movements in the year are shown in Note 26.

1.13 Trust funds

"Special trusts" (as defined by the Charities Act 2011), being any other trusts where the HDBF acts as trustee and controls the management and use of the funds, are included in the HDBF's own financial statements as charity branches. Trusts where the HDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the relevant note to the financial statements.

1.14 Linked charities

The HDBF's accounts aggregate the following charities linked by the Charity Commission to the HDBF. These charities are treated as branches of the HDBF and held within restricted funds.

- The Hereford Diocesan Board of Education (DBE) (linked charity number: 249685-1).
- The HDBF Educational Uniform Statutory Trust (UST) (linked charity number: 249685-2)

Notes to the accounts

For the year ended 31 December 2024

1.15 Accounting for open schools and related Trust property

While a Church School continues to operate as such or is leased to a Local Authority or Academy for the purposes of a County School, it and any property attached thereto is not considered to have any current value to HDBF (as part of the Hereford Diocesan Board of Finance Educational Uniform Statutory Trust).

1.16 Accounting for closed schools and related Trust property

In 1953 a Scheme was made under Section 86 of the Education Act 1944. Under the Scheme the HDBF was made the governing body of the education foundations listed in the Scheme. Until closure, the governing body was required to administer a school in accordance with the trusts subsisting when the Scheme was made. In relation to the letting of premises included in the Scheme, the Board, as governing body, is bound by the general law applicable to trustees of charitable foundations. The application of the income and capital formerly laid down by the 1953 Scheme is now governed by the Uniform Statutory Trusts.

A Section 554 Order is usually made in respect of a closed school not included in the Section 86 Scheme. This allows the Department for Education to make an Order directing the sale of closed school premises where this has not already taken place and specifies the destination of the proceeds of sale and of the assets of trusts associated with the school. Such Orders may be made in respect of a school included in the Section 86 Scheme referred to above to allow part of the assets to be used other than as originally laid down in the Scheme, such as for the setting up of a local religious education fund. In making a Section 554 Order, the Department may take into account moral as well as legal claims and it is for the Department to decide what proportion, if any, comes to the Uniform Statutory Trusts. Once an Order is made and the Trustee is able to estimate the proceeds of the sale, based on professional advice, this amount is brought into the capital fund of the UST. If the school is redundant but a Section 554 Order has not yet been made or the net realisable value is so uncertain that any quantification might be misleading, this information is shown in a note to the accounts.

On the occurrence of a sale under Section 86 of the Act, the property on its closure immediately becomes an asset of the trust. If the Trustee owns the property, the estimated value will be brought into the capital fund of the UST. In all other cases if the Board considers an estimate of the capital value so uncertain that any quantification might be misleading, this information is shown in a note to the accounts.

Trustees of closed schools falling within the 'Reverter of Sites Act' have the duty to dispose of the asset at 'best value' and return the proceeds to the benefactor.

2. Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Trustees regularly evaluate the estimates and underlying assumptions, with reference to professional agents and expert reports. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

2.1 Critical judgements

Closed Schools

When a Church of England school closes, the site may revert back to the original owner, otherwise it will revert to the linked charity, the HDBF Educational Uniform Statutory Trust ("HDBF UST"). If it is to revert to the HDBF UST, there is a judgement as to the point at which the property is recognised. The policy adopted by the trustees is detailed in note 1.16.

Notes to the accounts

For the year ended 31 December 2024

Development land

Glebe land with the potential for development is valued according to its agricultural value until such a time as either outline planning permission is received or a development agreement is in place, at which point it is revalued to reflect the development value, provided this can be determined with reasonable accuracy.

Investment properties

Investment properties are stated at Trustees' valuation after taking appropriate advice.

Depreciation on clergy housing

The Trustees refer to local and regional valuation data together with reports from professional advisers and the trustees' judgement is that the residual value of freehold properties is equivalent to the carrying value and hence depreciation would not be material.

2.2 *Estimation uncertainty*

Houses held as tangible fixed assets and houses held for investment are valued by the in-house Diocesan surveyor. The valuation is made using professional experience, relevant indices and by reference to the sale prices of similar properties in the same area.

Land and commercial properties are valued by the Directors by reference to a variety of land market surveys and property indexes as detailed in note 17.

3. **Parish Offer contributions**

	Unrestricted funds		Restricted funds	Endowment funds	Total 2024	Total 2023
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Current year Parish Offer committed	3,346	-	-	-	3,346	3,382
Shortfall in commitments	(44)	-	-	-	(44)	(64)
	3,302	-	-	-	3,302	3,318
Received for previous years	-	-	-	-	-	9
	3,302	-	-	-	3,302	3,327

The Parish Offer system is based on annual commitments made by PCCs to contribute to the 'Common Fund' of the Diocese. Parish Offer receipts in 2024 represented 98.7% (2023: 98.1%) of the total commitments made. All Parish Offer receipts in 2023 related to the General fund.

4. **Archbishops' Council**

	Unrestricted funds		Restricted funds	Endowment funds	Total 2024	Total 2023
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Lowest Income Communities funding (LInC)	431	-	-	-	431	427
Other grant funding	120	-	208	-	328	309
	551	-	208	-	759	736

The Lowest Income Communities ('LInC') funding supports stipendiary ministry in the most deprived areas of the Diocese. In 2023 LInC funding was attributable to the General fund, other grant funding was attributable £172k to the General fund, £37k to the Designated Fund and £100k to Restricted funds.

Notes to the accounts

For the year ended 31 December 2024

5. Other donations

	Unrestricted funds		Restricted funds	Endowment funds	Total 2024	Total 2023
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Trust income and grants	4	-	126	-	130	70
PCC partnership income	-	48	8	-	56	41
Historic England grant	24	-	-	-	24	-
Benefact Trust (Ecclesiastical Ins.)	58	-	-	-	58	67
- share of profits	-	-	-	-	-	-
Donations & sundry income	14	-	-	-	14	22
	100	48	134	-	282	200

In 2023, £4k of Trust income and grants was attributable to the General fund, £16k to Designated funds, and £50k to Restricted funds. PCC partnership income in 2023 was attributable £14k to Designated funds and £7k to Restricted funds. All other donations in 2023 were attributable to the General fund.

6. Charitable activities

	Unrestricted funds		Restricted funds	Endowment funds	Total 2024	Total 2023
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Fees for occasional offices	320	-	-	-	320	376
Income from educational activities	94	-	-	-	94	68
	414	-	-	-	414	444

All charitable activities related entirely to Unrestricted funds in both the current and prior year.

7. Other trading income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2024	Total 2023
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Rental income	452	-	3	-	455	398
Other trading income (Solar Panel)	-	-	-	-	-	1
	452	-	3	-	455	399

In 2023, £380k of the rental income was attributable to the General fund and £19k to Restricted funds. All of the other trading income in 2023 was attributable to Restricted funds.

8. Investment income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2024	Total 2023
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Rents receivable	-	-	17	123	140	148
Interest & dividends receivable	35	-	213	604	852	623
	35	-	230	727	992	771

Notes to the accounts

For the year ended 31 December 2024

In 2023 £17k of the rents receivable were attributable to Restricted funds, with the remainder attributable to Endowment funds. £88k of the interest & dividends receivable in 2023 were attributable to the General fund, £212k to Restricted funds and £323k to Endowment funds.

9. Other income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2024	Total 2023
	General	Designated	funds	funds	£'000	£'000
	£'000	£'000	£'000	£'000		
Redundant church costs recovered	-	-	32	-	32	22
Gain on disposal of fixed assets	-	-	-	-	-	-
	-	-	32	-	32	22

All other income in 2023 was attributable to Restricted funds.

10. Fund raising costs

10.1 Fund raising costs 2024

	Unrestricted funds		Restricted funds	Endowment funds	Total 2024
	General	Designated	funds	funds	£'000
	£'000	£'000	£'000	£'000	
Land & property agents' fees	108	-	2	-	110
Glebe land maintenance & development	4	-	-	2	6
ty rental & other trading costs	-	-	44	-	44
Investment portfolio mgt fees	-	-	38	66	104
	112		84	68	264
Support costs (see note 12)	24	-	-	-	24
	136	-	84	68	288

10.2 Fund raising costs 2023

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023
	General	Designated	funds	funds	£'000
	£'000	£'000	£'000	£'000	
Land & property agents' fees	84	-	1	-	85
Glebe land maintenance & development	5	-	-	-	5
Property rental & other trading costs	-	-	4	-	4
Investment portfolio mgt fees	13	-	32	59	104
	102		37	59	198
Support costs (see note 12)	20	-	-	-	20
	122	-	37	59	218

Notes to the accounts

For the year ended 31 December 2024

11. Charitable activities

11.1 Charitable activities excluding remeasurement of pension deficit liability 2024

	Unrestricted funds		Restricted funds	Endowment funds	Total 2024 £'000
	General £'000	Designated £'000	£'000	£'000	
Resourcing ministry and mission:					
Stipends and national insurance	1,253	-	1,352	-	2,605
Clergy pension contributions	494	-	13	-	507
Clergy Housing	878	-	157	-	1,035
Clergy moves & interregnums	172	-	-	-	172
Support for ministry	627	-	-	-	627
Mission and ministry projects	25	269	317	-	611
Allocated support costs	489	-	-	-	489
	3,938	269	1,839	-	6,046
Contributions to Archbishops' Council	409	-	-	-	409
Education	250	-	5	-	255
Parochial support	169	-	44	-	213
Grants and donations	5	-	-	-	5
Allocated support costs	217	-	-	-	217
Total expenditure on charitable activities excluding remeasurement of pension deficit liability	4,988	269	1,888	-	7,145

11.2 Charitable activities excluding remeasurement of pension deficit liability 2023

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023 £'000
	General £'000	Designated £'000	£'000	£'000	
Resourcing ministry and mission:					
Stipends and national insurance	1,715	-	901	-	2,616
Clergy pension contributions	529	-	-	-	529
Clergy Housing	829	-	215	-	1,044
Clergy moves & interregnums	202	-	-	-	202
Support for ministry	616	-	112	-	728
Mission and ministry projects	16	338	42	-	396
Allocated support costs	407	-	-	-	407
	4,314	338	1,270	-	5,922
Contributions to Archbishops' Council	435	-	-	-	435
Education	234	3	2	-	239
Parochial support	136	-	55	-	191
Grants and donations	5	-	-	-	5
Allocated support costs	186	-	-	-	186
Total expenditure on charitable activities excluding remeasurement of pension deficit liability	5,310	341	1,327	-	6,978

Notes to the accounts

For the year ended 31 December 2024

12. Analysis of support costs

	Unrestricted funds		Restricted funds	Endowment funds	Total 2024	Total 2023
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Salary and employment costs	430	-	-	-	430	365
Property costs	92	-	-	-	92	59
Office costs	72	-	1	-	73	68
Legal and professional fees	102	-	-	-	102	88
General Synod representation	8	-	-	-	8	9
Governance costs	25	-	-	-	25	24
	729	-	1	-	730	613

All support costs in 2023 were attributable to the General fund except for £1k of office costs attributable to Restricted funds.

13. Analysis of expenditure including allocation of support costs

13.1 Analysis 2024

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total 2024
	£'000	£'000	£'000	£'000
Raising funds:	232	-	24	256
Charitable activities: excl. pension deficit:				
Contributions to Archbishops' Council	-	409	5	414
Resourcing ministry and mission	5,355	201	490	6,046
Education	250	5	109	364
Parochial support	153	60	102	315
Other grants and donations	1	4	-	5
Charitable activities: pension deficit	-	-	-	-
	5,991	679	730	7,400

13.2 Analysis 2023

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total 2023
	£'000	£'000	£'000	£'000
Raising funds:	198	-	20	218
Charitable activities: excl. pension deficit:				
Contributions to Archbishops' Council	-	435	5	440
Resourcing ministry and mission	5,231	283	408	5,922
Education	237	2	91	330
Parochial support	150	41	89	280
Other grants and donations	1	4	-	5
Charitable activities: pension deficit	-	-	-	-
	5,817	765	613	7,195

Notes to the accounts

For the year ended 31 December 2024

14. Analysis of grants made

14.1 Analysis 2024

	<i>Number</i>	<i>Individuals £'000</i>	<i>Institutions £'000</i>	Total 2024 £'000
From unrestricted funds - general fund:				
National church responsibilities:				
Contributions to Archbishops' Council	4	-	409	409
Grants to clergy	69	103	-	103
Support for ordinands in training	4	19	-	19
PCCs for church inspection fees	88	-	60	60
Other grants	1	-	4	4
	166	122	473	595
From unrestricted funds - designated funds:				
To support mission and ministry	17	-	57	57
From restricted funds:				
To support mission and ministry	5	-	22	22
To support school building projects	1	-	5	5
	189	122	557	679

14.2 Analysis 2023

	<i>Number</i>	<i>Individuals £'000</i>	<i>Institutions £'000</i>	Total 2023 £'000
From unrestricted funds:				
National church responsibilities:				
Contributions to Archbishops' Council	5	-	435	435
Grants to clergy	109	143	-	143
Support for ordinands in training	4	33	-	33
PCCs for church inspection fees	68	-	41	41
Other grants	1	-	4	4
	187	176	480	656
From unrestricted funds - designated funds:				
To support mission and ministry	25	-	92	92
From restricted funds:				
To support mission and ministry	18	1	14	15
To support school building projects	1	-	2	2
	231	177	588	765

Notes to the accounts

For the year ended 31 December 2024

15. Tangible fixed assets

	Freehold properties £'000	Leasehold property improvements £'000	Plant & equipment £'000	Total £'000
Cost or valuation				
At 1 January 2024	57,743	53	116	57,912
Additions	680	-	19	699
Disposals	(1,332)	-	-	(1,332)
Transfers	-	-	-	-
Revaluation	2,641	-	-	2,641
At 31 December 2024	59,732	53	135	59,920
Accumulated depreciation				
At 1 January 2024	-	53	91	144
Charge for the year	-	-	13	13
Disposals	-	-	-	-
At 31 December 2024	-	53	104	157
Net book value				
At 1 January 2024	57,743	-	25	57,768
At 31 December 2024	59,732	-	31	59,763

The leasehold property held at nil book value relates to the Diocesan Office in Hereford, the landlord being the Church Commissioners.

As at 31 December 2024, the Board was responsible for seven redundant churches. The value of these churches at this date is considered uncertain and not material and accordingly no value related to them has been included in these accounts. The Board was also responsible for St Barnabas Church, Hereford, and further details about this site are provided in note 34.

The Board and benefice houses were valued by the Board as at 31 December 2024 by taking advice from the employed Diocesan Property Surveyor (MCI0B). On 31 December 2024 there was a housing stock of 117 properties (2023: 118).

Due to the length of time properties have been held by the Board and the unavailability of historical accounting records it is not possible to provide a historical cost valuation for Board and benefice houses.

16. Capital commitments

There were no capital commitments as at 31 December 2024 (2023: £nil).

Notes to the accounts

For the year ended 31 December 2024

17. Investments held as Fixed Assets – Investment property

	As at 1 January 2024 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2024 £'000
Endowment funds						
Land	7,356	23	(72)	-	294	7,601
Buildings	443	-	-	-	-	443
	7,799	23	(72)	-	294	8,044
Restricted funds						
Buildings	479	-	-	-	23	502
Total	8,278	23	(72)	-	317	8,546

Endowment fund buildings at the year-end consists of one commercial property, which has been informally valued by the Directors as at 31 December 2024.

Restricted fund buildings consist of houses held as investment properties. These have been valued by the Diocesan Surveyor (MCI0B) as at 31 December 2024.

The value of rural land was determined by the Directors. Due to the multiplicity of holdings and varying sizes and terms of occupation the cost of a professional valuation is deemed to be an imprudent use of charitable funds. The Directors used a variety of land market surveys to determine average land values at 31 December 2024. A discount was applied to 1986 Agricultural Holdings Act tenancies of 42.5% and Farm Business Tenancies of 10%. This constitutes an average yield of 1.47% (2023 1.3%). Other amenity tenancies/licences were discounted at 12.5% and vacant land discounted at 2.5%. Land for which planning permission has been received is valued according to its market value as determined by the Directors.

All glebe land is vested in and managed by the Board for the benefit of the Endowment (Diocesan Stipends) Fund in accordance with the terms of the Endowments and Glebe Measure 1976.

The historical cost of investment property land and buildings is unknown.

18. Investments held as Fixed Assets – Other investments

	As at 1 January 2024 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2024 £'000
Listed investments						
Unrestricted general fund	829	191	(200)	-	61	881
Designated funds	70	-	-	-	-	70
Restricted funds	9,636	2,739	(4,082)	-	865	9,158
Endowment funds	13,303	3,917	(3,524)	-	1,042	14,738
	23,838	6,847	(7,806)	-	1,968	24,847
Equity share loan						
Restricted fund - UST	-	-	-	-	-	-
Total	23,838	6,847	(7,806)	-	1,968	24,847

Listed investments are traded on London or comparable international stock exchanges.

The historical cost of listed investments held as at 31 December 2024 was £20.6m (2023: £21.65m).

Notes to the accounts

For the year ended 31 December 2024

19. Debtors: due within one year

	2024 £'000	2023 £'000
Other debtors	120	197
Prepayments & accrued income	141	212
Loans to PCCs ¹	100	16
	361	425

20. Debtors: due after one year

	2024 £'000	2023 £'000
Loans to PCCs ¹	-	11

¹ A loan to Stottesdon PCC of £25,000 was made in September 2022 and was fully repaid by 29 February 2024. A bridging loan of £100,000 was extended during the autumn of 2024 to Doddington PCC, repayable in full by 31 August 2025. At 31 December 2024, the balance outstanding was £100,000 (2023: £26,953 Stottesdon PCC). Loans to PCCs are chargeable with interest at the Bank of England base rate plus 1.5%.

21. Creditors: amounts falling due within one year

	2024 £'000	2023 £'000
Other creditors and accruals	958	535
Taxation & Social Security	2	32
Pension deficit payments liability	-	-
	960	567

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

There were no amounts falling due after more than one year in either 2024 or 2023.

Notes to the accounts

For the year ended 31 December 2024

23. Analysis of transfers between funds

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General £'000	Designated £'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	60	-	(60)	-	-
From General fund to the Strategic Mission Fund to support mission projects	(500)	410	90	-	-
in Designated Fund to General Fund reversing 2023 transfer	70	(70)	-	-	-
Transfers to the General fund for support of property costs	347		(347)	-	-
From Stottesdon School House Trust to UST in respect of loan			6 (6)	- -	- -
	(23)	340	(317)	-	-
in DSF Fund to DSF Income (Stipends) Fund in respect of stipends in the year (see note 26)	-	-	1,288	(1,288)	-
	(23)	340	971	(1,288)	-

Comparatives for 2023 can be found in note 39 to these accounts.

24. Summary of assets by fund

	Tangible Fixed assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General Fund	1,006	881	717	(310)	2,294
Designated funds:					
Total Return Mission funds	-	70	395	-	465
	1,006	951	1,112	(310)	2,759
Restricted funds					
Pastoral Fund	56,644	6,306	213	(8)	63,155
Ordinands in Training Fund	-	-	20	-	20
Strategic Capacity Fund (SCF)	-	-	20	-	20
Other grant funds	-	-	79	(14)	65
Uniform Statutory Trust	-	2,879	941	(579)	3,241
Education Trusts	-	475	49	-	524
	56,644	9,660	1,322	(601)	67,025
Endowment funds					
Diocesan Stipends Fund	2,113	22,782	465	(49)	25,311
Total funds	59,763	33,393	2,899	(960)	95,095

Comparatives for 2023 can be found in note 38 to these accounts.

Notes to the accounts

For the year ended 31 December 2024

25. Analysis of movements in funds

	Balance at 1 Jan 2024 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	Balance at 31 Dec 2024 £'000
Unrestricted funds						
General reserve	2,526	4,854	(5,124)	(23)	61	2,294
Designated reserves:						
Total Return Mission funds	346	48	(268)	339	-	465
Total unrestricted funds	2,872	4,902	(5,392)	316	61	2,759
Restricted funds						
Pastoral Fund	60,373	182	(249)	(347)	3,196	63,155
DSF Income (stipends) Fund	-	-	(1,288)	1,288	-	-
Mission and Ministry Fund	4	-	-	-	-	4
Ordinands in Training Fund	42	12	(34)	-	-	20
Strategic Ministry Fund - curates	-	-	-	-	-	-
Strategic Development Fund	32	-	-	(32)	-	-
Strategic Capacity Fund	2	31	(72)	59	-	20
DIP (Youth Hubs)	-	18	(56)	38	-	-
Other grant funds	24	265	(254)	26	-	61
Education Funds	505	15	(8)	(6)	18	524
Uniform Statutory Trust	2,773	84	(12)	(54)	450	3,241
Total restricted funds	63,755	607	(1,973)	972	3,664	67,025
Endowment funds						
Diocesan Stipends Fund						
- Investment Fund	8,920	-	-	312	-	9,232
- Unapplied Total Return	15,582	727	(68)	(1,600)	1,438	16,079
Total endowment funds	24,502	727	(68)	(1,288)	1,438	25,311
Total movement in funds	91,129	6,236	(7,433)	-	5,163	95,095

Comparatives for 2023 can be found in note 40 to these accounts.

Notes to the accounts

For the year ended 31 December 2024

26. Endowment Fund – Total Return

	Investment Fund £'000	Unapplied Total Return £'000	Total Endowment £'000
At 1 January 2024	8,920	15,582	24,502
Movements in the reporting period:			
Dividends and interest	-	604	604
Glebe land rent	-	99	99
Glebe commercial property rental income	-	24	24
Realised and unrealised gains and (losses)	-	1,438	1,438
Less:			
Investment management costs	-	(65)	(65)
Glebe land development costs	-	(3)	(3)
Indexation using CPIH: 4.2%	312	(312)	-
	312	1,785	2,097
Unapplied Total Return allocated to income			
- Equating to dividend, interest and rents	-	(727)	(727)
- Equating to 0.5% of equity investments	-	(61)	(61)
- Additional annual transfer	-	(500)	(500)
	-	(1,288)	(1,288)
Net movements in report period:	312	497	809
At 31 December 2024	9,232	16,079	25,311

The trustees adopted a Total Return accounting approach under the Diocesan Stipend Funds (Amendment) Measure 2016 with effect from 1 January 2019. Comparatives for 2023 can be found in note 41.

Notes to the accounts

For the year ended 31 December 2024

27. Net income for the year

Net income for the year is stated after charging:

	2024	2023
	£'000	£'000
Depreciation of tangible fixed assets	13	10
Rentals charged under operating leases	16	16
Amounts payable to external auditors for:		
- statutory audit	24	24
- tax advisory services	-	-

28. Financial commitments – operating leases

Total future minimum lease payments under non-cancellable operating leases were as follows:

	2024	2023
	£'000	£'000
Minimum lease payments payable:		
Within one year of the balance sheet date	2	2
Within two to five years of the balance sheet date	5	7

Total future minimum lease payments receivable under non-cancellable operating leases were as follows:

	2024	2023
	£'000	£'000
Minimum lease payments receivable		
Within one year of the balance sheet date	14	24
Within two to five years of the balance sheet date	-	14

29. Post balance sheet events and contingent liabilities

There were no post balance sheet events or contingent liabilities as at 31 December 2024.

30. Staff costs

Staff costs were as follows:

	2024	2023
	£'000	£'000
Gross salaries and wages	1,357	1,201
Social Security costs	130	115
Pension contributions	124	126
	1,611	1,442

The above figures include the Diocesan Director of Education (DDE), employed jointly by HDBF and DHMAT, a related party. Employment costs of the DDE are administered by DHMAT and recharged to HDBF.

Notes to the accounts

For the year ended 31 December 2024

The monthly average number of persons employed during the year by head count:

	2024		2023	
	Number Full-time	Number Part-time	Number Full-time	Number Part-time
Support ministers / staff	3.8	11.0	6.0	10.2
Education	2.7	1.0	2.0	2.0
Diocesan officers	2.0	2.0	2.0	2.0
Diocesan administration staff	5.0	6.0	3.7	4.7
Grant funded Intergenerational Missioners	1.0	-	2.0	-
Grant funded support staff	3.8	6.1	1.0	3.9
Grant funded deanery staff			-	1.0
	18.3	26.1	16.7	23.8

The average number of persons employed during the year based on full-time equivalents:

	2024 Number	2023 Number
Support ministers / staff	11.3	11.8
Diocesan administration staff	8.7	6.6
Diocesan officers	3.7	3.7
Total Diocese funded positions	23.7	22.1
Education	3.5	4.2
Grant supported Intergenerational Missioners	1.0	2.0
Grant funded support staff	5.9	3.5
Grant funded deanery staff	1.3	0.7
Total Grant funded positions	8.2	6.2
	35.4	32.5

These staff numbers do not include the Archdeacon of Ludlow, who is paid through the Church Commissioners.

The number of employees whose emoluments for the year exceeded £60,000 (including benefits in kind but excluding pension contributions) was as follows:

	2023 Number	2022 Number
£70,000 - £80,000	1	1

30.1 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 2024 they were:

Diocesan Secretary	Mr S R Pratley
Director of Finance	Mr S G P Herbert
Director of Education	Mr A Teale (to April 2024)

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Director of Education

Mrs G Martin (from April 2024)

Remuneration (including employer's National Insurance) and pensions for these employees amounted to £267,060 (2023: £229,821).

30.2 Trustees' emoluments

No Trustee received any remuneration for services as Trustee. Seven Trustees received travelling and out-of-pocket expenses totalling £4,916 (2023: £3,091 2 trustees) in respect of General Synod duties, duties as Archdeacon or Rural Dean, and other duties as Trustees.

The Church Commissioners are responsible for the stipends and housing of the Diocesan Bishop and the stipend of the Archdeacon of Ludlow (ex officio trustees). Parochial clergy, the Archdeacon of Hereford and support ministers who are trustees of the HDBF, whether ex officio, elected, appointed or co-opted, are in receipt of a stipend, housing and training/sabbatical grants paid via the Board by virtue of their office. No trustees received grants during 2024 (2023: Two trustees received grants totalling £2,507).

The following table gives details of Trustees who were in receipt of a stipend and housing provided by the HDBF during the year:

	Stipend	Housing/ housing allowance
The Ven D Chedzey	Yes	Yes
Revd Preb W A Buck	Yes	Yes
Revd G Cole	Yes	Yes
Revd G Smith	Yes	Yes

The Board also met the stipends, pensions and social security costs of an average of 73 (2023: 80) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2024 £'000	2023 £'000
Stipends	2,362	2,292
National insurance contributions	212	201
including Apprenticeship levy		-
Pension costs - current year	523	549
- deficit reduction	-	-
	3,097	3,042

The stipends of the Diocesan Bishop, and Archdeacon of Ludlow, were paid for and funded by the Church Commissioners.

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For the year ended 31 December 2024

31. Related parties

31.1 Diocese of Hereford Multi-Academy Trust (DHMAT)

The Diocese of Hereford Multi-Academy Trust (DHMAT) is a related party to HDBF by virtue of the following:

- Mrs G Martin (Diocesan Director of Education) is also a Director of DHMAT.
- Mr S Pratley (Diocesan Secretary) is also a member of DHMAT with the power, among other things, to appoint and remove trustees.

During the year, invoices net of VAT totalling £37,458 (2023: £10,800) for partnership costs were raised from HDBF to DHMAT. The balance outstanding at the end of the year was £nil (2023: £nil).

During the year, invoices net of VAT totalling £nil (2023: £65,784) were raised from DHMAT to HDBF for salary and administration costs. The balance outstanding at the year-end was £nil (2023: £nil).

31.2 Diocese of Hereford Educational Trust (DHET)

The Diocese of Hereford Educational Trust (DHET) is a related party of HDBF as detailed below. During the year there were no transactions between HDBF and DHET:

- Mrs G Martin (Diocesan Director of Education) and Mr S Pratley (Diocesan Secretary) are also directors of DHET.

31.3 Diocesan Multi-Academy Trust

During 2024 two new Diocesan Multi-Academy Trust were formed (Orchard and SCEAT) in line with the updated Diocesan Academisation Strategy. They are related parties by virtue of appointing the following members;

- The Rt. Revd Bishop Richard (Bishop of Hereford)
- Venerable Fiona Gibson (Archdeacon of Ludlow) (Chair of DBE)
- Mrs G Martin (Diocesan Director of Education)
- DHET (Diocese of Hereford Education Trust) as corporate member

The company members appoint some of the directors of the Academy Trust. The Trust will become a party of the Diocesan partnership agreement.

31.4 Hereford Cathedral

Hereford Cathedral is a related party of HDBF. Bishop's Council select two members to sit on the Cathedral Council for a period of 5 years and the Dean of Hereford Cathedral is also an ex-officio Director of HDBF. During the year, invoices net of VAT totalling £nil were raised from HDBF to the Cathedral for safeguarding costs (2023: £495). The balance outstanding at the year-end was £nil (2023: £389). During the year, invoices net of VAT totalling £nil (2023: £7,635) were raised from the Cathedral to HDBF for salary and administration costs. The balance at the year-end was £nil (2023: £nil).

31.5 Hereford Historic Churches Trust

The Ven D Chedzey (an HDBF Trustee) is also Vice Chair of Trustees of the Hereford Historic Churches Trust. During 2024, HDBF received a grant from the Hereford Historic Churches Trust amounting to £5,000 (2023: £5,000). The balance at the year-end was £nil (2023: £nil).

31.6 LEAF (Locally Encouraging All to Flourish)

The Ven D Chedzey (an HDBF Trustee) is also a Trustee of LEAF – Locally Encouraging All to Flourish. During 2024, HDBF made a grant to LEAF – Locally Encouraging All to Flourish for £10,000 (2023: £5,217). The balance at the year-end was £nil (2023: £nil).

31.7 Halo Leisure

N Sellar (an HDBF Trustee) was a Trustees of Halo Leisure Services Ltd until August 2023. During 2024, HDBF paid £791 (2023: £956) to Halo Leisure Services in relation to room hire. The balance at the year-end was £nil (2023: £nil).

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32. Pension commitments

32.1 Church of England Funded Pension Scheme (CEFPS)

Hereford DBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension scheme, and as at 31 December 2024 had 77 members in the scheme (2023: 81). This scheme is administered by the Church of England Pensions Board, which holds the assets of the Scheme separately from those of the Responsible Bodies.

This scheme is administered by the Church of England Pensions Board, which holds the assets of the scheme separately from those of the Responsible Bodies.

Each participating Responsible Body in the Church of England Funded Pensions 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. It is not possible to attribute the Scheme's assets and liabilities to each specific Responsible Body, and this means 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, which were £523k in 2023 (2023: £565k), plus any figures arising from contributions in respect of the Scheme's deficit (see below). The 2021 valuation showed the Scheme to be fully funded and as such in 2024, following the valuation results being agreed, the deficit contributions paid were £0 (2023: £0k).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at as 31 December 2021. The 2021 valuation revealed a surplus of £560m (HDBF share based on covenant £5.8m), based on assets of £2,720m and a funding target of £2,160m, assessed using the following assumptions:

- An average discount rate of 2.7% p.a.;
- RPI inflation of 3.6% p.a. (and pension increases consistent with this);
- CPIH inflation in line with RPI less 0.8% pre 2030 moving to RPI with no adjustment from 2030 onwards;
- Increase in pensionable stipends in line with CPIH;
- Mortality in accordance with 90% of the S3NA tables, with allowance for improvements in mortality rates from 2013 in line with the CMI2020 extended model with a long-term annual rate of improvement of 1.5%, a smoothing parameter of 7, an initial addition to mortality improvements of 0.5% pa and an allowance for 2020 data of 0% (i.e. w2020 = 0%).

Following finalisation of the 31 December 2021 valuation, deficit contributions ceased with effect from 1 January 2023, since the Scheme was fully funded.

The deficit recovery contributions under the recovery plan in force at each 31 December were as follows:

	% of pensionable stipends
31 December 2021	7.1% payable from January 2021 to December 2022
31 December 2022	Nil
31 December 2023	Nil
31 December 2024	Nil

An interim reduction to deficit contributions to 3.2% of pensionable stipends was made with effect from April 2022 and remained in place until December 2022.

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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. However, as there are no agreed deficit recovery payments from 1 January 2023 onwards, the balance sheet liability as at 31 December 2023 and 31 December 2024 is nil. The movement in the balance sheet liability over 2023 and over 2024 is set out in the table below.

	2024 £'000	2023 £'000
Balance sheet liability as at 1 January	-	-
Deficit contribution paid	-	-
Interest cost (recognised in the SOFA)	-	-
Remaining change to the balance sheet liability* (recognised in SoFA)	-	-
Balance sheet liability as at 31 December	-	-

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

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

32.2 Church of England Worker Pension Fund (CWPF) Scheme

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

CWPF has two sections:

1. the Defined Benefits Scheme
2. the Pension Builder Scheme, which has two subsections;
 - a. a deferred annuity section known as Pension Builder Classic, and,
 - b. a cash balance section known as Pension Builder 2014.

Pension Builder Scheme

Both sections of the Pension Builder Scheme are classed as defined benefit schemes.

Pension Builder Classic provides a pension, 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. Discretionary increases may also be added, depending on investment returns and other factors.

Pension Builder 2014 is a cash balance scheme that provides a lump sum which members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. Discretionary bonuses may be added before retirement, depending on investment returns and other factors. The account, plus any bonuses declared is payable, unreduced, from age 65.

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 means that contributions are accounted for as if the Scheme were a defined contribution

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scheme. The pensions costs charged to the SoFA in the year are the contributions payable (**2024: £69k, 2023: £63k**).

A valuation of the Pension Builder Scheme is carried out once every three years. The most recent valuation was carried out as at 31 December 2022.

For the Pension Builder Classic section, the 2022 valuation revealed a surplus of £34.8m on the ongoing assumptions used. At the most recent annual review effective 1 January 2025, the Board chose to grant a discretionary bonus of 6.7% to both pensions not yet in payment and pensions in payment in respect of service prior to April 1997; and a bonus on pensions in payment in respect of post April 2006 service so that the pension increase was 2.7% (where usually it would be calculated based on inflation up to 2.5%). This followed improvements in the funding position over 2024. There is no requirement for deficit payments at the current time.

The next valuation is due as at 31 December 2025.

For the Pension Builder 2014 section, the 2022 valuation revealed a surplus of £8.5m 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, Hereford Diocesan Board of Finance could become responsible for paying a share of that employer's pension liabilities. The directors have assessed this risk and consider it to be minimal.

At 31 December 2024, HDBF had 36 active members (2023: 31) in the Pension Builder 2014. Contributions outstanding at the year end amounted to £nil (2023: £nil).

32.3 Hereford Diocesan Board of Finance: other staff pension arrangements

The Hereford Diocesan Board of Finance contributes to individual money purchase policies operated by pension providers chosen by individual employees. The assets of these schemes are held separately from those of the Board, being invested with third party pension and insurance companies.

Contributions to the various schemes during the year totalled £28,646 (2023: £26,630) and were charged to the Income and Expenditure Account. Contributions outstanding at the year-end amounted to £1,547 (2023: £nil).

32.4 Hereford Diocesan Board of Finance: Teachers' Pension Scheme

The Hereford Diocesan Board of Finance participates in the Teachers' Pension Scheme ("TPS") (England and Wales).

The TPS is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014.

The scheme is an unfunded scheme to which both the member and employee makes contributions, as a percentage of salary – these contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to ensure scheme costs are recognised and managed appropriately and the review specifies the level of future contributions.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education on 27 October 2023, with the SCAPE rate,

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set by HMT, applying a notional investment return based on 1.7% above the rate of CPI. The key element of the valuation outcome are:

- Employer contribution rate set at 26.68% of pensionable pay (including 0.08% administration levy). This is an increase of 5% in employer contributions and the cost control result is such that no change in member benefits is needed.
- Total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262,000 million and the notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222,200 million, giving a notional past service deficit of £39,800 million.

The result of this valuation was implemented from 1 April 2024. The next valuation result is due to be implemented from 1 April 2028.

The Hereford DBF paid pension costs to TPS in the year amounting to £15,431 (2023 - £nil).

A copy of the most recent actuarial valuation report for the TPS is available from the Government website¹.

Under the definitions set out in FRS 102, the TPS is an unfunded multi-employer pension scheme. The Diocese is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the HDBF has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Diocese has set out above the information available on the scheme.

33. Description of funds

General fund The General Fund is the HDBF's unrestricted undesignated fund available for any of the HDBF's purposes without restriction.

Designated funds

Strategic Mission Fund

This relates to monies transferred by the trustees on a fixed annual basis from the general fund to fund large mission projects that adhere to strict criteria. It is also used to provide match funding for strategic development bids. The funds are monitored by the Strategy steering group.

Designated funds can be undesignated and returned to the general fund by the trustees.

Endowment fund

Diocesan Stipends Fund

The expendable endowment (Diocesan Stipends) Fund is an expendable endowment fund from which the Board draws income to meet part of the cost of clergy stipends.

The fund was substantially affected by the provision of the Endowments and Glebe Measure 1976.

From 1 April 1978, incumbent clergy received from the Church Commissioners guaranteed annuities and personal grants equal in total to the net endowment income of their respective benefices prior to that date.

All other income previously attaching to a benefice including glebe income, along with income applicable to non-incumbent clergy, has been allocated to this expendable endowment (diocesan stipends) fund from that date.

¹ <https://www.gov.uk/government/publications/2020-valuation-teachers-pension-scheme-england-and-wales>

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From 1 January 2006, all stipendiary clergy were invited to relinquish their rights to guaranteed annuities and personal grants under a policy from the Church of England. All relevant HDBF clergy have relinquished those rights.

The income of the Diocesan Stipends Fund is used to support the cost of stipends. The capital is available to acquire, develop or improve glebe land & buildings at the request of the Bishop and the concurrence of the Board.

With effect from 1 January 2019 the HDBF trustees adopted a Total Return Accounting approach to the Diocesan Stipends Fund. The Fund is now split into two components:

- **Investment Fund** (or Trust for Investment): this represents the original value of the endowment uplifted each year by an inflationary measure;
- **Unapplied Total Return**: this represents the amount of the Diocesan Stipends Fund over and above the value of the Trust for Investment. The amount approved for application in the year is transferred to the Diocesan Stipends Income Fund.

Restricted funds:

Diocesan Stipends Income Fund

The DSF income fund is used to defray the costs of clergy stipends and other expenditure permitted by the Diocesan Stipends Fund.

Pastoral Fund

The Diocesan Pastoral Account is used to support activities within the remit of the Diocesan Mission and Pastoral Committee (DMPC) as set out in the *Mission and Pastoral Measure 2011 (No.3)*. This will include expenditure on any property vested by or under this Measure in the Church Commissioners or the DBF, and grants and loans for parsonage and church provision, restoration, improvement or repair.

Where the DBF is satisfied that any monies in the diocesan pastoral account are not (likely to be) required for meeting the expenses or expenditure referred to in this section it may:

1. apply those monies by way of grant or loan to the provision, restoration, improvement or repair of churches and parsonage houses in the diocese, including the repair of any building closed for regular public worship vested in the Board pending the coming into operation of arrangements under a pastoral (church buildings disposal) scheme, or to other purposes of the diocese or any benefice or parish in the diocese; or
2. apply those monies by way of grant or loan for the benefit of another diocese, either generally for those purposes or for such of those purposes as the Board may specify; or
3. transfer those monies to the capital or income account of the diocesan stipends fund; or
4. transfer those monies to one or more other accounts or funds held by the Board or apply or transfer them partly to such other accounts or funds and partly as provided in paragraphs (1) to (3). [Mission and Pastoral Measure 2011 section 94(4)].

Mission and Ministry Fund

Prior to 2018, the Church Commissioners made an annual grant to HDBF for the restricted purpose of mission and ministry work within the Diocese. The grant income has now ceased and the fund is gradually being depleted as mission grants are awarded.

Ordinands in Training Fund

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This restricted fund has arisen as a result of a change in the method of funding the training costs of ordinands. Prior to 2017, the training and residential costs were funded directly from the Church of England's Ministry Division. From 1 January 2017, a block grant has been receivable by HDBF, out of which training and maintenance costs are met. Any unused funds at the end of each year can only be used to fund future training and maintenance costs.

Strategic Capacity Fund

Monies received from the Archbishops' Council Strategic Capacity Fund (SCF) to fund the employment of a Programme Manager for three years to facilitate the implementation of projects and growth initiatives throughout the Diocese.

Diocesan Investment Programme ("DIP") Funding

The Archbishops' Council awarded HDBF a grant of £457,630 in March 2024 for a pilot hub and spoke model of Youth Ministry project in Bishop's Castle and Leominster over 3 years 2024-2027. Although the project started in July 2024, the Hubs were not operational until October 2024.

Other Grant Funds

Other grant funds relate to grants received from third parties by HDBF to be administered as directed.

Education Funds

These relate to two Educational trusts: St Mary's School Trust (Bucknell School House) and Stottesdon School Foundation. Both trusts are managed by the Diocesan Board of Education. They had previously been included within custodian trustee accounts, but under the Charity Commission directive linking the Hereford Diocese Board of Education and HDBF in 2019, these are now included as restricted funds under branch accounting.

Uniform Statutory Trust Fund

The Hereford Diocesan Board of Finance Educational Uniform Statutory Trust (UST) is a registered charity linked by the Charity Commission to HDBF of which the HDBF is the sole trustee. The principal activity of the UST is the advancement of Christian education in the Diocese. Under SORP (FRS 102), the charity is accounted for as a branch of HDBF and shown within restricted funds. The capital and income may be applied as follows:

1. in or towards the purchase of a site for, or the erection, improvement or enlargement of, the premises of any relevant school in the area or a teacher's house for use in connection with any relevant school in the area;
2. for the maintenance of any relevant school in the area;
3. the maintenance of a teacher's house for use in connection with any relevant school in the area.

In addition, the income may be applied as follows:

4. for the provision of advice, guidance and resources in connection with any matter related to the management of, or education provided at any relevant school in the area;
5. the provision of services for the carrying out of any inspection of any relevant school in the area;
6. to defray the cost of employing staff in connection with points 1. and 2. above.

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34. St. Barnabas Church, Hereford

This property is owned by the Hereford Diocesan Board of Finance, and was until 30 June 2006 made available on licence to the parish of All Saints' Hereford for the conduct of divine worship. From June 2006, the parish of All Saints no longer required the building for their parish mission and the property vested in the HDBF. From July 2017, the property was leased to two charitable organisations: Vennture, and Oasis Church Hereford. In 2022, following discussions with the lessees, DBF trustees decided to put the site on the open market for sale. The DBF received multiple expressions of interest for the site and signed a 'heads of terms' agreement with one bidder. As the Church Commissioners remain responsible for the small consecrated portion of the site, they undertook a consultation process seeking public feedback on the proposed sale of the site. After considering the representations received, the Commissioners concluded that the proposed sale could proceed. The HDBF and the purchaser signed a conditional contract for sale on 25 April 2024, which is subject to a successful planning application for future use of the site. In the meantime, the Directors have valued the property at the purchaser's bid price less fees, and this is figure included within the freehold properties total shown in note 15.

35. Corporation tax

The Company is a registered charity and as such its income and gains falling within Sections 471 to 489 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

36. Closed schools

36.1 Sarn School

Sarn School closed in August 2006 and was subject to the Reverter of Sites Act. An agreement was reached between the Trustee and the Reverter in February 2010, the net proceeds to be divided equally with any Capital Gains Tax to be met by the Trustee. A charitable scheme was established during 2017 to receive the proceeds and is held within the Custodian trustee accounts. A S.554 Order was made in 2024 and the £101k proceeds have been brought into the DBF as part of the UST fund.

36.2 Westbury and Hope Primary Schools

Westbury and Hope Primary Schools were closed during 2017 with pupils transferred to Worthen Primary School. Westbury Primary School was sold in March 2020. The sale proceeds held within the Custodian trustee accounts ultimately flow to the DBF as part of the UST fund via a S.554 order effective 23 May 2023. Hope Primary School was sold in 2024 and the share of proceeds totalling £136k were received in 2024 and now form part of the UST fund.

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37. Prior year comparative SoFA: year ended 31 December 2023

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated	funds	funds	2023
	£'000	£'000	£'000	£'000	£'000
Income and endowments from:					
Donations					
Parish share contributions	3,327	-	-	-	3,327
Archbishops' Council	599	37	100	-	736
Other donations	113	30	57	-	200
Charitable activities	444	-	-	-	444
Other trading income	380	-	19	-	399
Investment income	88	-	229	454	771
Other income	-	-	22	-	22
Total income and endowments	4,951	67	427	454	5,899
Expenditure on:					
Raising funds	122	-	37	59	218
Charitable activities: excl. pension deficit	5,310	341	1,327	-	6,978
Charitable activities: pension deficit	-	-	-	-	-
Total resources expended	5,432	341	1,364	59	7,196
Net income/(expenditure) before investment gains	(481)	(274)	(937)	395	(1,297)
Net gains/(losses) on investments	94	-	304	575	973
Net income/(expenditure)	(387)	(274)	(633)	970	(324)
Unapplied Total Returns allocated to income for stipends			764	(764)	-
Transfers between funds	(255)	274	(19)	-	-
Other recognised gains (losses)					
Gains/(losses) on revaluation of fixed assets	-	-	(1,709)	(59)	(1,768)
Loss on disposal			(5)	-	(5)
Overage gains			-	-	-
Net movement in funds	(642)	-	(1,602)	147	(2,097)
Funds brought forward at 1 January 2022	3,168	346	65,357	24,355	93,226
Total funds at 31 December 2022	2,526	346	63,755	24,502	91,129

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38. Prior year: Summary of assets by fund as at 31 December 2023

	Tangible Fixed assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General fund	999	829	939	(241)	2,526
Designated funds:					
Total Return Mission funds	-	70	276	-	346
	999	899	1,215	(241)	2,872
Restricted funds					
Pastoral Fund	54,759	7,063	(1,437)	(12)	60,373
Mission and Ministry Fund	-	-	4	-	4
Strategic Ministry Fund - curates	-	-	-	-	-
Ordinands in Training Fund	-	-	42	-	42
Strategic Development Fund	-	-	32	-	32
Strategic Capacity Fund	-	-	2	-	2
Other grant funds	-	-	31	(7)	24
Uniform Statutory Trust	-	2,594	439	(260)	2,773
Education funds	-	458	47	-	505
	54,759	10,115	(840)	(279)	63,755
Endowment funds					
Diocesan stipends fund	2,010	21,102	1,437	(47)	24,502
Total funds	57,768	32,116	1,812	(567)	91,129

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39. Prior year: Analysis of transfers between funds: year ended 31 December 2023

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated			
	£'000	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	65	-	(65)	-	-
From General fund to Endowment fund for reduction in pension deficit liability	-	-	-	-	-
From Endowment fund to General fund for stipends under Total Return (see note 26)	-	-	-	-	-
From General fund to the Strategic Mission Fund to support mission projects	(250)	204	46	-	-
From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements	-	-	-	-	-
Transfers to the General fund for Designated Grants	(70)	70	-	-	-
From Pastoral fund to General fund in respect of St Barnabas flat	-		-		-
From the Brampton Abbots fund to the Pastoral fund to clear fund surplus	-		-	-	-
From UST to Stottesdon School House trust in respect of loan	-		6 (6)		6 (6)
	(255)	274	(19)	-	-
From DSF Income fund to General Fund in respect of stipends in the year (see note 26)			764	(764)	-
	(255)	274	745	(764)	-

Notes to the accounts

For the year ended 31 December 2024

40. Prior year: Analysis of movements in funds: year ended 31 December 2023

	Balance at 1 Jan 2023 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	Balance at 31 Dec 2023 £'000
Unrestricted funds						
General reserve	3,168	4,951	(5,432)	(255)	94	2,526
Designated reserves:						
Total Return Mission funds	346	67	(341)	274	-	346
Total unrestricted funds	3,514	5,018	(5,773)	19	94	2,872
Restricted funds						
Pastoral Fund	61,977	174	(296)	-	(1,482)	60,373
DSF Income (stipends) Fund	-	-	(764)	764	-	-
Mission and Ministry Fund	4	-	-	-	-	4
Ordinands in Training Fund	61	85	(104)	-	-	42
Strategic Ministry Fund - curates	-	-	-	-	-	-
Strategic Development Fund	57	-	(25)	-	-	32
Strategic Capacity Fund	(1)	4	(28)	27	-	2
Education Funds	511	13	-	(6)	(13)	505
Uniform Statutory Trust	2,678	83	(14)	(59)	85	2,773
Total restricted funds	65,357	427	(1,364)	745	(1,410)	63,755
Endowment funds						
Diocesan Stipends Fund						
- Investment Fund	8,560	-	-	360	-	8,920
- Unapplied Total Return	15,795	454	(59)	(1,124)	516	15,582
Total endowment funds	24,355	454	(59)	(764)	516	24,502
Total movement in funds	93,226	5,899	(7,196)	-	(800)	91,129

Notes to the accounts

For the year ended 31 December 2024

41. Prior year: Endowment Fund – Total Return: year ended 31 December 2023

	Investment Fund £'000	Unapplied Total Return £'000	Total Endowment £'000
At 1 January 2023	8,560	15,795	24,355
Movements in the reporting period:			
Dividends and interest	-	323	323
Glebe land rent	-	107	107
Glebe commercial property rental income	-	24	24
Trust income	-	-	-
Realised and unrealised gains and (losses)	-	516	516
Less:			
Investment management costs	-	(59)	(59)
			-
Indexation using CPIH: 4.2%	360	(360)	-
	360	551	911
Unapplied Total Return allocated to income to be used for stipends:			
- Equating to dividend, interest and rents	-	(454)	(454)
- Equating to 0.5% of equity investments	-	(60)	(60)
- Additional annual transfer	-	(250)	(250)
	-	(764)	(764)
Net movements in report period:	360	(213)	147
At 31 December 2023	8,920	15,582	24,502

Accounts

Hereford Diocesan Board of Finance

Annual Report & Accounts 2023



— Diocese of —
Hereford
Proclaiming Christ ✦ Growing Disciples

Company limited by guarantee
Company number 144467
Charity number 249685

Hereford Diocesan Board of Finance

Report & Accounts for the year ended 31 December 2023

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Foreword by the Bishop of Hereford

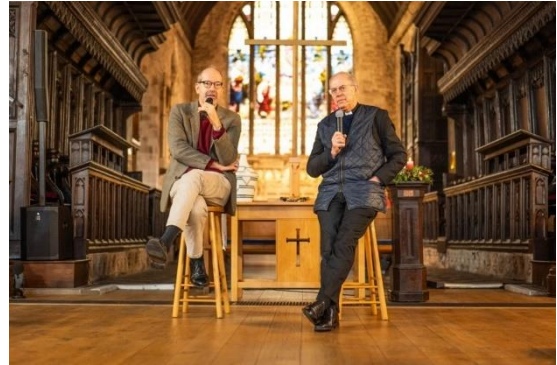
For the year ended 31 December 2023

1. Foreword by the Bishop of Hereford

Dear Friends,

Welcome to the financial report and accounts for 2023.

As I write this we have just begun our Year of Faith following on from the encouragement of the Year of Prayer. At the end of 2023 we were encouraged by a visit by the Archbishop of Canterbury and a team from Youth With a Mission and the Community of St. Anselm. This was one of those 'godincidences' where the Archbishop's programme wonderfully meshed with ours. To hear of his prayer life and commitment to corporate prayer was inspiring and validating of all we have been doing. The feedback from the Year of Prayer has been very positive. Many events were organised, both centrally and



Bishop Richard Jackson with Archbishop Justin Welby

all across the diocese in local churches. We had some fantastic outside speakers in Pete Greig and Bishop John Pritchard. I am so grateful to the diocesan team for all they did to organise these events. My hope at the beginning of the year was that it would contribute to a rather nebulous but discernible raising of the spiritual temperature. My sense is that it has done that, for which we thank the Lord.

In response to a sceptical questioner Archbishop William Temple said that when he prayed co-incidences happened; and when he didn't they didn't. Moving on to the Year of Faith is not an excuse to stop praying! Prayer remains the central component of our diocesan strategy. We are facing serious headwinds in our call to proclaim Christ and grow disciples. We also need to address issues of net zero. Prayer is part of the spiritual filling of the sails that pushes us forward.

2024, alongside the Year of Faith, will mark a transition in our strategy towards a more practical focus. We have listened to the needs in the parishes and hope that some of these suggestions for extra resources will make a significant difference in relieving clergy and volunteers of some of the challenges of compliance. This is to liberate time and energy for mission and ministry. We are blessed with historic assets which enable our trustees to release some additional funds for these strategic mission initiatives in parishes, even though the diocesan income and expenditure balance remains in a large deficit.

We want to multiply ministry, both by retaining as high a number of frontline clergy as we can and liberating more and more lay ministry. This latter task is gaining momentum through the work of Elizabeth Wild and her team.

The Church Commissioners are releasing more funds for missional projects and are already paying for a number of our support staff. We have good relationships with Herefordshire Council who are paying for us to work with Ukrainian guests.

There are always challenges to growing the Kingdom of God. It has always been thus in the church. But God provides for what he calls us to do. I have faith that he will continue to do that in 2024.

With best wishes,

A handwritten signature in black ink, reading 'Richard Jackson'.

The Rt. Revd Richard Jackson
Bishop of Hereford

Annual report

For the year ended 31 December 2023

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements of the company and its linked charities, for the year ended 31 December 2023.

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.

STRATEGIC REPORT

2. Legal objects and responsibilities

The Hereford Diocese Board of Finance's (HDBF) objects are to promote, aid, and further the religious and other charitable work of the Church of England in the Diocese of Hereford and, at the discretion of the trustees, elsewhere in the world including through:

- Supporting financially or otherwise training for ministry, clerical and lay;
- The maintenance and support of clergy and other persons connected with ministry or the work of the Church;
- the provision of pensions for ministers and their dependants in accordance with and subject to the Clergy Pensions Measures of 1961 and 2018.

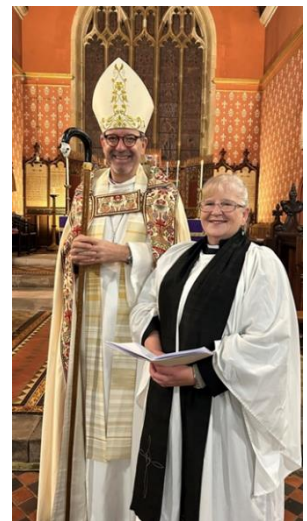
The Diocese of Hereford covers the county of Herefordshire, the southern part of Shropshire and a few parishes in the counties of Worcestershire, Powys and Monmouthshire. The objects of the Diocese apply across this geographic area.

In addition the HDBF also manages two linked charities; The Hereford Diocesan Board of Education (DBE) and the HDBF Educational Uniform Statutory Trust (UST), along with being the custodian Trustee of several smaller Trusts (more details in section 7.11).

The HDBF has the following principal statutory responsibilities: -

- to hold, manage and deal with diocesan glebe land for the benefit of the diocesan stipends fund in accordance with the Church Property Measure 2018, and to comply with the extant provisions of the Endowments and Glebe Measure 1976;
- to repair benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- to manage the investments and act as custodian of assets relating to church schools under the Diocesan Boards of Education Measure 2021;
- to act as custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

The strategic priorities of the charitable company are established by the Diocesan Synod in communication with Deanery Synods, PCCs, and the Bishop of Hereford (in respect of his responsibility for the provision of the cure of souls). To this end, significant time and effort is committed to communication between and with these bodies, as well as with the church nationally; including an annual series of consultations on specific matters relating to the priorities for the forthcoming year, taking forward the commitments arising from synodical discussions including the diocesan budget. HDBF is responsible for the custody and management of the Diocesan Synod's financial affairs as well as those of the Diocesan Board of Education which works with church schools and academies.



*Installation of
Revd Lynda Lilley as Rector of
the Broseley group of parishes*

Annual report

For the year ended 31 December 2023

3. Organisational Structure

3.1 Geography

The Diocese of Hereford was created in 676 and covers an area of 1,660 square miles encompassing all of Herefordshire, the southern half of Shropshire and small parts of Worcestershire, Powys and Monmouthshire. The overall population per the 2021 census is approximately 325,000. The largest settlement is the city of Hereford with a population of over 50,000. The other sizeable settlements are Leominster, Ludlow, Bridgnorth, and Ross-on-Wye with populations between 10,000-12,000. A significant proportion of the population live in small, scattered communities of less than 500 people.



2023 Year of Prayer – communion on Caer Caraodoc near Church Stretton

3.2 Company status

The Hereford Diocesan Board of Finance (HDBF) is a company set up under the Diocesan Boards of Finance Measure 1925, as amended. It was incorporated on 27 July 1916 as a charitable company (No. 144467) limited by membership guarantees and is registered with the Charity Commission (No. 249685). Its governing documents are the Memorandum and Articles of Association, as amended 22 May 1953, 11 April 1962, 21 March 1986, 23 May 1994, 25 May 2010 and 2 March 2019.

The registered office address is The Diocesan Office, The Palace, Palace Yard, Hereford HR4 9BL. Reference and administration information is given in section 13.

3.3 Company role

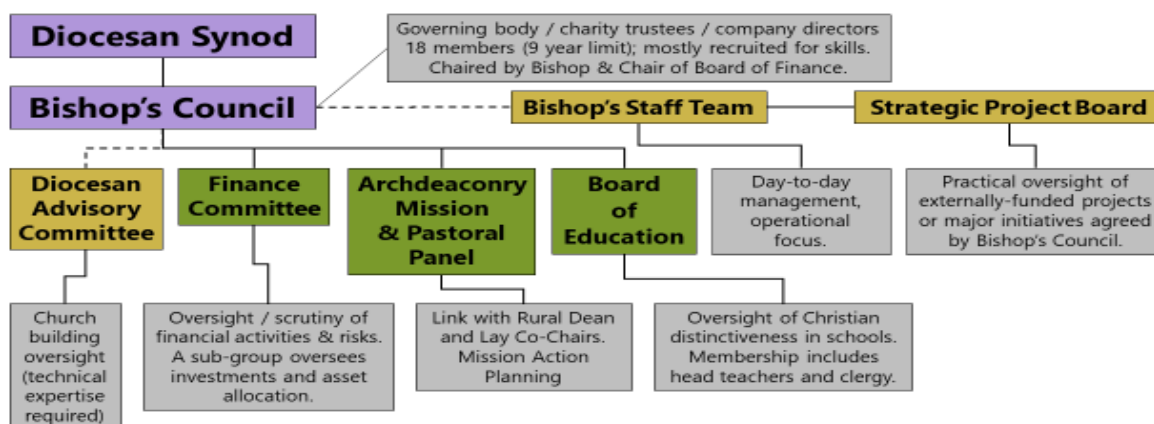
The main role of the HDBF is to manage and develop finances and assets to further its charitable objectives, promoting the mission and ministry of the Church of England across the Diocese of Hereford.

The HDBF's core responsibilities include the payment of stipends and pension contributions for parochial clergy, the provision and maintenance of clergy housing, and the selection and training of future clergy. HDBF also employs diocesan support ministers and staff who provide guidance and expertise to parishes in a variety of ways, as well as enabling the company to meet its legal and charitable obligations.

The Diocese of Hereford has c. 400 open churches across 86 benefices (344 parishes), and 78 church schools.

3.4 Overview of Board and Committee structure

The HDBF has delegated to the Bishop's Council all statutory functions under the Diocesan Boards of Finance Measure 1925, the Companies Acts and the Charities Acts as amended. Bishop's Council has responsibility for the day-to-day business of the company which it exercises by delegation to the Diocesan Secretary, who is supported by heads of departments and their staff.



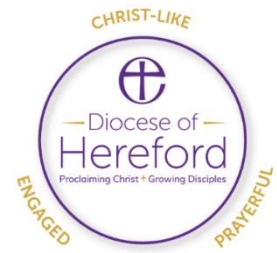
Annual report

For the year ended 31 December 2023

4. Strategic aims

Vision:

Our vision remains unchanged: "To proclaim Christ and grow disciples."



Our Shared Strategic Aims (2023 – 2030)

Our strategy includes action for growth in prayerfulness, Christ-likeness and engagement through:

- welcoming new members and to go deeper in faith with all members (*faith/discipleship*)
- expanding the number of, supporting and equipping both clergy and lay leaders (*leadership/teams*)
- our congregational profile becoming younger (*youth/intergenerational mission*)
- sustainable finance through giving and asset management (*finance*)
- a clear future for every church building (*buildings*)

This strategic approach is reflected in five strategic aims to create:

- Youth / Intergenerational Mission Hubs**, each connected to at least one of our growing, healthy churches and resourcing others through training and support.
- Rural Church Missioners** who will work 50% as incumbents of rural parishes and 50% to support smaller rural churches to develop clear missional plans for the future of every church community and building in the ministry area. These won't be 'new posts' but recruited into existing full-time incumbencies with a renewed focus.
- Life Events Missioners** who will work 50% as incumbents of rural parishes and 50% to develop teams which offer excellent Life Events ministry in the ministry area. Again, these won't be new posts but recruited into existing incumbencies.
- Ministry Area Co-ordinators**
- 200+ lay and ordained self-supporting / volunteer leaders.**



The above will be piloted through a number of initiatives. In particular, a 'hub and spoke' model of youth ministry in and around the market towns of Bishop's Castle and Leominster, is being supported with Archbishops' Council funding of £457k provided through the national Diocesan Investment Programme (DIP) from 2024-2027.



Above and left:
Intergenerational Missioner project outreach

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For the year ended 31 December 2023

5. Achievements and performance

5.1 Overview

Our Diocesan Mission Action Plan was created in 2016 after a series of 'Follow' events around the diocese. In 2021 we wanted to know how successful it had been and in 2022 we started to turn this listening into a new strategy.

During the COVID pandemic, a theological think tank considered what we were learning. Listening events were held online with all the clergy and readers. A strategy review group was set up and significant work undertaken to ensure we listened across the diocese.

5.2 Listening Findings

Throughout the events we received many concerns in a variety of formats, but they broadly fell into the following categories:

1. Finances (sustainability, giving, Parish Offer)
2. Church Buildings (costs, use, maintenance)
3. Congregations (numbers, age profile, young people)
4. Clergy & Morale (tired, burnt out, some demoralised)



2023 Year of Prayer – Golden Valley walk

5.3 Truths

The Diocese is determined to support the parish structure, keep churches open and maintain a Christian presence in every community but the listening events have led us to need to face the following realities (data sourced from annual Statistics for Mission or accounting records):

- Our Sunday attendance figures have declined by 30% between 2019-2022;
- Including the Cathedral there are only fourteen churches that usually get a congregation of over 50 on Sundays, whilst 250 churches have fewer than 20 people attending;
- There are very few children at most acts of worship on a Sunday: the mission statistics suggest about 400 young people are in churches across the diocese each week;
- Most of the children and young people we are in contact with are through schools and, to a lesser extent, outreach events like Messy Church;
- Outside urban centres the average Anglican is 72;
- There is an excessive reliance on clergy in many places;
- Parish Offer has not kept pace with inflation, declining by 30% in real terms since 2019;
- The Hereford Diocesan Board of Finance is likely to have a structural operating deficit of c. £1.0 million a year for the foreseeable future unless it can grow income and reduce expenditure. Many parishes and benefices are not self-supporting in the sense that they are only meeting approximately two-thirds of the ministry costs of our stipendiary clergy and curates, with the HDBF providing top-up funding; only 14 out of 75 benefices currently cover the cost of their vicar, and 23 benefices cover less than half;
- HDBF has seen an increase in the value of its Diocesan Stipends (endowment) Fund of £7.6m since adopting Total Return accounting at the start of 2019, due mainly to one-off gains from the disposal of glebe land, although liquidity requirements to purchase clergy properties and fund the operating deficits mean that it also must sell assets periodically;
- There was consistent feedback from parish consultations that we have too many church buildings and often lack the capacity, energy and finances to realise their potential fully for local communities.

5.4 Key achievements

Serving our local communities:

- ❖ Provided regular services, Alpha and discipleship courses, Messy Church, Synods, conferences and many other church-led activities using a hybrid in person / online approach;

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For the year ended 31 December 2023

- ❖ provided support for vulnerable and isolated people, in particular asylum seekers and families displaced by the war in Ukraine

Education:

- ❖ Supported the creation to two church multi-academy trusts and a large expansion to the Diocese of Hereford Multi Academy Trust
- ❖ Strengthen the relationship between the Board of Education and the Board of Finance;
- ❖ Established a resource sharing arrangement with the Diocese of Worcester for our DDE role;
- ❖ Refined our strategy for helping schools to consider becoming academies.



Year 6 Leavers' service, Hereford Cathedral

Safeguarding young people and vulnerable adults:

- ❖ trained 665 individuals in Basic Awareness and Foundation safeguarding, and 33 in Safer Recruitment practices.

Mission and outreach:

- ❖ Set up a pioneer mission priest in Craven Arms;
- ❖ Funded two school chaplains at large church secondary schools

Learning and leadership:

- ❖ trained or commissioned over 60 local leaders, with another 60 planned for 2024
- ❖ Bishop Richard continued to record a short video each week, providing biblical wisdom, insights and encouragement for everyone.



Lay Reader service, Hereford Cathedral

Supporting our 400 churches:

- ❖ Offered a wide range of training courses to our churches, including: safeguarding, quinquennial inspections, modern slavery, church tourism, encouraging giving and generosity, parenting for faith, funding for church buildings, valuing churchyards, establishing stronger links between schools and churches, 'Living in Love & Faith', racial and social justice conversations.

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For the year ended 31 December 2023

Caring for the environment:

- ❖ The Net Zero Carbon ('NZC') steering group continues to develop and drive forward a differentiated approach to support the 'net zero by 2030' ambition within the Diocese (2020 CO₂ footprint estimated to be 5,500 tonnes), with key focus areas being glebe land, churches and churchyards, Voluntary Aided schools, clergy housing, training for clergy and laity, and multi-agency partnerships.
- ❖ Secured funding in partnership with Gloucester and Worcester Diocese for NZC work.



Eco Church initiative – energy saving panels between rafters

Financial stewardship:

- ❖ monitored expenditure closely and kept the General Fund operating deficit before gains & losses per the management accounts to £(660)k, £201k favourable to budget.

5.5 The Christian presence

Clergy form a central part in the life of churches in the Diocese. In 2023, an average of 59.6 (2022: 61.8) trained stipendiary clergy and 16.7 (2022 16.2) curates were deployed in the Diocese; supporting them in their ministry, training and continued development is a key priority for HDBF and represents by far its largest financial commitment. Although the HDBF does not 'employ' the parish clergy, it is responsible for training and paying them, and contributing to their pension fund. In turn, generous Parish Offer contributions from every Parochial Church Council (PCC) are essential in meeting these ministry costs.

5.6 Public benefit

Through carrying out the above objectives and in promoting the whole mission of the church (pastoral, evangelistic, social and ecumenical) the trustees are confident, having had regard to Charity Commission guidance, that HDBF delivers public benefit through:

- providing facilities for public worship, pastoral care, and spiritual, moral and intellectual development, both for members and for anyone who wishes to benefit from what the Church offers;
 - The Diocese supports some 400 buildings in 344 parishes providing regular opportunities for public worship. As well as acts of worship, weddings and funerals, many of our buildings (in the absence of coronavirus restrictions) are accessed during the week for community activities.
- promoting Christian values, and service by members of local Anglican churches in and to their communities, for the benefit of individuals and society as a whole;
- community engagement, resourcing education (including our network of 78 schools) and supporting those in need both spiritually and physically.



2023 Summer holiday club

Annual report

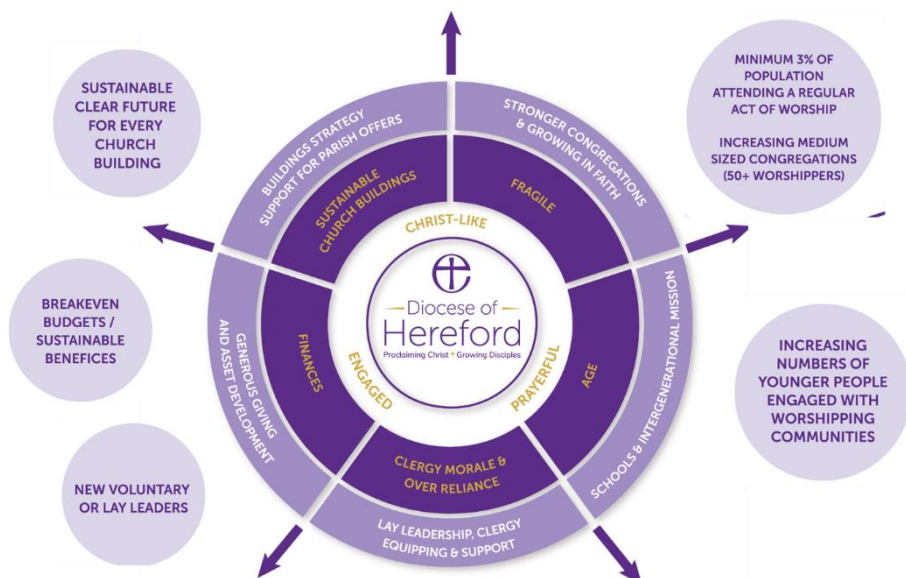
For the year ended 31 December 2023

6. Plans for future periods

6.1 2024 and beyond

Our Strategy

Our action plan sets out the specific tasks required to help us achieve our vision and goals but the following narrative indicates the range of activities that we expect to see over the course of this 5 year strategy.



The main premise of the plan accepts that the current model of ministry is not producing growth in numbers, partly because the role we are asking our clergy to do is unrealistic, and that there are not enough resources to cover what we currently have, let alone increase them. This means we need to stop trying to run faster with less, and re-design the whole structure.

Funding constraints mean there is a risk that we might need to reduce the number of stipendiary clergy over time, so the challenge is to secure long-term funding, whilst also increasing the number of self-supporting clergy and lay leaders, and finding new ways of treasuring our church buildings – without laying additional burdens on small numbers of volunteers in our rural communities.

We will do this by:

- Developing a creative **deployment plan** that carefully redeploys clergy to make sure we have the right people in the right place. This could involve some combining of benefices and deaneries in a strategic way to avoid unmanageable benefices. This would reduce the number of stipends but if we do it in a planned way, taking account of natural retirement ages, it could take eight years to fully transition.
- At the same time we will increase the support and training to new and existing **clergy** making sure they are **equipped for the future role**, regularly review their work and given manageable job roles.
- We are planning to train more **self-supporting ministers** and **lay leaders**. This aims to increase the level of the ministry on offer in parishes, not reduce it. We want to **release our excellent clergy to do more mission and discipleship work** and less work maintaining creaking parish structures and buildings management. We want to see a network of small groups training, praying, worshipping and learning together across the diocese.



2023 Year of Prayer - discussion at Bishop's Study Day

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For the year ended 31 December 2023

- HDBF has run an average annual operating deficit of £0.98m in the years 2020-2023, which is why we need to explore ways of reducing our cost base. However, we will continue our highly developed **asset management strategy** to increase the value of our portfolio through creative property development, investigating new uses for land, selling poor-performing vicarages / houses and getting the best investment advice. This is not about 'selling the family silver'; it is about turning the silver into something even more valuable. In our central teams we will continue to look at our costs, find new ways to do things and set the tone for an engaged, generous, prayerful and creative diocese.
- Our asset development approach has boosted our Diocesan Stipends Fund enabling us release more to defray the cost of clergy stipends. This has also enabled trustees to **invest £250,000 a year in strategic mission initiatives**, new projects specifically designed to stimulate growth and match fund other funders. This targeted investment is aimed at new initiatives to grow churches and congregations in our larger population areas with the expectation that growth brings new energy, skills and money into the system that can be shared elsewhere. To date, this has funded work through the intergenerational missionaries, youth work through St Peter's and St James' Hereford and in West Hereford, and chaplains at the two main Hereford City secondary schools, a pioneer church plant in Craven Arms, and supporting the deaneries of Kington & Weobley and Abbeydore to release the existing clergy.
- Finally, we will consider **new ways to keep our church buildings open**. There is no desire or intention to see multiple closures but it is challenging to continue to heat, light, insure and maintain over 400 buildings, with this responsibility resting on just a few faithful members. We must find a new model and we will prioritise resources into investigating some of the emerging ideas coming forward from other dioceses and the national church.

6.2 Cultural Change

In a crisis there is a tendency to want to do and fix things. This often leads to structural or governance changes but fails to strike at the heart of the cultural transition that is required. We want to focus deeply on the following **diocesan values**:

PRAYERFUL CHRISTLIKE ENGAGED



2023 Year of Prayer – Kimbolton walk



2023 Year of Prayer – heading to the service of light

After the 'Year of Prayer' in 2023, we are organising a range of events in 2024 to support and encourage a 'Year of Faith' across the Diocese. In 2025, we will turn to a 'Year of Engagement' as we look outwards across our communities.

Most of what we want to see changed is best achieved by encouraging and supporting local ministry to be effective. This is about making excellent appointments to lay and ordained roles before trusting and equipping them to do their job. The strategy is mostly about creating a framework to enable the local church to flourish but recognises that there are some things that will need to be stimulated centrally due to a lack of existing capacity or resources. There will be a need to focus on smaller, intense projects in key locations

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For the year ended 31 December 2023

rather than trying to do everything everywhere. There will also need to be 'pruning of the vine' to maintain the overall health of the structure.

6.3 Bold Outcomes 2030

To be a sustainable Diocese we would expect to see the following 'Bold Outcomes' by 2030:

1. (Growing) Many of our benefices having a least one congregation with a usual attendance of over 50 in rural areas or 100 in our market towns, with a minimum of 3% of the population attending a regular form of worship.
2. (Discipleship & wellbeing) We want worshipping communities to reflect our values, to be taught to know clearly what they believe and to feel able to share their everyday faith with others. We want to love, equip and care for our lay and ordained leaders to feel supported to carry out their calling and mission to enable a Christian presence in every community.
3. (Sustainable) We want at least 200 new voluntary or lay leaders to be trained and commissioned to support our stipendiary clergy to increase our ministry on offer. We want 75% of benefices to be sustainable, covering ministry costs and contributing towards others.
4. (Younger) We want to see an increased focus on children, youth and families alongside existing ministry with specific mission centres established that can support the wider diocese leading to growing 'intergenerational' worshipping communities of all ages.



*2023 Year of Prayer –
Bishop's Study Day*



Above: Year 6 Leavers' service



Right: Summer holiday club

5. (Buildings) We want to support our PCCs by creating a practical strategy to manage our buildings. We want to see many churches providing regular active worship. We want to honour and cherish our existing, smaller congregations by providing them with more regular non-stipendiary ministry but give permission for churches to close at a PCC's request.
6. We want to build on our network of 78 church schools by establishing close links between school, home and church. We will develop chaplaincy support in schools and colleges.

6.4 Going concern

The trustees have reviewed the charity's financial position, particularly in light of the recent cost of living crisis in the UK, and church attendance statistical trends in the Diocese of Hereford. The trustees recognise the financial pressures faced by many small church communities, and hence do not expect substantial increases in the level of Parish Offer contributions to the Common Fund in the short term. However, having reviewed HDBF's projected cash flows and forecasts, its annual budget and forecasts, overall level of reserves and funding facilities, its systems of financial and risk management, it is the trustees' opinion that the charity is well placed to manage financial and operational risks successfully.

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For the year ended 31 December 2023

Therefore, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future, and that there are no material uncertainties over the charity's financial viability in the short to medium term. Accordingly, the trustees consider that it is appropriate for the charity to continue to adopt the going concern basis of accounting in preparing the annual financial statements.



Worship Conference at Church Stretton



Returning from Chrism Eucharist 2024

Annual report

For the year ended 31 December 2023

7. Financial review

7.1 Overview

2023 was the fourth successive year of financial challenge for the Hereford DBF following the COVID-19 pandemic, with only a modest overall recovery in Parish Offer contributions.

The overall deficit for the year before investment gains and losses across all funds was £1.3m (2022: a deficit of £0.75m). This deficit, after transfers, comprises £0.74m deficit (2022: £0.49m deficit) in unrestricted funds, £0.2m deficit in restricted funds and £0.4m deficit in the endowment fund. Trustees are confident that the DBF has sufficient resources to support its strategic goals, particularly as the Unapplied Total Return within the Diocesan Stipends Fund provides flexibility to support clergy stipends over the medium term.

Total income for the year reduced 3.5% to £5.90m (2022: £6.12m). Parish Offer contributions generated 56% of income (2022: 54%). In some parishes, patterns of worship and attendance had still not recovered fully compared to pre-COVID pandemic levels, resulting in lower cash collections and fundraising. Parish Offer commitments for 2023 were £3.38m (2022: £3.35m), the collection rate was 98.1% (2022: 97.7%) with actual Parish Offer receipts nudging up to £3.33m (2021: £3.29m), although this represented a 2.9% (2022: 7.2%) decline in real terms.

Total expenditure for the year rose 4.8% to £7.20m compared to £6.87m in 2022. This was due primarily to a further increase in restricted funds expenditure of £0.40m (2022: £0.27m) representing increased spending on parochial mission and ministry, especially housing. General fund expenditure reduced by £0.21m (2022: reduction of £0.19m).

Net investment gains amounted to £0.97m (2022: £2.3m net loss) and a revaluation of fixed assets, mostly clergy housing, resulted in a loss of £1.8m (2022: gain of £3.9m). The overall net movement in funds for 2023 after revaluation gains was a loss of £(2.1)m (2022: surplus of £2.2m). The net cash outflow from operating activities for the year was £(1.6)m (2022: net outflow of £(3.0)m).

The Unapplied Total Return ('UTR') element of the Endowment fund detailed in note 26 decreased by £0.2m (2022: £0.1m decrease), resulting in a UTR of £15.6m as at 31 December 2023.

The reduction in Parish Offer contributions in both nominal and real terms compared with parish ministry costs highlights the continuing level of support required from the DBF:

General Fund	£m	2023	2022	2021	2020	2019
Parish Offer (note 3, unrestricted funds)		3.3	3.3	3.3	3.5	3.8
Resourcing parish ministry (note 11, unrestricted funds)		(4.7)	(4.7)	(4.8)	(4.6)	(4.8)
DBF support for parish ministry		(1.4)	(1.4)	(1.5)	(1.1)	(1.0)

7.2 Comparison to budget

A key financial indicator for HDBF is actual performance compared to budget (focused on Unrestricted Fund activities). In November 2022, Diocesan Synod approved an overall operating budget deficit for the General, Pastoral and Diocesan Stipend funds of £(0.9)m (2022: £(1.0)m) before investment gains and losses. The final management accounts result before year-end accounting adjustments was a deficit of £0.66m, a positive variance of £0.20m. In overall terms, this outcome was driven by higher levels of statutory fees, trading and rental income, along with reduced clergy pension, support worker costs, as well as lower education costs.

7.3 Significant property transactions

During the year, the DBF sold one house resulting in proceeds of £0.3m (no gain arising on disposal). There were no other significant property transactions.

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For the year ended 31 December 2023

7.4 Balance sheet position

The Directors consider that the balance sheet indicates that restricted and endowment funds are held in an appropriate mix of investment and current assets, given the purposes for which the funds are held.

Net assets at the balance sheet date totalled £91.1m (2022: £93.2m), although it should be noted that £88.3m (2022: £89.7m) is held in restricted and endowment funds (mainly properties used for ministry and glebe assets) which cannot be used directly for the general purposes of the HDBF. The restrictions that relate to these funds are detailed in note 33 to the accounts. The movement in net assets of £2.1m in the year comprises the fixed asset unrealised revaluation losses of £1.8m, and operating losses of £1.3m partially offset by unrealised net investment gains of £1.0m.

7.5 Review of the Statement of Financial Activities by fund

Unrestricted General fund

The unrestricted General fund is summarised in the following table. The year-end adjustments made for the clergy pension liability creditor are shown separately. Favourable variances are shown as positive and unfavourable shown in brackets.

	2023	2022	Variance
	£'000	£'000	£'000
Income			
Parish Offer contributions	3,327	3,287	40
All other sources of income	1,624	1,346	278
Total income	4,951	4,633	318
Expenditure			
Raising funds and charitable activities before pension adjustments	(5,432)	(5,642)	210
Net gains on investments and disposals of fixed assets	94	(482)	576
Gains on revaluations of fixed assets	-	499	(499)
Transfers between funds (excluding pension movements):			
(To)/from for investment	(250)	486	(736)
From HDBF Uniform Statutory Trust	65	60	5
From Pastoral re. St Barnabas Church, Hereford	-	120	(120)
Other	(70)	16	(86)
Total transfers between funds (excluding pension movements)	(255)	682	(937)
From General to DSF: reduction in pension deficit liability	-	(152)	152
Net movements in funds as per SoFA	(642)	(462)	(180)
General funds brought forward as at 1 January 2022	3,168	3,630	(462)
General funds carried forward as at 31 December 2023	2,526	3,168	(642)

¹DSF: Diocesan Stipends Fund

Designated funds

For a number of years, Trustees have transferred £0.25m annually into a designated 'Strategic Mission Fund' in order to support and encourage mission initiatives within the Diocese. During 2023 £0.34m (2022: £0.21m) was applied to such mission projects leaving a year-end balance of £0.35m. As at 31 December 2023,

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commitments for approved projects totalled £1.27m (2022: £1.25m), with future payments expected in the period 1 January 2023 to 31 December 2028.

Restricted funds

As set out in note 24, the HDBF administers several restricted funds. As at 31 December 2023, restricted funds totalled £63.8m (2022: £65.3m). These funds are not available for the general purposes of the HDBF with the exception of surpluses arising on the Pastoral fund as set out in note 33. As at 31 December 2023 the Pastoral Fund comprised fixed asset investments and net current assets totalling £5.6m (2022: £6.1m).

Endowment (Diocesan Stipends) fund

The Endowment fund recorded net income of £0.39m (2022: £0.36m) before investment gains. The fund is made up of two components: the Trust for Investment and the Unapplied Total Return. As at 31 December 2023, the balance on the Trust for Investment amounted to £8.9m (2022: £8.6m) and is not available for the general purposes of the HDBF. The balance on the Unapplied Total Return fund at the year-end was £15.6m (2021: £15.8m). The Unapplied Total Return fund is available to support clergy stipends over the long term.

7.6 Investment policy

The HDBF is empowered by its Memorandum of Association to invest monies not immediately required for its charitable purposes.

HDBF's policy is to review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles. The trustees seek to manage HDBF's assets responsibly within an acceptable level of risk in order to resource the medium to long-term strategic goals of the Diocese of Hereford.

HDBF trustees actively review the charity's property assets to determine if any are surplus to requirements for the provision of ministry or if any additional properties are required. Surplus properties are designated as properties held for investment. Properties held for investment may be rented out, sold or developed and then sold. Proceeds from sales may be used for diocesan activities or be re-invested in appropriate investment vehicles.

HDBF's trustees have delegated some investment decisions to the Investment Advisory Group ('IAG'), a sub-group of the Finance Committee. The IAG assess the optimum strategy for investing funds taking into account the need for short term liquidity, availability of investment funds and fund managers, and risk.

The Trustees place the majority of investment funds with an authorised professional investment manager, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. HDBF's primary investment manager is Rathbone Investment Management Ltd ("Rathbones"). The trustees also invest with CCLA Investment Management Limited ("CCLA"), which is authorised and regulated by the Financial Conduct Authority and provides funds specifically designed for the Church of England.

Funds required for short term liquidity are held in a UK bank account or deposited with UK institutions with a minimum credit rating of A-, or invested in a diversified money market fund. Funds required for short term working capital are typically held as deposits with the Central Board of Finance administered by CCLA.

HDBF trustees pursue a responsible investment approach based on:

- Environmental, social and governance ('ESG') and ethical investment criteria – this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders;
- long-term responsibilities – Directors are aware of their long-term responsibilities in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions.

In line with HDBF's responsible investment approach, trustees seek to invest, and ensure all managers apply investment decisions, based on the guidelines of the Church of England's Ethical Investment Advisory Group

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('EIAG'). Trustees also seek to ensure investment managers monitor companies' ESG performance and invest in those entities that adopt high ESG standards that will underpin the long-term sustainability of their businesses.

HDBF's policy for Rathbones is to prohibit direct investment in companies whose main business is in armaments, tobacco, gambling, alcoholic beverages, doorstep credit provision, and to prohibit direct investment in companies which derive more than 10% of their revenues from fossil fuel (oil, gas, and coal) production. This definition includes thermal and metallurgical coal.

CCLA's portfolios already restrict direct investment in companies that generate more than 10% of their revenue from the extraction and/or refining of oil and gas. This is part of their approach to avoid investing in/profitting from companies that cause the most social and/or environmental harm. CCLA explain that this is a codification of their long-standing position that, due to the likelihood of legislation and regulation impacting negatively upon the business models of these businesses, they choose not to allocate clients' capital to them.

HDBF's investment policy for long-term funds is aimed primarily at generating a sustainable income with due regard to the need for the preservation of capital value and the possible need to realise investments to meet operational needs. The glebe investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

Glebe investments are held in agricultural land, property, equities and fixed interest securities. The agricultural land is managed by professional land agents. Any surplus land with development potential is marketed for sale through the same land agents. The equities and fixed interest securities are managed by Rathbone Investment Management Ltd or CCLA Investment Management Ltd.

7.7 Investment performance

Overall performance

The total value of all investments (including DSF endowment fund net current assets) at 31 December 2023 was £32.4m (2022: £33.5m) and the total return on investment was +2.2% (2022: -2.5%).

Listed investments for each fund are held with Rathbones and CCLA. Rathbones have a mandate to generate a return from each portfolio of CPI+4%, with a balance between capital growth and income, managed with a medium risk profile. From 1 January 2019, the Main, Pastoral and Diocesan Stipends Fund portfolios were managed on a total return basis and UST fund portfolio managed on a total return basis from 1 January 2022. In the year to 31 December 2023, the combined Rathbones portfolios achieved a total return of +5.8% (2022: -12.2%) compared to the composite benchmark of 11.7% (2022: -6.3%). The 2022 and 2023 performance clearly lagged the target level of return expected under the investment mandate of CPI+4% (2023 CPI+4% was +8.1% compared to 2022 CPI+4% of +13.1%), although this target is monitored over the long-term.

Towards the end of 2022, trustees agreed to invest over time a sum not to exceed 10% of the value of the investment portfolio managed by Rathbones in listed private equity shares. The aim of this section of the portfolio will be to achieve capital growth with a target return of CPI+5% over time. Trustees are willing to accept greater pricing volatility associated with private equity investments in return for the potential for higher returns over the long term.

Agricultural, commercial and industrial land and buildings (excluding school land) were valued at £7.8m at 31 December 2023 (2022: £7.8m). Rents receivable from glebe amounted to £131k (2022: £127k) – an income yield of 1.7% (2022: 1.6%).

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7.8 Reserves policy

General unrestricted fund

A reserves policy is necessary to ensure that, in the event of significant reduction in income, or capital losses during periods of geopolitical or economic uncertainty, HDBF will be able to meet these financial commitments (particularly paying Clergy Stipends and maintain Clergy property) as they fall due whilst avoiding the need to resort to external borrowings.

In formulating a minimum reserve policy, consideration has been given to the following:

- Economic instability giving rise to a significant fall in Parish Offer;
- Inflationary pressures above expectation;
- Unavoidable increases in expenditure.

In the light of the above, the Directors' policy is to maintain free reserves equivalent to at least four months' operating expenditure in cash and readily liquid assets in the general unrestricted fund.

Based on 2024 budgeted expenditure, the amount of free reserves that would be required under this policy totals £2.1m. As at 31 December 2023, the unrestricted reserves (excluding property) stood at £1.9m (2022: £2.2m). This free reserves figure excludes £1.0m of General fund freehold property and office equipment that could only be realised through asset disposal. It also excludes £63.8m of restricted fund and £24.5m endowment fund assets that are not available for the general purposes of the charity. Although the General fund year-end reserves figure of £1.9m is slightly below the minimum level indicated by the policy, the Directors consider this amount remains appropriate given 2024 budget and liquidity requirements. Management and trustees monitor reserve levels throughout the year and take remedial action as required.

Other funds

The HDBF maintain a number of discretionary, restricted and endowment funds. The balances are earmarked for the purposes outlined by the Trustees or Trust Deed. These are explained further in the Accounting Policy note 1.12.

7.9 Grant making policy

The Memorandum of Association of the HDBF permits the company to make grants in pursuance of its objects, and the nature of grants made in 2023 is indicated in note 14 to the financial statements.

7.10 Total Return accounting

The law governing the use of Diocesan Endowment funds changed in 2016. Traditionally, permanent endowment funds draw income only, maintaining capital in perpetuity for the benefit of future generations. A Total Return investment approach allows the release of both income and capital gains for use by current beneficiaries. The Directors adopted Total Return accounting for the Diocesan Stipends Fund (DSF) with effect from 1 January 2019 by reference to the following:

- The date used for the initial value of the trust for investment was 31 December 1986.
- The initial value of the trust for investment was determined by reference to the cash, land (by acreage) and properties as detailed in the 1986 statutory accounts. Reasonable estimates for the land and properties were ascertained using valuations provided in the 1995 statutory accounts discounted to 1986 by appropriate indexes.
- CPIH was used to uplift the trust for investment giving rise to a valuation as at 1 January 2019 of £7.3m. The Unapplied Total Return fund as at 1 January 2019 amounted to £9.6m.

The Directors have adopted the following policy in determining the amount to be allocated from the unapplied total return fund (UTR) each year to the DSF Income (Stipends) fund to be used for clergy stipends, as detailed in note 26 to the accounts:

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- All income that would have been credited to the general fund had a Total Return accounting policy not been implemented. To include dividend income, land rental income, special dividends and any other income such as dilapidations (where appropriate); *plus*
- An additional amount to be calculated as 0.5% of the DSF Rathbones' investment portfolio valued as at 1 January of each respective year; *plus*
- An additional £250k to be released annually (£500k for four years from 2024) to the DSF Income (Stipends) fund.
- CPIH is to be used as the inflationary measure to uplift the value of the trust for investment on an annual basis.

The Trust for Investment funds as at 31 December 2023 were £8.9m, which remain ring-fenced to preserve the real value of the original permanent endowment.

7.11 **Linked charities: HDBE and UST**

The Hereford Diocesan Board of Education (HDBE) is a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2019. The HDBE is accounted for as a 'branch' of HDBF and is a subcommittee of Bishop's Council and included within restricted funds. The HDBE has no income/expenditure and the value of the net assets at 31 December 2023 was £nil (2022: £nil).

The Hereford Diocesan Board of Finance Educational Uniform Statutory Trusts Account (UST) is also a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2020. The UST is accounted for as a 'branch' of HDBF and included within restricted funds. None of the assets of the UST are available for the general purposes of the HDBF.

Income arising on the UST during 2023 amounted to £83k (2022: £73k) and was attributable to investment income. Expenditure amounted to £15k (2022: £39k) and was attributable largely to investment management costs and grants to schools. The trustees of the Hereford Diocese Board of Education have the discretionary authority to make grants from UST capital to support school building projects. In 2020 a loan was made from the UST to the Stottesdon School Trust, a Trust accounted for as a branch of HDBF. As at 31 December 2023, the loan stood at £135k (2022: £141k). This loan has been eliminated on consolidation of HDBF branches and repayments appear as a transfer between funds. A further transfer of £65k (2022: £60k) was made from the UST to the HDBF general fund to support the educational work of the Diocese.

The UST receives School Condition Allocations (SCA) funds annually from the Department of Education to fund school capital projects. These funds are not income of UST but rather the UST acts as agent to facilitate the projects. The funds are ring-fenced and shown as a creditor of the UST. At the year-end, the SCA creditor amounted to £259k (2022: £283k).

The summary of the assets of the UST and the analysis of the movement in UST funds are shown in notes 24 and 25 respectively.

8. **Principal risks & uncertainties**

The Directors are responsible for the identification, mitigation and/or management of risk. To achieve this, the Board has compiled a register of all material risks together with mitigation plans and management controls to address these risks. This is subject to review by the Directors periodically with the responsibility for delivery of the mitigation strategies identified being delegated to the Diocesan Secretary.

The risk register identifies several areas where the risk of either failure to act or the impact of the events is considered 'high'. These areas and the associated mitigation strategies are:

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8.1 *Decline in church attendance*

- Parishes, benefices and deaneries are being encouraged to consider a Mission Action Plan with a specific remit to consider how to achieve spiritual and numerical growth;
- To learn from the successes of the inter-generational missionary programme where the specific remit was to increase worshipping congregations and the number of younger people involved in church;
- Develop Messy / Forest Church initiatives, youth church projects, and support new church communities.

8.2 *Availability and effectiveness of stipendiary clergy* Recognising that the national Church faces a reduction in the number of ordained ministers over the next few years due to the age profile of existing clergy and the difficulties in recruiting to rural ministry, the Diocese is exploring innovative approaches to deployment and:

- Continuing to invest in a full-time director of vocations and ordinands to focus on helping (young) people to explore their call to stipendiary ministry, and encouraging all-age vocations in daily life and in church ministries;
- Raising stipends to place the Diocese of Hereford amongst the top quartile of English dioceses;
- Keeping interregnum periods to a minimum;
- Maintaining focus of supporting lay leaders, self-supporting ministers, voluntary ministers, supporting retired clergy to stay connected and growing local worship leaders as well as encouraging and recognising the vital ministry of Readers;
- Promoting and developing lay ministry, by offering diverse and flexible courses for initial and continuing training for a widening variety of ministries.



2023 Petertide ordination of deacons

8.3 *Parish Offer and cash flow*

- Investing in intergenerational missionaries to drive church growth, especially in market towns;
- Employing two full-time equivalent Parish Giving Advisers on a permanent basis;
- Encouraging open conversations about generous giving, stewardship and Parish Offer;
- Nurturing the growth of giving and fundraising forums in deaneries;
- Continuing to promote the national Parish Giving Scheme and legacy giving.

8.4 *Church buildings* The Diocese recognises that caring for historic church buildings can impose a burden on small parishes, or become a distraction from the core mission of the church, and that church closures can reduce parish income and add to diocesan costs. Hence the Diocese is:

- Pursuing its church building strategy, which includes the roll-out of 'Crossing the Threshold' and 'Mission and Mortar' toolkits to help parishes optimise the use of their church buildings or explore Festival Church status;

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- Providing expert advice and guidance to parishes through the Diocesan Advisory Committee, Church Buildings Officer, and Community Partnership and Funding Officer;
- Encouraging PCCs to reduce running costs through 'smart purchasing' via the Parish Buying service;
- Helping PCCs to explore wider use of their church buildings as community assets.

8.5 Long-term effects of coronavirus pandemic There is still uncertainty about the longer-term effects of the COVID-19 pandemic, how it may affect general economic activity, income generation in parishes, depress investment returns, and change patterns of regular worship in church buildings. The Directors continue to monitor this situation carefully but consider that the HDBF will be able to weather any short to medium-term disruption.

9. Structure, governance and management

9.1 General

Information on the structure of the Church of England and National Church Institutions may be found on the Church of England's website.

Hereford Cathedral is the mother church of the Diocese and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its trustees' report and financial statements may be obtained from Hereford Cathedral, 5 College Cloisters, Cathedral Close, Hereford HR1 2NG. Tel: 01432 374200.

9.2 Members and Trustees

The Trustees of the HDBF are Directors in accordance with the Companies Act 2006. The Directors are drawn from the Members or appointed by virtue of their office.

Every member of Diocesan Synod is a member of HDBF for company law purposes and has a personal liability limited to £1 under their guarantee as company members in the event of its being wound up. The Company Directors of the HDBF form the Bishop's Council.

9.3 Trustee training

The Trustees are appointed in line with the Hereford Synod / Diocesan Board of Finance Articles of Association and Standing Orders. Trustees are drawn from the membership of the Diocesan Synod / Diocesan Board of Finance on a three-yearly cycle. Some trustees are appointed by virtue of their office while others are elected in line with Standing Orders.

On appointment all trustees complete an induction day (held every three years) and are provided with two Charity Commission publications ('Trustee Handbook' and 'The Essential Trustee - What you need to know') together with copies of the previous year's accounts and the current year budget. New trustees are given a one-to-one briefing on the structure and organisation of the Church of England nationally, regionally and locally and given access to company policies, past papers and minutes to previous meetings. Meetings are designed to include space for trustees to be informed about key areas of business prior to decisions being made. Some ad hoc training for trustees is provided throughout the year and last year included safeguarding and the new mission and pastoral measure.

9.4 Code of governance

While the Trustees have not formally adopted the Charity Governance Code, the HDBF is committed at all times to maintaining the highest standards of honesty, openness and accountability. The HDBF's expectation on propriety and accountability is that Trustees, officers, line managers and employees will lead by example in ensuring adherence to rules, and that all procedures and practices are above reproach.

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9.5 Remuneration of key management personnel

Emoluments of higher-paid employees are determined by a remuneration group consisting of four members of the Finance Committee. The terms of reference for this group were established by the Bishop's Council and include regular appraisals, remuneration and salary benchmarking and consequent recommendation of changes. Higher paid employees may have Director in their job title but are not Directors as defined by the Companies Act 2006.

9.6 Trustee remuneration

Trustees do not receive remuneration for their duties as Directors of the HDBF, although they may claim out-of-pocket expenses necessarily incurred in carrying out their duties as a Director.

9.7 Directors' insurance

Trustees' liability insurance (for trustees in their capacity as directors) has been maintained throughout the year for the benefit of the charitable company and its trustees.

9.8 Social media policy

The HDBF has adopted the Church of England's social media guidelines. These recognise the use of social media to communicate quickly and with a wide range of individuals. However, care is needed to ensure reputations are protected and that while individuals may be acting in a personal capacity, views expressed could harm the reputation of the Diocese. The use of social media by HDBF is outlined in the External Communications Strategy (approved September 2023).

9.9 Funds held as custodian trustee

The HDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements as the HDBF does not control them, and they are segregated from the HDBF's own assets by means of a separate accounting system. Further details of financial trust assets, whose market value amounted to £5.5m at 31 December 2023 (2022: £5.2m), are available from the HDBF on request.

9.10 Related parties

9.10.1 General

Under FRS102 'related parties' are defined as those who can directly influence management decisions. In addition to the Board of Trustees this includes senior managers and their close relatives. All these individuals are required to make annual declarations.

9.10.2 General Synod, Church Commissioners and Archbishops' Council

HDBF has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council based on an apportionment system to fund national training of ordinands and the activities of various national boards and councils. The stipends of the diocesan and suffragan bishops are borne by the Church Commissioners and are not reflected in the financial statements.

9.10.3 Diocese of Hereford Multi-Academy Trust (DHMAT)

HDBF works closely with this multi-academy trust (formerly known as the Bishop Anthony Education trust, created in 2013) as it seeks to foster, maintain and celebrate the Christian distinctiveness of church schools within the Diocese of Hereford.

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9.10.4 Parochial Church Councils (PCCs)

HDBF is required by Parochial Church Councils (Powers) Measure 1956 to be custodian trustee in relation to PCC property, but the Company has no control over PCCs, which are independent charities. The accounts of PCCs do not form part of these financial statements. PCCs are able to influence the decision-making within HDBF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

9.10.5 Pension schemes

A money purchase scheme is available to all employees. HDBF contributes above the minimum employer contribution level required under the Pensions Act 2008. Since August 2015 all new employees have been automatically enrolled in the 'Pension Builder 2014' section of the Church Workers Pension Fund. The Pension Builder 2014 scheme is a hybrid scheme with a guarantee such that on reaching normal retirement age, the employee will receive, as a minimum, the contributions paid into the scheme on their behalf.

Ordained clergy are within the Church of England Funded Pensions Scheme (CEFPS).

10. Directors' responsibilities

The Trustees (Directors) 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 Directors to prepare financial statements for each financial year. Under that law the Directors 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 Directors 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 Directors are required to:

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the HDBF website. Legislation in England & Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

11. Internal controls

Boards as custodians have a duty to manage the organisation's resources responsibly. Under charity and other law, the Directors are responsible for ensuring funds and assets are protected, properly used and applied, and accounted for.

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The Directors ensure that there is an appropriate internal controls framework to ensure the protection of funds. This includes having an Anti-Fraud, Bribery, Corruption and Malpractice Policy (incorporating "Whistleblowing").

The controls ensure the activities of the organisation remain lawful and trustees confirm, as required by The Economic Crime and Corporate Transparency Act, that the organisation has been formed for lawful purposes.

12. Statement of disclosure to the auditor

So far as the Directors are aware:

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

13. Reference and administrative details

13.1 Administrative details

Company limited by guarantee, registration number 144467

Charity registration number 249685

Registered office: The Diocesan Office, The Palace, Palace Yard, Hereford HR4 9BL

Telephone: 01432 373300

Email: diooffice@hereford.anglican.org

Website: www.hereford.anglican.org

13.2 Directors

The following served as Directors and Trustees from 1 January 2023 to the date this report was approved (unless shown otherwise):

Ex officio Directors:

The Rt Revd R C Jackson, Bishop of Hereford – President

Revd C J Rogers – Chair

The Very Revd S R D Brown

The Ven D C Chedzey

The Ven F R Gibson

RAdm P Wilcocks (until 9 April 2023)

Mr D Clements (from 2 December 2023)

Elected Directors:

Revd Preb W A Buck

Mrs J C Beavan

Revd G S Cole

Mr C H E Smith – Vice-Chair (until 8 March 2023)

Revd G P Smith

Mr A C Wood – Vice-Chair (from 25 March 2023)

Nominated Directors:

Mr M R Hall

Mr N A Sellar

13.3 Principal officers

Diocesan Secretary: Mr S R Pratley

Diocesan Director of Education: Mr A T Teale

Director of Finance: Mr S G P Herbert

Annual report

For the year ended 31 December 2023

13.4 *Members of the Board*

Since July 2010 membership of the Hereford Diocesan Board of Finance has, in common with many other dioceses, become co-terminus with membership of the Diocesan Synod.

13.5 *Agents*

Solicitors / Registrar

Gabbs Solicitors
14 Broad Street
Hereford
HR4 9AP

Investment managers

Rathbones Investment Management
8 Finsbury Circus
London
EC2M 7AZ

CCLA Investment Management Limited
One Angel Lane
London
EC4R 3AB

Bankers

Lloyds Bank PLC
8 High Town
Hereford
HR1 2AE

Insurance agents

Ecclesiastical Insurance Office PLC
Beaufort House, Brunswick Road
Gloucester
GL1 1JZ

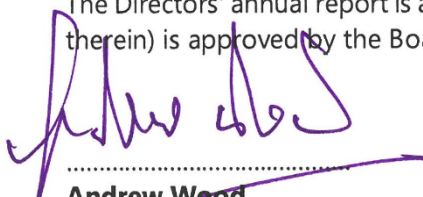
Glebe agents – agricultural

Berrys
Shiretown House
41-43 Broad Street
Hereford
HR4 9AR

Independent auditor

Crowe UK LLP
Round Greens Road
Oldbury
West Midlands
B69 2DG

The Directors' annual report is approved on behalf of the Board of Directors and the Strategic Report (included therein) is approved by the Board of Directors on 20 June 2024 and signed on its behalf by:


Andrew Wood
Director

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

Opinion

We have audited the financial statements of The Hereford Diocesan Board of Finance for the year ended 31 December 2023, which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes, 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 2023, 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 twelve 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 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.

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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 safeguarding vulnerable beneficiaries, health and safety, and employment (including taxation), 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 and Church of England Measures.

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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 and revenue recognition. 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;
- Designing tests over income recognition including completeness;
- Identifying and testing journals; 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.



.....
Kerry Brown (Senior Statutory Auditor)

For and on behalf of Crowe U.K. LLP, Statutory Auditor

Round Greens Road, Oldbury, West Midlands B69 2DG

28 June 2024

Statement of financial activities

For the year ended 31 December 2023

		Unrestricted funds		Restricted funds	Endowment funds	Total 2023	Total 2022
		General	Designated			2023	2022
		£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:							
	Note						
Donations							
Parish Offer contributions	3	3,327	-	-	-	3,327	3,287
Archbishops' Council	4	599	37	100	-	736	1,027
Other donations	5	113	30	57	-	200	256
Charitable activities	6	444	-	-	-	444	411
Other trading income	7	380	-	19	-	399	369
Investment income	8	88	-	229	454	771	709
Other income	9	-	-	22	-	22	56
Total income and endowments		4,951	67	427	454	5,899	6,115
Expenditure on:							
Raising funds	10	122	-	37	59	218	217
Charitable activities: excl. pension deficit	11	5,310	341	1,327	-	6,978	6,716
Charitable activities: remeasurement of pension deficit liability	32	-	-	-	-	-	(65)
Total expenditure		5,432	341	1,364	59	7,196	6,868
Net (expenditure)/income before investment gains		(481)	(274)	(937)	395	(1,297)	(753)
Net gains/(losses) on investments		94	-	304	575	973	(2,254)
Net (expenditure)/income		(387)	(274)	(633)	970	(324)	(3,007)
Unapplied Total Returns allocated to income for stipends							
Transfers between funds	23	(255)	274	(19)	-	-	-
Other recognised gains							
Gains on revaluation of fixed assets	15	-	-	(1,709)	(59)	(1,768)	3,932
Loss on disposal		-	-	(5)	-	(5)	
Overage gains		-	-	-	-	-	1,314
Net movement in funds		(642)	-	(1,602)	147	(2,097)	2,239
Funds brought forward at 1 January		3,168	346	65,357	24,355	93,226	90,987
Funds carried forward at 31 December		2,526	346	63,755	24,502	91,129	93,226

All activities derive from continuing activities. The Notes on pages 33 to 65 form part of the financial statements.

Income and expenditure account

For the year ended 31 December 2023

	2023	2022
	£'000	£'000
Total income	5,445	5,699
Total expenditure	(7,137)	(6,812)
Operating deficit for the year	(1,692)	(1,113)
Net gains on investments	398	(1,696)
Net expenditure for the year	(1,294)	(2,809)
Other comprehensive income:		
Revaluation of fixed assets	(1,709)	3,799
Overage gains	-	64
Loss on disposal of assets	(5)	-
Net assets transferred from endowments	-	(174)
Unapplied Total Return allocated to income for stipends	764	736
Total comprehensive income	(2,244)	1,616

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

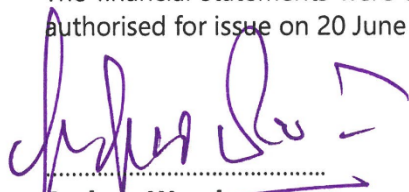
Balance sheet

For the year ended 31 December 2023

Company Number: 144467

		Unrestricted funds		Restricted funds	Endowment funds	Total 2023 £'000	Total 2022 £'000
	Note	General £'000	Designated £'000	£'000	£'000		
Fixed assets							
Tangible assets	15	999	-	54,759	2,010	57,768	58,990
Investment property	17	-	-	479	7,799	8,278	8,299
Other investments	18	829	70	9,636	13,303	23,838	23,110
		1,828	70	64,874	23,112	89,884	90,399
Current assets							
Stocks		2	-	-	-	2	2
Debtors: amounts falling due within one year	19	316	13	96	-	425	1,198
Debtors: amounts falling after one year	20	11	-	-	-	11	13
Cash at bank & in hand		610	263	(936)	1,437	1,374	2,503
		939	276	(840)	1,437	1,812	3,716
Creditors: amounts falling due within one year	21	(241)	-	(279)	(47)	(567)	(889)
Net current assets/(liabilities)		698	276	(1,119)	1,390	1,245	2,827
Total assets less current liabilities		2,526	346	63,755	24,502	91,129	93,226
Creditors: amounts falling due after more than one year	22	-	-	-	-	-	-
Net Assets		2,526	346	63,755	24,502	91,129	93,226
Funds							
Unrestricted income fund	24	2,526	-	-	-	2,526	3,168
Designated funds	24	-	346	-	-	346	346
Restricted income funds	24	-	-	63,755	-	63,755	65,357
Endowment funds	24	-	-	-	24,502	24,502	24,355
Total funds		2,526	346	63,755	24,502	91,129	93,226

The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 20 June 2024 and signed on their behalf by:



.....
Andrew Wood
 Director

Cash flow statement

For the year ended 31 December 2023

	2023 £'000	2023 £'000
Net cash outflow from operating activities		(1,611)
Cash flows from investing activities		
Dividends, interest and rent from investments		771
Proceeds from the sale of:		
Tangible fixed assets for the use of HDBF	303	
Fixed asset investments	9,436	
Proceeds from overage gains	-	
Purchase of:		
Tangible fixed assets for the use of HDBF	(864)	
Fixed asset investments	(9,168)	
Net cash provided by investing activities		(293)
Cash flows from financing activities		
Loan repaid to HDBF		4
Change in cash and cash equivalents in the reporting period		(1,129)
Net cash funds as at 1 January		2,503
Net cash funds as at 31 December		1,374
Notes to the cash flow statement		
<i>Reconciliation of net movements in funds to net cash flow from operating activities</i>		
Net movement in funds for the year ended 31 December		(1,297)
Add: depreciation & amortisation charges		11
Less: dividends, interest and rent from investments		(771)
(Loss)/profit on sale of functional assets		(5)
(Increase)/Decrease in stocks		1
Decrease/(Increase) in debtors		772
Increase in creditors		(322)
Net cash used in operating activities		(1,611)

No analysis of changes in net debt is presented as the charitable company has no borrowings.

Notes to the accounts

For the year ended 31 December 2023

1. Accounting policies

1.1 General information

Accounting convention and basis of accounting

The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (Charities SORP) FRS 102, (second edition effective 1 January 2019), the Companies Act 2006, Charities Act 2011, and applicable UK accounting standards (FRS 102). The financial statements have been prepared in accordance with the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in note 1.5, and fixed asset investments, which are included at their market value at the balance sheet date.

The financial statements are prepared on a going concern basis, as set out in section 6.4 on pages 12-13.

The HDBF meets the definition of a public benefit entity under FRS 102.

The principal accounting policies and estimation techniques are as follows;

1.2 Income recognition

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

- **Parish Offer contributions by parishes** is recognised as income in the year in which it is receivable. Parish Offer relating to the year but received between 1 January and 31 January after the year end is included within other debtors.
- **Land rent** is recognised as income when receivable.
- **Property rental income** is recognised as income in the period to which it relates.
- **Interest and dividends** are recognised as income when receivable.
- **Grants** are generally included in the financial statements when received. If the grant conditions are met at the year-end, it is included in creditors to be carried forward to the following year.
- **Parochial fees** are recognised as income of the year to which they relate.
- **Donations** other than grants are recognised when receivable.
- **Gains on disposal of fixed assets for the HDBF's own use** (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.
- **Diocesan Stipends Fund (DSF)**(endowment fund). The endowment fund is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. The investment income arising on the DSF is credited to the unapplied total return in the year in which the distribution is due.

1.3 Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

- **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages, investment management costs of glebe and any other investments.

Notes to the accounts

For the year ended 31 December 2023

- **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the Diocese, expenditure on education and Church of England schools in the Diocese and direct support for parishes and clergy.
- **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the HDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- **Support costs** consist of central management, administration and governance costs. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis as set out in notes 12 and 13.
- **Pension contributions.** The HDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 32). The pension costs charged as expenditure represent the HDBF's contributions payable in respect of the accounting period, in accordance with FRS 102. Any deficit funding for the pension schemes to which HDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.
- **Employee benefits.** Short term employee benefits including holiday pay if material, are recognised as an expense in the period in which the service is received. All costs involved in terminating employee contracts are accounted for in the period to which they relate and are disclosed in aggregate in note 30.

1.4 **Tangible fixed assets and depreciation**

Freehold properties

Freehold properties are recognised at cost and subsequently measured at fair value. Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The HDBF 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. The Trustees perform annual impairment reviews in accordance with the requirements of FRS 102 to ensure that the carrying value is not more than the recoverable amount.

Investment properties

Glebe properties which are held for investment purposes and rented out are initially recognised at cost and subsequently measured at fair value at each reporting date.

Parsonage houses

The HDBF has followed the requirements of FRS 102 in its accounting treatment for benefice houses (parsonages). FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The HDBF 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 therefore consider the most suitable accounting policy is to capitalise such properties as restricted fund assets and to carry them at their estimated current market value. Revaluation gains or losses arising are reported within other recognised gains and Activities.

Other tangible fixed assets

Notes to the accounts

For the year ended 31 December 2023

All capital expenditure over £500 is capitalised and depreciated. Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of fixed assets over their currently expected useful economic lives on a straight line basis as follows:

Improvements to leasehold property	8 years
Plant & equipment:	
Office Fixtures and fittings	7-10 years
Computer equipment	5 years
Solar panels	20 years

1.5 Investment property

Fixed asset investments

Fixed asset investments are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.

Glebe land with the potential for development is valued according to its agricultural value until such a time as either outline planning permission is received or a development agreement is in place, at which point it is revalued to reflect the development value, provided this can be determined with reasonable accuracy. The costs of reports and investigations incurred with the aim of obtaining outline planning permission for housing developments on specific glebe land is initially capitalised. The accumulated costs are scrutinised by the Directors at the end of each accounting year. In cases where the Directors believe that planning permission is unlikely to be obtained, the accumulated planning costs are treated as an investment loss and taken to the Statement of Financial Activities in the year in which the decision is made.

1.6 Financial instruments

The HDBF generally has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost with the exception of investments which are held at fair value.

Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

1.8 Debtors

Trade and other debtors are recognised at the settlement amount due. A specific provision is made for debts for which recoverability is in doubt.

1.9 Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with short term maturity.

Notes to the accounts

For the year ended 31 December 2023

1.10 Creditors and provisions

Creditors and provisions are recognised where the charity 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.

1.11 Operating Leases

The HDBF has entered into operating lease arrangements only for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or break clause where there is an expectation that this will be utilised.

1.12 Fund balances

Fund balances are split between unrestricted, restricted and endowment funds.

1.12.1 Unrestricted funds are the HDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the HDBF. There are two types of unrestricted funds:

- **General fund** which HDBF intends to use for the general purposes of the charitable company; and
- **Designated funds** set aside out of unrestricted funds by the HDBF for a purpose specified by the Trustees. Such designations may be set aside from time to time according to policy decisions.

1.12.2 Restricted funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

As a matter of policy the Board has agreed that it should aim to achieve a capital base on the restricted pastoral fund sufficient to generate dividends and interest to meet average annual expenditure on essential property improvements.

1.12.3 Endowment funds are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment fund administered by the HDBF (Diocesan Stipends Fund), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment.

1.13 Trust funds

"Special trusts" (as defined by the Charities Act 2011), being any other trusts where the HDBF acts as trustee and controls the management and use of the funds, are included in the HDBF's own financial statements as charity branches. Trusts where the HDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the relevant note to the financial statements.

1.14 Linked charities

The HDBF's accounts aggregate the following charities linked by the Charity Commission to the HDBF. These charities are treated as branches of the HDBF and held within restricted funds.

- The Hereford Diocesan Board of Education (DBE) (linked charity number: 249685-1).
- The HDBF Educational Uniform Statutory Trust (UST) (linked charity number: 249685-2)

Notes to the accounts

For the year ended 31 December 2023

1.15 Accounting for open schools and related Trust property

While a Church School continues to operate as such or is leased to a Local Authority or Academy for the purposes of a County School, it and any property attached thereto is not considered to have any current value to HDBF (as part of the Hereford Diocesan Board of Finance Educational Uniform Statutory Trust).

1.16 Accounting for closed schools and related Trust property

In 1953 a Scheme was made under Section 86 of the Education Act 1944. Under the Scheme the HDBF was made the governing body of the education foundations listed in the Scheme. Until closure, the governing body was required to administer a school in accordance with the trusts subsisting when the Scheme was made. In relation to the letting of premises included in the Scheme, the Board, as governing body, is bound by the general law applicable to trustees of charitable foundations. The application of the income and capital formerly laid down by the 1953 Scheme is now governed by the Uniform Statutory Trusts.

A Section 554 Order is usually made in respect of a closed school not included in the Section 86 Scheme. This allows the Department for Education to make an Order directing the sale of closed school premises where this has not already taken place and specifies the destination of the proceeds of sale and of the assets of trusts associated with the school. Such Orders may be made in respect of a school included in the Section 86 Scheme referred to above to allow part of the assets to be used other than as originally laid down in the Scheme, such as for the setting up of a local religious education fund. In making a Section 554 Order, the Department may take into account moral as well as legal claims and it is for the Department to decide what proportion, if any, comes to the Uniform Statutory Trusts. Once an Order is made and the Trustee is able to estimate the proceeds of the sale, based on professional advice, this amount is brought into the capital fund of the UST. If the school is redundant but a Section 554 Order has not yet been made or the net realisable value is so uncertain that any quantification might be misleading, this information is shown in a note to the accounts.

On the occurrence of a sale under Section 86 of the Act, the property on its closure immediately becomes an asset of the trust. If the Trustee owns the property, the estimated value will be brought into the capital fund of the UST. In all other cases if the Board considers an estimate of the capital value so uncertain that any quantification might be misleading, this information is shown in a note to the accounts.

Trustees of closed schools falling within the 'Reverter of Sites Act' have the duty to dispose of the asset at 'best value' and return the proceeds to the benefactor.

2. Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Trustees regularly evaluate the estimates and underlying assumptions, with reference to professional agents and expert reports. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

2.1 Critical judgements

Closed Schools

When a Church of England school closes, the site may revert back to the original owner, otherwise it will revert to the linked charity, the HDBF Educational Uniform Statutory Trust ("HDBF UST"). If it is to revert to the HDBF UST, there is a judgement as to the point at which the property is recognised. The policy adopted by the trustees is detailed in note 1.16.

Notes to the accounts

For the year ended 31 December 2023

Development land

Glebe land with the potential for development is valued according to its agricultural value until such a time as either outline planning permission is received or a development agreement is in place, at which point it is revalued to reflect the development value, provided this can be determined with reasonable accuracy.

Investment properties

Investment properties are stated at Trustees' valuation after taking appropriate advice.

Depreciation on clergy housing

The Trustees refer to local and regional valuation data together with reports from professional advisers and the trustees' judgement is that the residual value of freehold properties is equivalent to the carrying value and hence depreciation would not be material.

2.2 *Estimation uncertainty*

Houses held as tangible fixed assets and houses held for investment are valued by the in-house Diocesan surveyor. The valuation is made using professional experience, relevant indices and by reference to the sale prices of similar properties in the same area.

Land and commercial properties are valued by the Directors by reference to a variety of land market surveys and property indexes as detailed in note 17.

3. **Parish Offer contributions**

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023	Total 2022
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Current year Parish Offer committed	3,382	-	-	-	3,382	3,350
Shortfall in commitments	(64)	-	-	-	(64)	(77)
	3,318	-	-	-	3,318	3,273
Received for previous years	9	-	-	-	9	14
	3,327	-	-	-	3,327	3,287

The Parish Offer system is based on annual commitments made by PCCs to contribute to the 'Common Fund' of the Diocese. Parish Offer receipts in 2023 represented 98.1% (2022: 97.7%) of the total commitments made. All Parish Offer receipts in 2022 related to the General fund.

4. **Archbishops' Council**

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023	Total 2022
	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Lowest Income Communities funding (LInC)	427	-	-	-	427	368
Transitional support funding	-	-	-	-	-	13
Other grant funding	172	37	100	-	309	646
	599	37	100	-	736	1,027

The Lowest Income Communities ('LInC') funding supports stipendiary ministry in the most deprived areas of the Diocese. The transitional funding is currently used to fund clergy stipends across the Diocese. In 2022 the LInC income and Transitional support funding was attributable to the General fund, other grant funding was attributable £12k to the General fund, £9k to the Designated Fund and £626k to Restricted funds.

Notes to the accounts

For the year ended 31 December 2023

5. Other donations

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023	Total 2022
	General	Designated	funds	funds	£'000	£'000
	£'000	£'000	£'000	£'000		
Trust income and grants	4	16	50	-	70	104
PCC partnership income	20	14	7	-	41	67
Benefact Trust (Ecclesiastical Ins.)	67	-	-	-	67	77
- share of profits						-
Donations & sundry income	22	-	-	-	22	8
	113	30	57	-	200	256

In 2022, £24k of Trust income and grants was attributable to the General fund, £80k to Restricted funds and £1k to Endowment funds. PCC partnership income in 2022 was attributable £19k to Designated funds and £47k to Restricted funds. All other donations in 2022 were attributable to the General fund.

6. Charitable activities

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023	Total 2022
	General	Designated	funds	funds	£'000	£'000
	£'000	£'000	£'000	£'000		
Fees for occasional offices	376	-	-	-	376	360
Income from educational activities	68	-	-	-	68	51
	444	-	-	-	444	411

All charitable activities related entirely to Unrestricted funds in both the current and prior year.

7. Other trading income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023	Total 2022
	General	Designated	funds	funds	£'000	£'000
	£'000	£'000	£'000	£'000		
Rental income	380	-	18	-	398	367
Other trading income	-	-	1	-	1	2
	380	-	19	-	399	369

In 2022, £352k of the rental income was attributable to the General fund and £151k to Restricted funds. All of the other trading income in 2022 was attributable to Restricted funds.

8. Investment income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023	Total 2022
	General	Designated	funds	funds	£'000	£'000
	£'000	£'000	£'000	£'000		
Rents receivable	-	-	17	131	148	140
Interest & dividends receivable	88	-	212	323	623	569
	88	-	229	454	771	709

In 2022 £14k of the rents receivable were attributable to Restricted funds, with the remainder attributable to Endowment funds. £81k of the interest & dividends receivable in 2022 were attributable to the General fund, £199k to Restricted funds and £289k to Endowment funds.

Notes to the accounts

For the year ended 31 December 2023

9. Other income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023	Total 2022
	General	Designated			£'000	£'000
	£'000	£'000	£'000	£'000		
Redundant church costs recovered	-	-	22	-	22	17
Gain on disposal of fixed assets	-	-	-	-	-	39
	-	-	22	-	22	56

All other income in 2022 was attributable to Restricted funds.

10. Fund raising costs**10.1 Fund raising costs 2023**

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023
	General	Designated			£'000
	£'000	£'000	£'000	£'000	
Land & property agents' fees	84	-	1	-	85
Glebe land maintenance & development	5	-	-	-	5
Property rental & other trading costs	-	-	4	-	4
Investment portfolio mgt fees	13	-	32	59	104
	102		37	59	198
Support costs (see note 12)	20	-	-	-	20
	122	-	37	59	218

10.2 Fund raising costs 2022

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022
	General	Designated			£'000
	£'000	£'000	£'000	£'000	
Land & property agents' fees	66	-	2	-	68
Glebe land maintenance & development	11	-	-	1	12
Property rental & other trading costs	-	-	16	-	16
Investment portfolio mgt fees	13	-	34	55	102
	90	-	52	56	198
Support costs	19	-	-	-	19
	109	-	52	56	217

Notes to the accounts

For the year ended 31 December 2023

11. Charitable activities

11.1 Charitable activities excluding remeasurement of pension deficit liability 2023

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023 £'000
	General £'000	Designated £'000	£'000	£'000	
Resourcing ministry and mission:					
Stipends and national insurance	1,715	-	901	-	2,616
Clergy pension contributions	529	-	-	-	529
Clergy Housing	829	-	215	-	1,044
Clergy moves & interregnums	202	-	-	-	202
Support for ministry	616	-	112	-	728
Mission and ministry projects	16	338	42	-	396
Allocated support costs	407	-	-	-	407
	4,314	338	1,270	-	5,922
Contributions to Archbishops' Council	435	-	-	-	435
Education	234	3	2	-	239
Parochial support	136	-	55	-	191
Grants and donations	5	-	-	-	5
Allocated support costs	186	-	-	-	186
Total expenditure on charitable activities excluding remeasurement of pension deficit liability	5,310	341	1,327	-	6,978

11.2 Charitable activities excluding remeasurement of pension deficit liability 2022

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022 £'000
	General £'000	Designated £'000	£'000	£'000	
Resourcing ministry and mission:					
Stipends and national insurance	2,331	-	147	-	2,478
Clergy pension contributions	634	-	-	-	634
Clergy Housing	630	-	114	-	744
Clergy moves & interregnums	97	-	-	-	97
Support for ministry	580	-	114	-	694
Mission and ministry projects	18	207	491	-	716
Allocated support costs	380	1	-	-	381
	4,670	208	866	-	5,744
Contributions to Archbishops' Council	414	-	-	-	414
Education	204	-	20	-	224
Parochial support	123	-	24	-	147
Grants and donations	8	-	-	-	8
Allocated support costs	179	-	-	-	179
Total expenditure on charitable activities excluding remeasurement of pension deficit liability	5,598	208	910	-	6,716

Notes to the accounts

For the year ended 31 December 2023

12. Analysis of support costs

	Unrestricted funds		Restricted funds	Endowment funds	Total 2023	Total 2022
	General	Designated			£'000	£'000
	£'000	£'000	£'000	£'000		
Salary and employment costs	365	-	-	-	365	346
Property costs	59	-	-	-	59	48
Office costs	67	-	1	-	68	72
Legal and professional fees	88	-	-	-	88	74
General Synod representation	9	-	-	-	9	8
Governance costs	24	-	-	-	24	32
	612	-	1	-	613	580

All support costs in 2022 were attributable to the General fund except for £1k of office costs attributable to Restricted funds.

13. Analysis of expenditure including allocation of support costs

13.1 Analysis 2023

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total 2023
	£'000	£'000	£'000	£'000
Raising funds:	198	-	20	218
Charitable activities: excl. pension deficit:				
Contributions to Archbishops' Council	-	435	5	440
Resourcing ministry and mission	5,231	283	408	5,922
Education	237	2	91	330
Parochial support	150	41	89	280
Other grants and donations	1	4	-	5
Charitable activities: pension deficit	-	-	-	-
	5,817	765	613	7,195

13.2 Analysis 2022

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total 2022
	£'000	£'000	£'000	£'000
Raising funds:	198	-	19	217
Charitable activities:				
Contributions to Archbishops' Council	-	414	7	421
Resourcing ministry and mission	5,022	340	382	5,744
Education	204	20	88	312
Parochial support	116	31	84	231
Other grants and donations	1	7	-	8
Charitable activities: pension deficit	(65)	-	-	(65)
	5,476	812	580	6,868

Notes to the accounts

For the year ended 31 December 2023

14. Analysis of grants made

14.1 Analysis 2023

	<i>Number</i>	<i>Individuals £'000</i>	<i>Institutions £'000</i>	Total 2023 £'000
From unrestricted funds - general fund:				
National church responsibilities:				
Contributions to Archbishops' Council	5	-	435	435
Grants to clergy	109	143	-	143
Ministry experience scheme	-	-	-	-
Support for ordinands in training	4	33	-	33
PCCs for church inspection fees	68	-	41	41
Other grants	1	-	4	4
	187	176	480	656
From unrestricted funds - designated funds:				
To support mission and ministry	25	-	92	92
From restricted funds:				
To support mission and ministry	18	1	14	15
To support school building projects	1	-	2	2
	231	177	588	765

14.2 Analysis 2022

	<i>Number</i>	<i>Individuals £'000</i>	<i>Institutions £'000</i>	Total 2022 £'000
From unrestricted funds:				
National church responsibilities:				
Contributions to Archbishops' Council	1	-	414	414
Grants to clergy	75	83	-	83
Ministry experience scheme	1	2	-	2
Support for ordinands in training	4	13	-	13
PCCs for church inspection fees	70	-	31	31
Other grants	2	-	7	7
	153	98	452	550
From unrestricted funds - designated funds:				
To support mission and ministry	11	-	35	35
From restricted funds:				
To support mission and ministry	243	1	206	207
To support school building projects	11	-	20	20
	418	99	713	812

Notes to the accounts

For the year ended 31 December 2023

15. Tangible fixed assets

	Freehold properties £'000	Leasehold property improvements £'000	Plant & equipment £'000	Total £'000
Cost or valuation				
At 1 January 2023	58,965	53	106	59,124
Additions	854	-	10	864
Disposals	(308)	-	-	(308)
Transfers	-	-	-	-
Revaluation	(1,768)	-	-	(1,768)
At 31 December 2023	57,743	53	116	57,912
Accumulated depreciation				
At 1 January 2023	-	53	81	134
Charge for the year	-	-	10	10
Disposals	-	-	-	-
At 31 December 2023	-	53	91	144
Net book value				
At 1 January 2023	58,965	-	25	58,990
At 31 December 2023	57,743	-	25	57,768

The leasehold property held at nil book value relates to the Diocesan Office in Hereford, the landlord being the Church Commissioners.

As at 31 December 2023, the Board was responsible for eight redundant churches. The value of these churches at this date is considered uncertain and not material and accordingly no value related to them has been included in these accounts. The Board was also responsible for St Barnabas Church, Hereford, and further details about this site are provided in note 34.

The Board and benefice houses were valued by the Board as at 31 December 2023 by taking advice from the employed Diocesan Property Surveyor (MCI0B). On 31 December 2023 there was a housing stock of 118 properties (2022: 118).

Due to the length of time properties have been held by the Board and the unavailability of historical accounting records it is not possible to provide a historical cost valuation for Board and benefice houses.

16. Capital commitments

There were no capital commitments as at 31 December 2023 (2022: £nil).

Notes to the accounts

For the year ended 31 December 2023

17. Investments held as Fixed Assets – Investment property

	As at 1 January 2023 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2023 £'000
Endowment funds						
Land	7,338	33	-	-	(15)	7,356
Buildings	443	-	-	-	-	443
	7,781	33	-	-	(15)	7,799
Restricted funds						
Buildings	518	-	-	-	(39)	479
Total	8,299	33	-	-	(54)	8,278

Endowment fund buildings at the year-end consists of one commercial property, which has been informally valued by the Directors as at 31 December 2023.

Restricted fund buildings consist of houses held as investment properties. These have been valued by the Diocesan Surveyor (MCIOB) as at 31 December 2023.

The value of rural land was determined by the Directors. Due to the multiplicity of holdings and varying sizes and terms of occupation the cost of a professional valuation is deemed to be an imprudent use of charitable funds. The Directors used a variety of land market surveys to determine average land values at 31 December 2023. A discount was applied to 1986 Agricultural Holdings Act tenancies of 45% and Farm Business Tenancies of 10%. This constitutes an average yield of 1.3%. Other amenity tenancies/licences were discounted at 12.5% and vacant land was not discounted. Land for which planning permission has been received is valued according to its market value as determined by the Directors.

All glebe land is vested in and managed by the Board for the benefit of the Endowment (Diocesan Stipends) Fund in accordance with the terms of the Endowments and Glebe Measure 1976.

The historical cost of investment property land and buildings is unknown.

18. Investments held as Fixed Assets – Other investments

	As at 1 January 2023 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2023 £'000
Listed investments						
Unrestricted general fund	2,015	883	(1,064)	(1,099)	94	829
Designated funds	70	-	-	-	-	70
Restricted funds	8,633	2,870	(3,309)	1,099	343	9,636
Endowment funds	12,392	5,382	(5,062)	-	591	13,303
	23,110	9,135	(9,435)	-	1,028	23,838
Equity share loan						
Restricted fund - UST	-	-	-	-	-	-
Total	23,110	9,135	(9,435)	-	1,028	23,838

Listed investments are traded on London or comparable international stock exchanges.

The historical cost of listed investments held as at 31 December 2023 was £21.65m (2022: £21.7m).

Notes to the accounts

For the year ended 31 December 2023

19. Debtors: due within one year

	2023 £'000	2022 £'000
Other debtors	197	991
Prepayments & accrued income	212	187
Loan to Ludlow Mascall Centre ²	-	4
Loan to Stottesdon PCC ¹	16	16
	425	1,198

20. Debtors: due after one year

	2023 £'000	2022 £'000
Loan to Stottesdon PCC ¹	11	9
Loan to Ludlow Mascall Centre ²	-	4
	11	13

¹ The loan to the Stottesdon PCC of £25,000 was made in September 2022. This was chargeable with interest at the Bank of England base rate plus 1.5%. The loan to be fully repaid by 29 February 2024. At 31 December 2023 the balance was £26,953 (2022: £25,343). The loan was fully repaid by the due date.

²The loan to the Ludlow Mascall Centre was fully repaid during 2023 (2022: £7,980). It was being repaid at a rate £4,000 per annum, with interest chargeable at the Church of England's Central Board of Finance (CBF) rates. The loan was repaid early.

21. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Other creditors and accruals	535	860
Taxation & Social Security	32	29
Pension deficit payments liability	-	-
	567	889

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

There were no amounts falling due after more than one year in either 2023 or 2022.

Notes to the accounts

For the year ended 31 December 2023

23. Analysis of transfers between funds

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General £'000	Designated £'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	65	-	(65)	-	-
From General fund to the Strategic Mission Fund to support mission projects	(250)	204	46	-	-
Transfers to the General fund for Designated Grants	(70)	70	-	-	-
From Stottesdon School House Trust to UST in respect of loan			6 (6)		
	(255)	274	(19)	-	-
From DSF Fund to DSF Income (Stipends) Fund in respect of stipends in the year (see note 26)	-	-	764	(764)	
	(255)	274	745	(764)	-

Comparatives for 2022 can be found in note 39 to these accounts.

24. Summary of assets by fund

	Tangible Fixed assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General Fund	999	829	939	(241)	2,526
Designated funds:					
Total Return Mission funds	-	70	276		346
	999	899	1,215	(241)	2,872
Restricted funds					
Pastoral Fund	54,759	7,063	(1,437)	(12)	60,373
Mission and Ministry Fund	-	-	4	-	4
Ordinands in Training Fund	-	-	42	-	42
Strategic Development Fund (SDF) - Interagen. Mission	-	-	32	-	32
Strategic Capacity Fund (SCF)	-	-	2	-	2
Other grant funds	-	-	31	(7)	24
Uniform Statutory Trust	-	2,594	439	(260)	2,773
Education funds	-	458	47	-	505
	54,759	10,115	(840)	(279)	63,755
Endowment funds					
Diocesan Stipends Fund	2,010	21,102	1,437	(47)	24,502
Total funds	57,768	32,116	1,812	(567)	91,129

Comparatives for 2022 can be found in note 38 to these accounts.

Notes to the accounts

For the year ended 31 December 2023

25. Analysis of movements in funds

	Balance at 1 Jan 2023 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	Balance at 31 Dec 2023 £'000
Unrestricted funds						
General reserve	3,168	4,951	(5,432)	(255)	94	2,526
Designated reserves:						
Total Return Mission funds	346	67	(341)	274	-	346
Total unrestricted funds	3,514	5,018	(5,773)	19	94	2,872
Restricted funds						
Pastoral Fund	61,977	174	(296)	-	(1,482)	60,373
DSF Income (stipends) Fund	-	-	(764)	764	-	-
Mission and Ministry Fund	4	-	-	-	-	4
Ordinands in Training Fund	61	85	(104)	-	-	42
Strategic Ministry Fund - curates	-	-	-	-	-	-
Strategic Development Fund	57	-	(25)	-	-	32
Strategic Capacity Fund	(1)	4	(28)	27	-	2
Other grant funds	70	68	(133)	19	-	24
Education Funds	511	13	-	(6)	(13)	505
Uniform Statutory Trust	2,678	83	(14)	(59)	85	2,773
Total restricted funds	65,357	427	(1,364)	745	(1,410)	63,755
Endowment funds						
Diocesan Stipends Fund						
- Investment Fund	8,560	-	-	360	-	8,920
- Unapplied Total Return	15,795	454	(59)	(1,124)	516	15,582
Total endowment funds	24,355	454	(59)	(764)	516	24,502
Total movement in funds	93,226	5,899	(7,196)	-	(800)	91,129

Comparatives for 2022 can be found in note 40 to these accounts.

Notes to the accounts

For the year ended 31 December 2023

26. Endowment Fund – Total Return

	Investment Fund £'000	Unapplied Total Return £'000	Total Endowment £'000
At 1 January 2023	8,560	15,795	24,355
Movements in the reporting period:			
Dividends and interest	-	323	323
Glebe land rent	-	107	107
Glebe commercial property rental income	-	24	24
Realised and unrealised gains and (losses)	-	516	516
Less:			
Investment management costs	-	(59)	(59)
Indexation using CPIH: 4.2%	360	(360)	-
	360	551	911
Unapplied Total Return allocated to income to be used for stipends:			
- Equating to dividend, interest and rents	-	(454)	(454)
- Equating to 0.5% of equity investments	-	(60)	(60)
- Additional annual transfer	-	(250)	(250)
	-	(764)	(764)
Net movements in report period:	360	(213)	147
At 31 December 2023	8,920	15,582	24,502

The trustees adopted a Total Return accounting approach under the Diocesan Stipend Funds (Amendment) Measure 2016 with effect from 1 January 2019. Comparatives for 2022 can be found in note 41.

Notes to the accounts

For the year ended 31 December 2023

27. Net income for the year

Net income for the year is stated after charging:

	2023	2022
	£'000	£'000
Depreciation of tangible fixed assets	10	10
Rentals charged under operating leases	16	16
Amounts payable to external auditors for:		
- statutory audit	24	26
- tax advisory services	-	-

28. Financial commitments – operating leases

Total future minimum lease payments under non-cancellable operating leases were as follows:

	2023	2022
	£'000	£'000
Minimum lease payments payable:		
Within one year of the balance sheet date	2	1
Within two to five years of the balance sheet date	7	-

Total future minimum lease payments receivable under non-cancellable operating leases were as follows:

	2023	2022
	£'000	£'000
Minimum lease payments receivable		
Within one year of the balance sheet date	24	24
Within two to five years of the balance sheet date	14	38

29. Post balance sheet events and contingent liabilities

There were no post balance sheet events or contingent liabilities as at 31 December 2023.

30. Staff costs

Staff costs were as follows:

	2023	2022
	£'000	£'000
Gross salaries and wages	1,201	1,160
Social Security costs	115	113
Pension contributions	126	114
	1,442	1,387

The above figures include the Diocesan Director of Education (DDE), employed jointly by HDBF and DHMAT, a related party. Employment costs of the DDE are administered by DHMAT and recharged to HDBF.

Notes to the accounts

For the year ended 31 December 2023

The monthly average number of persons employed during the year by head count:

	2023		2022	
	Number Full-time	Number Part-time	Number Full-time	Number Part-time
Support ministers / staff	6.0	10.2	7.7	11.8
Education	2.0	2.0	2.0	2.0
Diocesan officers	2.0	2.0	3.0	1.0
Diocesan administration staff	3.7	4.7	3.3	5.6
Grant funded Intergenerational Missioners	2.0	-	2.4	2.3
Grant funded support staff	1.0	3.9	0.3	1.0
Grant funded deanery staff	-	1.0	-	1.0
	16.7	23.8	18.6	24.7

The average number of persons employed during the year based on full-time equivalents:

	2023 Number	2022 Number
Support ministers / staff	11.8	15.3
Education	4.2	3.2
Diocesan officers	3.7	3.8
Diocesan administration staff	6.6	6.9
Grant supported Intergenerational Missioners	2.0	3.8
Grant funded support staff	3.5	1.1
Grant funded deanery staff	0.7	0.7
	32.5	34.7

These staff numbers do not include the Archdeacon of Ludlow, who is paid through the Church Commissioners.

The number of employees whose emoluments for the year exceeded £60,000 (including benefits in kind but excluding pension contributions) was as follows:

	2023 Number	2022 Number
£70,000 - £80,000	1	1

30.1 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 2023 they were:

Diocesan Secretary	Mr S R Pratley
Director of Education	Mr A Teale
Director of Finance	Mr S G P Herbert

Remuneration (including employer's National Insurance) and pensions for these employees amounted to £229,821 (2022: £225,486).

Notes to the accounts

For the year ended 31 December 2023

30.2 Trustees' emoluments

No Trustee received any remuneration for services as Trustee. Two Trustees received travelling and out-of-pocket expenses totalling £3,091 (2022: £2,359 4 trustees) in respect of General Synod duties, duties as Archdeacon or Rural Dean, and other duties as Trustees.

The Church Commissioners are responsible for the stipends and housing of the Diocesan Bishop and the stipend of the Archdeacon of Ludlow (ex officio trustees). Parochial clergy, the Archdeacon of Hereford and support ministers who are trustees of the HDBF, whether ex officio, elected, appointed or co-opted, are in receipt of a stipend, housing and training/sabbatical grants paid via the Board by virtue of their office. Two trustees received grants totalling £2,507 (2022: One trustees received a CME grant totalling £225).

The following table gives details of Trustees who were in receipt of a stipend and housing provided by the HDBF during the year:

	Stipend	Housing/ housing allowance
The Ven D Chedzey	Yes	Yes
Revd Preb W A Buck	Yes	Yes
Revd G Cole	Yes	Yes
Revd G Smith	Yes	Yes
Preb J Davies (resigned as trustee 13 Oct 22)	Yes	Yes

The Board also met the stipends, pensions and social security costs of an average of 80 (2022: 82) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2023 £'000	2022 £'000
Stipends	2,292	2,310
National insurance contributions including Apprenticeship levy	201	205
Pension costs - current year	549	660
- deficit reduction	-	87
	3,042	3,262

The stipends of the Diocesan Bishop, and Archdeacon of Ludlow, were paid for and funded by the Church Commissioners.

Notes to the accounts

For the year ended 31 December 2023

31. Related parties

The Diocese of Hereford Multi-Academy Trust (DHMAT) is a related party to HDBF by virtue of the following:

- Mr A Teale (Diocesan Director of Education) is also a Director of DHMAT.
- Mr S Pratley (Diocesan Secretary) is also a member of DHMAT with the power, among other things, to appoint and remove trustees.

During the year, invoices net of VAT totalling £10,800 (2022: £7,350) for partnership costs were raised from HDBF to DHMAT. The balance outstanding at the end of the year was £nil (2022: £nil).

During the year, invoices net of VAT totalling £65,784 (2022: £60,637) were raised from DHMAT to HDBF for salary and administration costs. The balance outstanding at the year-end was £nil (2022: £nil).

The Diocese of Hereford Educational Trust (DHET) is a related party of HDBF as detailed below. During the year there were no transactions between HDBF and DHET:

- Mr A Teale (Diocesan Director of Education) and Mr S Pratley (Diocesan Secretary) are also directors of DHET.

Hereford Cathedral is a related party of HDBF. Bishop's Council select two members to sit on the Cathedral Council for a period of 5 years and the Dean of Hereford Cathedral is also an ex-officio Director of HDBF. During the year, invoices net of VAT totalling £495 were raised from HDBF to the Cathedral for safeguarding costs (2022: £3,816). The balance outstanding at the year-end was £389 (2021: £nil). During the year, invoices net of VAT totalling £7,625 (2022: £7,167) were raised from the Cathedral to HDBF for salary and administration costs. The balance at the year-end was £nil (2022: £nil).

The Ven D Chedzey (an HDBF Trustee) is also Vice Chair of Trustees of the Hereford Historic Churches Trust. During 2021, HDBF received a grant from the Hereford Historic Churches Trust amounting to £5,000 (2022: £10,000il). The balance at the year-end was £nil (2021: £nil).

The Ven D Chedzey (an HDBF Trustee) is also a Trustees of LEAF – Locally Encouraging All to Flourish. During 2023, HDBF made a grant to LEAF – Locally Encouraging All to Flourish for £5,217 (2022: £13,500). The balance at the year-end was £nil (2022: £nil).

N Sellar (an HDBF Trustee) is also a Trustees of Halo Leisure Services Ltd. During 2023, HDBF paid £956 (2022: £227) to Halo Leisure Services in relation to room hire. The balance at the year-end was £nil (2022: £nil).

32. Pension commitments

32.1 Church of England Funded Pension Scheme (CEFPS)

Hereford DBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension scheme, and as at 31 December 2023 had 81 members in the scheme (2022: 80). This scheme is administered by the Church of England Pensions Board, which holds the assets of the Scheme separately from those of the Responsible Bodies.

This scheme is administered by the Church of England Pensions Board, which holds the assets of the scheme separately from those of the Responsible Bodies.

Each participating Responsible Body in the Church of England Funded Pensions 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. It is not possible to attribute the Scheme's assets and liabilities to each specific Responsible Body, and this means 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, which were £565k in 2023 (2022: £660k), plus any figures arising from contributions in respect of the

Notes to the accounts

For the year ended 31 December 2023

Scheme's deficit (see below). The 2021 valuation showed the Scheme to be fully funded and as such in 2023, following the valuation results being agreed, the deficit contributions paid were £0 (2022: £87k).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at as 31 December 2021. The 2021 valuation revealed a surplus of £560m (HDBF share based on covenant £5.8m), based on assets of £2,720m and a funding target of £2,160m, assessed using the following assumptions:

- An average discount rate of 2.7% p.a.;
- RPI inflation of 3.6% p.a. (and pension increases consistent with this);
- CPIH inflation in line with RPI less 0.8% pre 2030 moving to RPI with no adjustment from 2030 onwards;
- Increase in pensionable stipends in line with CPIH;
- Mortality in accordance with 90% of the S3NA tables, with allowance for improvements in mortality rates from 2013 in line with the CMI2020 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter of 7, an initial addition to mortality improvements of 0.5% pa and an allowance for 2020 data of 0% (i.e. w2020 = 0%).

Following finalisation of the 31 December 2021 valuation, deficit contributions ceased with effect from 1 January 2023, since the Scheme was fully funded.

The deficit recovery contributions under the recovery plan in force at each 31 December were as follows:

	% of pensionable stipends
31 December 2021	7.1% payable from January 2021 to December 2022
31 December 2022	Nil
31 December 2023	Nil

An interim reduction to deficit contributions to 3.2% of pensionable stipends was made with effect from April 2022, and remained in place until December 2022.

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. However, as there are no agreed deficit recovery payments from 1 January 2023 onwards, the balance sheet liability as at 31 December 2022 is nil. The movement in the balance sheet liability over 2021 and over 2022 is set out in the table below.

	2023 £'000	2022 £'000
Balance sheet liability as at 1 January	-	152
Deficit contribution paid	-	(87)
Interest cost (recognised in the SOFA)	-	-
Remaining change to the balance sheet liability* (recognised in SoFA)	-	(65)
Balance sheet liability as at 31 December	-	-

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

Notes to the accounts

For the year ended 31 December 2023

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions. No assumptions are needed for December 2022 as there are no agreed deficit recovery payments going forward. No price inflation assumption was needed for December 2021 since pensionable stipends for the remainder of the recovery plan were already known.

	December 2023	December 2022	December 2021
Discount rate	n/a	n/a	0.0% pa
Price inflation	n/a	n/a	n/a
Increase to total pensionable payroll	n/a	n/a	-1.5% pa

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

32.2 Church of England Worker Pension Fund (CWPF) Scheme

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

CWPF has two sections:

1. the Defined Benefits Scheme
2. the Pension Builder Scheme, which has two subsections;
 - a. a deferred annuity section known as Pension Builder Classic, and,
 - b. a cash balance section known as Pension Builder 2014.

Pension Builder Scheme

Both sections of the Pension Builder Scheme are classed as defined benefit schemes.

Pension Builder Classic provides a pension, 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. Discretionary increases may also be added, depending on investment returns and other factors.

Pension Builder 2014 is a cash balance scheme that provides a lump sum which members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. Discretionary bonuses may be added before retirement, depending on investment returns and other factors. The account, plus any bonuses declared is payable, unreduced, from age 65.

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 means 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 the contributions payable (**2023: £63k, 2022: £64k**).

Notes to the accounts

For the year ended 31 December 2023

A valuation of the Pension Builder Scheme is carried out once every three years. The most recent valuation was carried out as at 31 December 2022.

For the Pension Builder Classic section, the 2022 valuation revealed a surplus of £34.8m on the ongoing assumptions used. At the most recent annual review effective 1 January 2024, the Board chose to grant a discretionary bonus of 6.7% to both pensions not yet in payment and pensions in payment in respect of service prior to April 1997; and a bonus on pensions in payment in respect of post April 2006 service so that the pension increase was 5% (where usually it would be calculated based on inflation up to 2.5%). This followed improvements in the funding position over 2023. There is no requirement for deficit payments at the current time.

For the Pension Builder 2014 section, the 2022 valuation revealed a surplus of £8.5m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

The next valuation is due as at 31 December 2025.

The legal structure of the Scheme is such that if another employer fails, Hereford Diocesan Board of Finance could become responsible for paying a share of that employer's pension liabilities. The directors have assessed this risk and consider it to be minimal.

At 31 December 2023, HDBF had 31 active members (2022: 31) in the Pension Builder 2014. Contributions outstanding at the year end amounted to £nil (2022: £nil).

32.3 Hereford Diocesan Board of Finance: other staff pension arrangements

The Hereford Diocesan Board of Finance contributes to individual money purchase policies operated by pension providers chosen by individual employees. The assets of these schemes are held separately from those of the Board, being invested with third party pension and insurance companies.

Contributions to the various schemes during the year totalled £26,630 (2022: £24,030) and were charged to the Income and Expenditure Account. Contributions outstanding at the year-end amounted to £nil (2022: £1,543).

Notes to the accounts

For the year ended 31 December 2023

33. Description of funds

General fund The General Fund is the HDBF's unrestricted undesignated fund available for any of the HDBF's purposes without restriction.

Designated funds

Strategic Mission Fund

This relates to monies transferred by the trustees on a fixed annual basis from the general fund to fund large mission projects that adhere to strict criteria. It is also used to provide match funding for strategic development bids. The funds are monitored by the Strategy steering group.

Designated funds can be undesignated and returned to the general fund by the trustees.

Endowment fund

Diocesan Stipends Fund

The expendable endowment (Diocesan Stipends) Fund is an expendable endowment fund from which the Board draws income to meet part of the cost of clergy stipends.

The fund was substantially affected by the provision of the Endowments and Glebe Measure 1976.

From 1 April 1978, incumbent clergy received from the Church Commissioners guaranteed annuities and personal grants equal in total to the net endowment income of their respective benefices prior to that date.

All other income previously attaching to a benefice including glebe income, along with income applicable to non-incumbent clergy, has been allocated to this expendable endowment (diocesan stipends) fund from that date.

From 1 January 2006, all stipendiary clergy were invited to relinquish their rights to guaranteed annuities and personal grants under a policy from the Church of England. All relevant HDBF clergy have relinquished those rights.

The income of the Diocesan Stipends Fund is used to support the cost of stipends. The capital is available to acquire, develop or improve glebe land & buildings at the request of the Bishop and the concurrence of the Board.

With effect from 1 January 2019 the HDBF trustees adopted a Total Return Accounting approach to the Diocesan Stipends Fund. The Fund is now split into two components:

- **Investment Fund** (or Trust for Investment): this represents the original value of the endowment uplifted each year by an inflationary measure;
- **Unapplied Total Return**: this represents the amount of the Diocesan Stipends Fund over and above the value of the Trust for Investment. The amount approved for application in the year is transferred to the Diocesan Stipends Income Fund.

Restricted funds:

Diocesan Stipends Income Fund

The DSF income fund is used to defray the costs of clergy stipends and other expenditure permitted by the Diocesan Stipends Fund.

Pastoral Fund

The Diocesan Pastoral Account is used to support activities within the remit of the Diocesan Mission and Pastoral Committee (DMPC) as set out in the *Mission and Pastoral Measure 2011 (No.3)*. This will include expenditure on any property vested by or under this Measure

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For the year ended 31 December 2023

in the Church Commissioners or the DBF, and grants and loans for parsonage and church provision, restoration, improvement or repair.

Where the DBF is satisfied that any monies in the diocesan pastoral account are not (likely to be) required for meeting the expenses or expenditure referred to in this section it may:

1. apply those monies by way of grant or loan to the provision, restoration, improvement or repair of churches and parsonage houses in the diocese, including the repair of any building closed for regular public worship vested in the Board pending the coming into operation of arrangements under a pastoral (church buildings disposal) scheme, or to other purposes of the diocese or any benefice or parish in the diocese; or
2. apply those monies by way of grant or loan for the benefit of another diocese, either generally for those purposes or for such of those purposes as the Board may specify; or
3. transfer those monies to the capital or income account of the diocesan stipends fund; or
4. transfer those monies to one or more other accounts or funds held by the Board or apply or transfer them partly to such other accounts or funds and partly as provided in paragraphs (1) to (3). [Mission and Pastoral Measure 2011 section 94(4)].

Mission and Ministry Fund

Prior to 2018, the Church Commissioners made an annual grant to HDBF for the restricted purpose of mission and ministry work within the Diocese. The grant income has now ceased and the fund is gradually being depleted as mission grants are awarded.

Ordinands in Training Fund

This restricted fund has arisen as a result of a change in the method of funding the training costs of ordinands. Prior to 2017, the training and residential costs were funded directly from the Church of England's Ministry Division. From 1 January 2017, a block grant has been receivable by HDBF, out of which training and maintenance costs are met. Any unused funds at the end of each year can only be used to fund future training and maintenance costs.

Education Funds

These relate to two Educational trusts: St Mary's School Trust (Bucknell School House) and Stottesdon School Foundation. Both trusts are managed by the Diocesan Board of Education. They had previously been included within custodian trustee accounts, but under the Charity Commission directive linking the Hereford Diocese Board of Education and HDBF in 2019, these are now included as restricted funds under branch accounting.

Strategic Development Fund

This fund relates to projects which have received funds from the Archbishops' Council Strategic Development Fund (SDF) together with any associated parish funding and HDBF match funding. This fund related wholly to the 'Intergenerational Missioner' project employing seven Intergenerational Missioners across six market towns in the Diocese. The main part of this five year project concluded in December 2022. The Intergenerational Missioner project is funded 25% by local PCC contributions, 50% from Archbishops' Council (SDF), and 25% by HDBF.

Notes to the accounts

For the year ended 31 December 2023

Strategic Capacity Fund

Monies received from the Archbishops' Council Strategic Capacity Fund (SCF) to fund the employment of a Programme Manager for three years to facilitate the implementation of projects and growth initiatives throughout the Diocese.

Other Grant Funds

Other grant funds relate to grants received from third parties by HDBF to be administered as directed.

Uniform Statutory Trust Fund

The Hereford Diocesan Board of Finance Educational Uniform Statutory Trust (UST) is a registered charity linked by the Charity Commission to HDBF of which the HDBF is the sole trustee. The principal activity of the UST is the advancement of Christian education in the Diocese. Under SORP (FRS 102), the charity is accounted for as a branch of HDBF and shown within restricted funds. The capital and income may be applied as follows:

1. in or towards the purchase of a site for, or the erection, improvement or enlargement of, the premises of any relevant school in the area or a teacher's house for use in connection with any relevant school in the area;
2. for the maintenance of any relevant school in the area;
3. the maintenance of a teacher's house for use in connection with any relevant school in the area.

In addition, the income may be applied as follows:

4. for the provision of advice, guidance and resources in connection with any matter related to the management of, or education provided at any relevant school in the area;
5. the provision of services for the carrying out of any inspection of any relevant school in the area;
6. to defray the cost of employing staff in connection with points 1. and 2. above.

34. St. Barnabas Church, Hereford

This property is owned by the Hereford Diocesan Board of Finance, and was until 30 June 2006 made available on licence to the parish of All Saints' Hereford for the conduct of divine worship. From June 2006, the parish of All Saints no longer required the building for their parish mission and the property vested in the HDBF. From July 2017, the property was leased to two charitable organisations: Vennture, and Oasis Church Hereford. In 2022, following discussions with the lessees, DBF trustees decided to put the site on the open market for sale. The DBF received multiple expressions of interest for the site and signed a 'heads of terms' agreement with one bidder. As the Church Commissioners remain responsible for the small consecrated portion of the site, they undertook a consultation process seeking public feedback on the proposed sale of the site. After considering the representations received, the Commissioners concluded that the proposed sale could proceed. The HDBF and the purchaser have signed a conditional contract for sale, which will be subject to a successful planning application for future use of the site. In the meantime, the Directors have valued the property at the purchaser's bid price less fees, and this is figure included within the freehold properties total shown in note 15.

35. Corporation tax

The Company is a registered charity and as such its income and gains falling within Sections 471 to 489 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

Notes to the accounts

For the year ended 31 December 2023

36. Closed schools

36.1 *Sarn School*

Sarn School closed in August 2006 and was subject to the Reverter of Sites Act. An agreement was reached between the Trustee and the Reverter in February 2010, the net proceeds to be divided equally with any Capital Gains Tax to be met by the Trustee. A charitable scheme was established during 2017 to receive the proceeds and is held within the Custodian trustee accounts. When a S.554 Order is made the proceeds will be brought into the DBF as part of the UST fund.

36.2 *Westbury and Hope Primary Schools*

Westbury and Hope Primary Schools were closed during 2017 with pupils transferred to Worthen Primary School. Westbury Primary School was sold in March 2020. The sale proceeds held within the Custodian trustee accounts ultimately flow to the DBF as part of the UST fund via a S.554 order effective 23 May 2023. Hope Primary School is also expected to be sold in 2024 but, as the school was built and funded by the Local Authority, proceeds from the sale of the school will flow to the Local Authority.

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For the year ended 31 December 2023

37. Prior year comparative SoFA: year ended 31 December 2022

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated			2022
	£'000	£'000	£'000	£'000	£'000
Income and endowments from:					
Donations					
Parish share contributions	3,287	-	-	-	3,287
Archbishops' Council	393	9	625	-	1,027
Other donations	109	19	127	1	256
Charitable activities	411	-	-	-	411
Other trading income	352	-	17	-	369
Investment income	81	-	213	415	709
Other income	-	-	56	-	56
Total income and endowments	4,633	28	1,038	416	6,115
Expenditure on:					
Raising funds	109	-	52	56	217
Charitable activities: excl. pension deficit	5,598	208	910	-	6,716
Charitable activities: pension deficit	(65)	-	-	-	(65)
Total resources expended	5,642	208	962	56	6,868
Net income/(expenditure) before investment gains	(1,009)	(180)	76	360	(753)
Net gains/(losses) on investments	(482)	-	(1,214)	(558)	(2,254)
Net income/(expenditure)	(1,491)	(180)	(1,138)	(198)	(3,007)
Unapplied Total Returns allocated to income for stipends			736	(736)	
Transfers between funds	530	165	(869)	174	-
Other recognised gains (losses)					
Gains/(losses) on revaluation of fixed assets	499	-	3,300	133	3,932
Overage gains			64	1,250	1,314
Net movement in funds	(462)	(15)	2,093	623	2,239
Funds brought forward at 1 January 2022	3,630	361	63,264	23,732	90,987
Total funds at 31 December 2022	3,168	346	65,357	24,355	93,226

Notes to the accounts

For the year ended 31 December 2023

38. Prior year: Summary of assets by fund as at 31 December 2022

	Tangible Fixed assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General fund	998	2,015	343	(188)	3,168
Designated funds:					
Total Return Mission funds	-	70	281	(5)	346
	998	2,085	624	(193)	3,514
Restricted funds					
Pastoral Fund	55,923	6,183	133	(262)	61,977
Mission and Ministry Fund	-	-	4	-	4
Strategic Ministry Fund - curates	-	-	-	-	-
Ordinands in Training Fund	-	-	61	-	61
Strategic Development Fund	-	-	84	(28)	56
Strategic Capacity Fund	-	-	-	-	-
Other grant funds	-	-	71	(1)	70
Uniform Statutory Trust	-	2,497	541	(360)	2,678
Education funds	-	471	40	-	511
	55,923	9,151	934	(651)	65,357
Endowment funds					
Diocesan stipends fund	2,069	20,173	2,158	(45)	24,355
Total funds	58,990	31,409	3,716	(889)	93,226

Notes to the accounts

For the year ended 31 December 2023

39. Prior year: Analysis of transfers between funds: year ended 31 December 2022

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated			
	£'000	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	60	-	(60)	-	-
From General fund to Endowment fund for reduction in pension deficit liability	(152)	-	-	152	-
From Endowment fund to General fund for stipends under Total Return (see note 26)	736	-	(736)	-	-
From General fund to the Total Return Mission Fund to support mission projects	(250)	234	16	-	-
From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements	-	(61)	61	-	-
Transfers to the General fund for manse costs	16	(8)	(8)	-	-
From Pastoral fund to General fund in respect of St Barnabas flat	120		(120)		
From the Brampton Abbots fund to the Pastoral fund to clear fund surplus	-		(22)	22	
From UST to Stottesdon School House trust in respect of loan	-		6 (6)		
	530	165	(869)	174	-
From DSF Income fund to General Fund in respect of stipends in the year (see note 26)			736	(736)	
	530	165	(133)	(562)	-

Notes to the accounts

For the year ended 31 December 2023

40. Prior year: Analysis of movements in funds: year ended 31 December 2022

	Balance at 1 Jan 2022 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	Balance at 31 Dec 2022 £'000
Unrestricted funds						
General reserve	3,630	4,633	(5,642)	530	17	3,168
Designated reserves:						
Total Return Mission funds	361	28	(208)	165	-	346
	3,991	4,661	(5,850)	695	17	3,514
Restricted funds						
Pastoral Fund	59,576	204	(172)	(142)	2,511	61,977
Mission and Ministry Fund	9	-	(5)	-	-	4
Diocesan Stipends (Income) Fund	-	-	-	-	-	-
Ordinands in Training Fund	49	119	(107)	-	-	61
Strategic Ministry Fund - curates	-	147	(147)	-	-	-
Strategic Development Fund	38	184	(219)	53	-	56
Strategic Capacity Fund	8	-	(8)	-	-	-
Other grant funds	18	302	(266)	16	-	70
Education Funds	517	10	-	(6)	(10)	511
Uniform Statutory Trust	3,049	72	(38)	(54)	(351)	2,678
Total restricted funds	63,264	1,038	(962)	(133)	2,150	65,357
Endowment funds						
Diocesan stipends fund						
- Investment fund	7,839	-	-	721	-	8,560
- Unapplied Total Return	15,893	416	(56)	(1,283)	825	15,795
Total endowment funds	23,732	416	(56)	(562)	825	24,355
Total movement in funds	90,987	6,115	(6,868)	-	2,992	93,226

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For the year ended 31 December 2023

41. Prior year: Endowment Fund – Total Return: year ended 31 December 2022

	Investment Fund £'000	Unapplied Total Return £'000	Total Endowment £'000
At 1 January 2022	7,839	15,893	23,732
Movements in the reporting period:			
Dividends and interest	-	289	289
Glebe land rent	-	101	101
Glebe commercial property rental income	-	25	25
Trust income	-	1	1
Realised and unrealised gains and (losses)	-	(425)	(425)
Transfer from general fund for reduction in clergy pension deficit payments liability	-	152	152
Overage gains		1,250	1,250
Land at Bosbury transferred from Pastoral fund		22	22
Less:			
Investment management costs	-	(55)	(55)
Glebe land development costs	-	(1)	(1)
Indexation using CPIH: 9.2%	721	(721)	-
	721	638	1,359
Unapplied Total Return allocated to income to be used for stipends:			
- Equating to dividend, interest and rents	-	(415)	(415)
- Equating to 0.5% of equity investments	-	(71)	(71)
- Additional annual transfer	-	(250)	(250)
	-	(736)	(736)
Net movements in report period:	721	(98)	623
At 31 December 2022	8,560	15,795	24,355

Accounts

Hereford Diocesan Board of Finance

Annual Report & Accounts 2022



— Diocese of —
Hereford
Proclaiming Christ ✦ Growing Disciples

Company limited by guarantee
Company number 144467
Charity number 249685

Hereford Diocesan Board of Finance

Report & Accounts for the year ended 31 December 2022

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Foreword by the Bishop of Hereford

For the year ended 31 December 2022

1. Foreword by the Bishop of Hereford

Dear Friends,

Welcome to this annual report. It has felt like this year may be the first when we can use the phrase post COVID and mean it. Although the odd outbreak still rears its head, and a number are still anxious, for most people life has got back to normal.

It has been a time to take stock and frame our activities going forward as we seek to faithfully proclaim Christ and grow disciples. That last phrase, the strapline from the last 5 year diocesan strategy, remains our purpose statement. It is what we as Anglican Christians in the diocese of Hereford are here for. We seek to order our life, not simply to get more people to come to church, but to encourage more people to follow Jesus. Seeking to grow the Church is not about institutional survival but faithfulness. Numbers are not everything, but they are not nothing either. Each person in our diocese is precious to God and He longs for all to come into a relationship with him through Jesus Christ.

The revision of our diocesan strategy recognises that central dictat is unlikely to achieve that end. We want to harness the energy, imagination and commitment of the local church to be the best they can possibly be in their setting in living out that call. The consultations and discernment over the last few years have led to a commitment to form our communities around three common values. These are prayerfulness, Christlikeness and engagement. The central resources of our diocesan family are there to support and encourage the expression of those values, both in churches and schools.

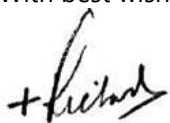
The ownership of the mission and ministry of the Church by the whole people of God will be vital to our thriving over the next few years. There is a renewed mobilisation of lay ministry happening. We licenced a number of new lay worship leaders a few weeks ago – we hope the first of many more authorised ministries which will include worship, pastoral care and teaching. We have resources to help parishes think through their own mission strategies, with vision days and personal accompaniment of clergy.

We recognise that there are strong headwinds in our ministry. Finances continue to be very difficult. We receive substantial funds already from the Church Commissioners, but it's unlikely we will be able to extract more, given that we have the largest number of clergy per head of population in the country (by some margin), and nearly the lowest per capita giving. As I write this, the fallout from the recent Synod vote to offer services of blessing to same sex couples rumbles on. Although this diocese seems to have escaped much of the savage dissent elsewhere, nonetheless people on both sides of the argument are hurting. We will need to be tender with one another.

Recognising our complete dependence on God to address these issues, we set aside 2023 as a year of prayer. I want to pay tribute to the team led by Elizabeth Wild who have put together a substantial, rich and diverse programme. Already it has raised energy and generated significant engagement. There is great precedent in the scriptures for God's people, fearful of the challenges they face, turning to God in wholehearted prayer and seeing extraordinary things happen. I hope our year of prayer will set such a tone for our common life in the future.

I hope you enjoy reading this report and will thank God with me for all the good things going on. A huge thankyou to all of you for your prayer, love and support of our common mission.

With best wishes,

A handwritten signature in black ink, appearing to read 'Richard Jackson', with a cross symbol to the left.

The Rt. Revd Richard Jackson

Annual report

For the year ended 31 December 2022

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements of the company and its linked charities, for the year ended 31 December 2022.

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.

STRATEGIC REPORT

2. Strategic aims

The main role of the Hereford Diocesan Board of Finance ("HDBF") is to identify and manage the financial aspects of the provision of ministry within the Diocese so as to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further the strategic priorities in the Diocese.

The Diocese of Hereford has over 400 churches across 86 benefices (344 parishes) and 78 schools.

Vision: To proclaim Christ and grow disciples. Click [here](#) to view our vision for the Diocese.

Our Shared Strategic Aims (2023 – 2030)

A strategy:

- for buildings
- for welcoming new members and to go deeper in faith with all members
- to expand, support and equip the number of leaders, clergy and lay
- to grow younger
- for sustainable finance through giving and asset management.

Achievements and performance

2.1 Overview

Our Diocesan Mission Action Plan was created in 2016 after a series of 'Follow' events around the diocese. In 2021 we wanted to know how successful it had been and in 2022 we started to turn this listening into a new strategy.

A theological think tank did some initial thinking at the start of the pandemic about what we were learning. Listening events were held online with all the clergy and readers. A strategy review group was set up.

Feedback from the initial suggestions from the review group concluded a longer period of listening was needed, especially as COVID was continuing to hamper any meaningful recovery planning.

Surveys were put on the website; people were encouraged to feedback directly or as part of teams and specific focus groups were set for underrepresented group. This sat alongside the ten deanery listening events held around the diocese.

Listening Findings

Throughout the events we received many concerns in a variety of formats, but they broadly fell into the following categories:

1. Finances (sustainability, giving, Parish Offer)
2. Church Buildings (costs, use, maintenance)
3. Congregations (numbers, age profile, young people)

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For the year ended 31 December 2022

4. Clergy & Morale (tired, burnt out, some demoralised)

Truths

The Diocese is determined to support the parish structure, keep churches open and maintain a Christian presence in every community but the listening events have led us to need to face the following realities (*source - Statistics for Mission & Diocesan Annual Accounts 2021):

- Our Sunday attendance figures have declined by 24% between 2019-2021;
- Including the Cathedral there are only seventeen churches that usually get a congregation of over 50 on Sundays whilst 250 churches have fewer than 20 people attending.
- There are very few children at most acts of worship on a Sunday: the mission statistics are grim, but the reality is even worse;
- Most of the children and young people we are in contact with are through schools and, to a lesser extent, outreach events like Messy Church;
- Outside urban centres the average Anglican is 72;
- There is an excessive reliance on clergy in many places;
- Parish Offer has not kept pace with inflation, declining by 30% in real terms since 2019;
- The Hereford Diocesan Board of Finance is likely to have a structural operating deficit of c. £0.75-£1.0 million a year for the foreseeable future unless it can grow income and reduce expenditure. Many parishes and benefices are unsustainable in the sense that they are only meeting approximately two-thirds of the ministry costs of our 72 stipendiary clergy and 16 curates, with the HDBF providing top-up funding, only ten benefices currently cover the cost of their vicar, and 29 benefices cover less than half;
- HDBF has seen an increase in the value of its Diocesan Stipends (endowment) Fund of £7.5m since adopting Total Return accounting at the start of 2019, due mainly to one-off gains from the disposal of glebe land, although liquidity requirements to purchase clergy properties and fund the operating deficits mean that it also must sell assets periodically;
- There was consistent feedback from parish consultations that we have too many church buildings and often lack the capacity, energy and finances to realise their potential fully for local communities.

Key achievements

Serving our local communities:

- ❖ Provided regular services, Alpha and discipleship courses, Messy Church, Synods, conferences and many other church-led activities using a hybrid in person / online approach;
- ❖ extended pastoral care and support to people in need;
- ❖ supported local food banks through parish volunteers in order to meet increased demand;
- ❖ responded to a request from the local authority to provide more support for vulnerable and isolated people, in particular families displaced by the war in Ukraine
- ❖ delivered the 'Faith New Deal' project in partnership with the government and faith-based community groups

Education:

- ❖ Delivered significant improvements in performance of church schools, there are now no church schools that are in special measures;
- ❖ changed the relationship to form a closer link between the Board of Education and the Board of Finance;
- ❖ introduced a clear strategy for helping schools to consider becoming academies;
- ❖ oversaw the highest take up of the Schools Partnership Agreement;
- ❖ successfully supported schools through positive SIAMS inspections;
- ❖ conducted a wide consultation before setting out a clear strategy for schools considering becoming academies;

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For the year ended 31 December 2022

- ❖ developed partnerships with schools and enhanced oversight of Diocese of Hereford Multi-Academy Trust (DHMAT);
- ❖ continued to support schools to improve their governance arrangements, head teacher appointments assist with buildings (especially around net zero carbon) and in maintaining their Christian distinctiveness.

Safeguarding young people and vulnerable adults:

- ❖ Concluded a number of safeguarding case.
- ❖ trained many parish officers, conducted many DBS checks across all deaneries.
- ❖ oversaw safer recruitment and improved safeguarding policies

Mission and outreach:

- ❖ Extended Intergenerational Mission project into Condover, Ledbury, and Pontesbury deaneries;
- ❖ continued part-funding of the ambitious five year project with St Peter & St James Hereford to establish a city-based youth church with close links to Hereford's new university, the New Model Institute for Technology & Engineering;
- ❖ continued to support many, small rural parishes that would otherwise have struggled to continue to fund the cost of their ministry.

Learning and leadership:

- ❖ Developed diocesan pioneer learning community to identify new ways of being/doing church, with extensive joint working and best practice sharing;
- ❖ extended the 'Growing Leaders' course for laity;
- ❖ supported innovative deanery pastoral plan approaches and cross-working within deaneries;
- ❖ Bishop Richard continued to record a short video each week, providing biblical wisdom, insights and encouragement for everyone.

Supporting our 400 churches:

- ❖ Offered a wide range of training courses to our churches, including: safeguarding, quinquennial inspections, modern slavery, church tourism, encouraging giving and generosity, parenting for faith, funding for church buildings, valuing churchyards, establishing stronger links between schools and churches, 'Living in Love & Faith', 'Crossing the Threshold' workshop, racial and social justice conversations;
- ❖ produced a regular Community Partnership, Funding and Generous Giving e-newsletter, helping our churches to identify appropriate sources of funding and guidance;
- ❖ promoted benefits of the Parish Giving Scheme: 269 parishes had joined PGS with >2,500 PGS donors by year-end (approx. 85% of target);
- ❖ provided guidance to parish churches on digital giving solutions;
- ❖ enhanced communications by deepening diocesan social media presence.

Caring for the environment:

- ❖ Established a Net Zero Carbon steering group to develop and drive forward a differentiated approach to support the 'net zero by 2030' ambition within the Diocese (2020 CO₂ footprint estimated to be 5,500 tonnes), with key focus areas being glebe land, churches and churchyards, Voluntary Aided schools, clergy housing, training for clergy and laity, and multi-agency partnerships.
- ❖ worked ecumenically to promote A Rocha UK's Eco Church initiative across deaneries, continuing the journey towards Eco Diocese accreditation.

Financial stewardship:

- ❖ Entered year three of plans to sell parcels of glebe land with the aim of enabling the development of at least 240 new homes over a six year period. At least 46 of these will be affordable.

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For the year ended 31 December 2022

- ❖ monitored expenditure closely in order to contain the operating deficit before gains & losses to £438k (per management accounts), £575k favourable to budget, although the overall deficit level was largely due to marked decline in parish contributions compared to pre-pandemic levels.

2.2 The Christian presence

Clergy form a central part in the life of churches in the Diocese. In 2022, an average of 61.8 (2021: 63.2) trained stipendiary clergy and 16.2 (2021 17.0) curates were deployed in the Diocese; supporting them in their ministry, training and continued development is a key priority for HDBF and represents by far its largest financial commitment. Although the HDBF does not 'employ' the parish clergy, it is responsible for training and paying them, and contributing to their pension fund. In turn, generous Parish Offer contributions from every Parochial Church Council (PCC) are essential in meeting these ministry costs.

2.3 Public benefit

Through carrying out the above objectives and in promoting the whole mission of the church (pastoral, evangelistic, social and ecumenical) the trustees are confident, having had regard to Charity Commission guidance, that HDBF delivers public benefit through:

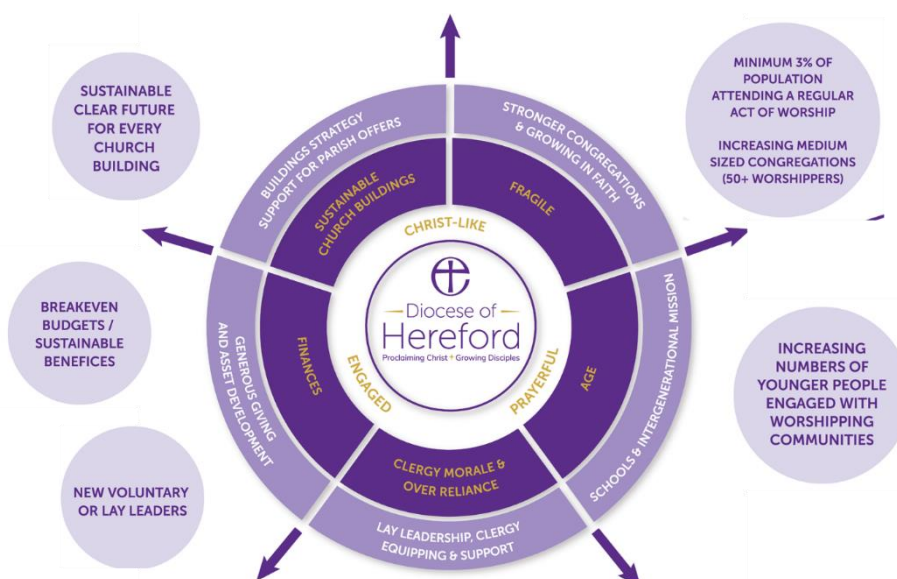
- providing facilities for public worship, pastoral care, and spiritual, moral and intellectual development, both for members and for anyone who wishes to benefit from what the Church offers;
 - The Diocese supports some 400 buildings in 350 parishes providing regular opportunities for public worship. As well as acts of worship, weddings and funerals, many of our buildings (in the absence of coronavirus restrictions) are accessed during the week for community activities.
- promoting Christian values, and service by members of local Anglican churches in and to their communities, for the benefit of individuals and society as a whole;
- community engagement, resourcing education (including our network of 78 schools) and supporting those in need both spiritually and physically.

3. Future plans

3.1 2023 and beyond

Our Strategy

Our action plan sets out the specific tasks required to help us achieve our vision and goals but the following narrative indicates the range of activities that we expect to see over the course of this 5 year strategy.



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The main premise of the plan accepts that the current model of ministry is not producing growth in numbers, partly because the role we are asking our clergy to do is unrealistic, and that there are not enough resources to cover what we currently have, let alone increase them. This means we need to stop trying to run faster with less, and re-design the whole structure.

Funding constraints mean there is a risk that we might need to reduce the number of stipendiary clergy over time, so the challenge is to secure long-term funding, whilst also increasing the number of self-supporting clergy and lay leaders, and finding new ways of treasuring our church buildings – without laying additional burdens on small numbers of volunteers in our rural communities.

We will do this by:

- Developing a creative **deployment plan** that carefully redeploys clergy to make sure we have the right people in the right place. This could involve some combining of benefices and deaneries in a strategic way to avoid unmanageable benefices. This would remove a few stipends but if we do it in a planned way, taking account of natural retirement ages, it could take eight years to fully transition.
- At the same time we will increase the support and training to existing **clergy** making sure they are **equipped for the future role**, regularly review their work and given manageable job roles.
- We are planning to train more **self-supporting ministers** and **lay leaders**. This aims to increase the level of the ministry on offer in parishes, not reduce it. We want to **release our excellent clergy to do more mission and discipleship work** and less work maintaining creaking parish structures and buildings management. We want to see a network of small groups training, praying, worshipping and learning together across the diocese.
- Post-COVID, HDBF has run an average annual operating deficit of close to £0.9m, which is why we need to explore ways of reducing our cost base. However, we will continue our highly developed **asset management strategy** to increase the value of our portfolio through creative property development, investigating new uses for land, selling poor-performing vicarages / houses and getting the best investment advice. This is not about 'selling the family silver'; it is about turning the silver into something even more valuable. In our central teams we will continue to look at our costs, find new ways to do things and set the tone for an engaged, generous, prayerful and creative diocese.
- Our asset development approach has boosted our Diocesan Stipends Fund enabling us release more to cover stipends and thereby **invest £250,000 of mission funds each year** in new projects specifically designed to stimulate growth and match fund other funders. This targeted investment is aimed at new initiatives to grow churches and congregations in our larger population areas in the hope that this rapid growth brings new energy, skills and money into the system that can be shared elsewhere. To date, this has funded work through the intergenerational missionaries, youth work through St Peter's and St James' Hereford, West Hereford, and chaplains at the two main Hereford City secondary schools, a pioneer church plant in Craven Arms, and supporting the deaneries of Kington & Weobley and Abbeydore to release the existing clergy.
- Finally, we will consider **new ways to keep our buildings open**. We don't want mass closures but it will be challenging to continue to heat, light, insure and maintain over 400 church buildings with the responsibility for this resting on just a small number of faithful members. We must find a new model and we will prioritise resources into investigating some of the emerging ideas coming forward from other dioceses and the national church.

Cultural Change

In a crisis there is a tendency to want to do and fix things. This often leads to structural or governance changes but fails to strike at the heart of the cultural transition that is required. We want to focus deeply on the following **diocesan values**:

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PRAYERFUL CHRISTLIKE ENGAGED

We are starting by encouraging a year of prayer in 2023. This may evolve into future 'years of' (e.g. the year of the Bible, to be more Christ-like, or a year of generosity).

Most of what we want to see changed is best achieved by encouraging and supporting local ministry to be effective. This is about making excellent appointments to lay and ordained roles before trusting and equipping them to do their job. The strategy is mostly about creating a framework to enable the local church to flourish but recognises that there are some things that will need to be stimulated centrally due to a lack of existing capacity or resources. There will be a need to focus on smaller, intense projects in key locations rather than trying to do everything everywhere. There will also need to be 'pruning of the vine' to maintain the overall health of the structure.

To be a sustainable Diocese we would expect to see the following Bold Outcomes by 2030:

1. (Growing) Many of our benefices having a least one congregation with a usual attendance of over 50 in rural areas or 100 in our market towns, with a minimum of 3% of the population attending a regular form of worship.
2. (Discipleship & wellbeing) We want worshipping communities to reflect our values, to be taught to know clearly what they believe and to feel able to share their everyday faith with others. We want to love, equip and care for our lay and ordained leaders to feel supported to carry out their calling and mission to enable a Christian presence in every community.
3. (Sustainable) We want at least 200 new voluntary or lay leaders to be trained and commissioned to support our stipendiary clergy to increase our ministry on offer. We want 75% of benefices to be sustainable, covering ministry costs and contributing towards others.
4. (Younger) We want to see an increased focus on children, youth and families alongside existing ministry with specific mission centres established that can support the wider diocese leading to growing 'intergenerational' worshipping communities of all ages.
5. (Buildings) We want to support our PCCs by creating a practical strategy to manage our buildings. We want to see many churches providing regular active worship. We want to honour and cherish our existing, smaller congregations by providing them with more regular non-stipendiary ministry but give permission for churches to close at a PCC's request.
6. We want to build on our network of 78 church schools by establishing close links between school, home and church. We will develop chaplaincy support in schools and colleges.

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For the year ended 31 December 2022

4. Financial review

4.1 Overview

2022 was the third successive year of financial challenge for the Hereford DBF following the COVID-19 pandemic, with only a modest overall recovery in Parish Offer contributions. The overall deficit for the year before investment gains and losses across all funds was £0.75m (2021: a deficit of £1.13m). This deficit comprised a net loss before investment gains/(losses) but including fund transfers of £(0.49)m (2021: £0.94m deficit) in unrestricted funds, £(0.06)m in restricted funds, and £(0.20)m in the endowment fund. The General fund outcome was £0.5m better than budget, and Trustees are confident that the DBF can deploy sufficient resources over the next few years to support its strategic goals, particularly as it draws on Total Return funds to invest in future growth initiatives.

Total income for the year increased 9.1% to £6.12m (2021: £5.61m). Parish contributions continue to provide the primary source of income for the DBF to pay for local stipendiary ministry and related costs. In some parishes, patterns of worship and attendance had still not recovered fully compared to pre-COVID pandemic levels, resulting in lower cash collections and fundraising. Parish Offer commitments for 2022 were £3.35m (2021: £3.37m), the collection rate was 97.7% (2021: 96.4%) with actual Parish Offer receipts nudging up to £3.29m (2021: £3.26m), although this represented a 6.4% decline in real terms.

Total expenditure for the year rose 2% to £6.87m compared to £6.74m in 2021. This was due primarily to an increase in restricted funds expenditure of £0.27k representing increased spending on mission and ministry projects. Reduced expenditure of £0.18m was also seen on the general fund, £0.07m of this is due to the movement of the Church of England pension scheme.

Net investment losses amounted to £2.3m (2021: £4.0m net gains) and a revaluation of fixed assets, mostly clergy housing resulted in a gain of £3.9m (2021: £5.0m). Gains relating to overage clauses (triggered by conditions that result in an uplift in land asset value subsequent to original sale) in the year amounted to £1.3m (2021: nil). The overall net movement in funds for 2022 after revaluation and overage gains was a surplus of £2.2m (2021: surplus of £7.9m). However, the net cash outflow from operating activities for the year was £(3.0)m (2021: net outflow of £(0.8)m).

The Unapplied Total Return ('UTR') element of the Endowment fund detailed in note 26 decreased by £0.1m (2021: £2.2m increase) during the year, resulting in a UTR of £15.8m as at 31 December 2022.

4.2 Comparison to budget

A key financial indicator for HDBF is actual performance compared to budget.

In November 2021, Diocesan Synod approved an overall operating budget deficit (based on the General fund, Diocesan Stipend fund and Pastoral fund) of £1,012k before investment gains & losses. The final management accounts result before year-end accounting adjustments was a deficit of £438k, a positive variance of £575k. In overall terms, this outcome was driven by better than expected levels of statutory fees, rental and investment income, and reduced clergy pension, housing and vacancy costs, as well as lower education and other diocesan support costs.

4.3 Significant property transactions

During the year, the DBF sold one house resulting in net proceeds of £0.39m. The DBF benefited from the activation of an overage clause on two plots of glebe land previously disposed of, generating net proceeds of £1.70m. In addition, the DBF entered into a binding contract in December 2022 for the disposal of a parcel of glebe land due to complete in June 2023, which will generate net proceeds of £0.90m.

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4.4 Balance sheet position

The Directors consider that the balance sheet indicates that restricted and endowment funds are held in an appropriate mix of investment and current assets, given the purposes for which the funds are held.

Net assets at the balance sheet date totalled £93.2m (2021: £91.0m), although it should be noted that £89.7m (2021: £87.0m) is held in restricted and endowment funds (mainly properties used for ministry and glebe assets) which cannot be used directly for the general purposes of the HDBF. The restrictions that relate to these funds are detailed in note 33 to the accounts. The movement in net assets of £2.2m in the year comprises the fixed asset unrealised revaluation gains of £3.9m, realised overage gains of £1.3m, partially offset by unrealised net investment losses of £(2.2)m and 2022 net operating expenditure of £(0.8)m.

4.5 Review of the Statement of Financial Activities by fund

Unrestricted General fund

The unrestricted General fund is summarised in the following table. The year-end adjustments made for the clergy pension liability creditor are shown separately. Favourable variances are shown as positive and unfavourable shown in brackets.

	2022	2021	Variance
	£'000	£'000	£'000
Income			
Parish Offer contributions	3,287	3,256	31
All other sources of income	1,346	1,290	56
Total income	4,633	4,546	87
Expenditure			
Raising funds and charitable activities before pension adjustments	(5,642)	(5,828)	186
Net gains on investments and disposals of fixed assets	(482)	535	(1,017)
Gains on revaluations of fixed assets	499	-	499
Transfers between funds (excluding pension movements):			
From the DSF ¹ for investment income arising	486	407	79
From HDBF Uniform Statutory Trust	60	60	-
From Pastoral re. St Barnabas Church, Hereford	120	-	120
Other	16	17	(1)
Total transfers between funds (excluding pension movements)	682	484	198
From General to DSF: reduction in pension deficit liability	(152)	(144)	(8)
Net movements in funds as per SoFA	(462)	(407)	(55)
General funds brought forward as at 1 January 2021	3,630	4,037	(407)
General funds carried forward as at 31 December	3,168	3,630	(462)

¹DSF: Diocesan Stipends Fund

Designated funds

In order to encourage mission within the Diocese, the Trustees have agreed to set aside £250k annually into a designated 'Total Return Mission Fund'. During 2022 £208k (2021: £147k) was applied to mission projects with the balance at the year-end standing at £346k (2021: £361k). As at 31 December 2022, commitments for approved projects totalled £1,252k, with future payments expected in the period 1 January 2022 to 31 December 2027.

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Restricted funds

As set out in note 24, the HDBF administers a number of restricted funds. As at 31 December 2022, restricted funds totalled £65.3m (2021: £63.3m). These funds are not available for the general purposes of the HDBF with the exception of surpluses arising on the Pastoral fund as set out in note 33. As at 31 December 2022 the Pastoral Fund surplus, as represented by cash and fixed asset investments, amounted to £6.3m (2021: £7.0m).

Endowment (Diocesan Stipends) fund

The Endowment fund recorded net income of £360k (2021: 281k) before investment gains. The fund is made up of two components: the Trust for Investment and the Unapplied Total Return. As at 31 December 2022, the balance on the Trust for Investment amounted to £8.6m (2021: £7.8m) and is not available for the general purposes of the HDBF. The balance on the Unapplied Total Return fund at the year-end was £15.8m (2021: £15.9m). The Unapplied Total Return fund is available to support clergy stipends over the long term.

4.6 Investment performance

Overall performance

The total value of all investments (including DSF endowment fund net current assets) at 31 December 2022 was £33.5m (2021: £35.1m) and the total return on investment was -2.5% (2021: +15.6%).

Listed investments for each fund are held with CCLA Investment Management Ltd and Rathbone Investment Management Ltd. Rathbone investment managers have a mandate to generate a return from each portfolio of CPI+4%, with a balance between capital growth and income, managed with a medium risk profile. From 1 January 2019, the Main, Pastoral and Diocesan Stipends Fund portfolios were managed on a total return basis and UST fund portfolio managed on a total return basis from 1 January 2022. In the year to 31 December 2022, the combined Rathbones portfolios achieved a total return of -12.2% (2021: +16.4%) compared to the composite benchmark of -6.3% (2021: 14.7%). The discrete 2022 performance clearly lagged the target level of return expected under the investment mandate of CPI+4% (2022 CPI+4% was +13.1% compared to 2021 CPI+4% of +6.6%), although this target is monitored over the long-term.

Towards the end of 2022, trustees agreed to invest over time a sum not to exceed 10% of the value of the investment portfolio managed by Rathbones in listed private equity shares. The aim of this section of the portfolio will be to achieve capital growth with a target return of CPI+5% over time. Trustees are willing to accept greater pricing volatility associated with private equity investments in return for the potential for higher returns over the long term.

Agricultural, commercial and industrial land and buildings (excluding school land) were valued at £7.8m at 31 December 2022 (2021: £7.8m). Rents receivable from glebe amounted to £127k (2021: £113k) – an income yield of 1.6% (2021: 1.6%).

4.7 Reserves policy

General unrestricted fund

HDBF's core responsibilities include the payment of stipends and pension contributions for parochial clergy, the provision and maintenance of clergy housing, and the selection and training of future clergy. HDBF also employs diocesan support ministers and staff who provide guidance and expertise to parishes in a variety of ways, as well as enabling the company to meet its legal and charitable obligations. A reserves policy is necessary to ensure that, in the event of significant reduction in income, or capital losses during periods of geopolitical or economic uncertainty, HDBF will be able to meet these financial commitments as they fall due whilst avoiding the need to resort to external borrowings.

In formulating a minimum reserve policy, consideration has been given to the following:

- Economic instability giving rise to a significant fall in Parish Offer;

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- Inflationary pressures above expectation;
- Unavoidable increases in expenditure.

In the light of the above, the Directors' policy is to maintain free reserves equivalent to at least four months' operating expenditure in cash and readily liquid assets in the general unrestricted fund.

Based on 2022 budgeted expenditure, the amount of free reserves required under this policy totals £2.0m. As at 31 December 2022, the unrestricted reserves (excluding property) stood at £2.2m, which included approximately £0.5m of Parish Offer monies received in December. This free reserves figure excludes £1.0m of General fund freehold property and office equipment that could only be realised through asset disposal. It also excludes £346k of designated fund, £65.3m of restricted fund and £24.4m endowment fund assets that are not available for the general purposes of the charity. Although the General fund year-end reserves figure of £2.2m is slightly above the minimum level indicated by the policy, the Directors consider this amount to be appropriate in view of future projected operating deficits and liquidity requirements. Management and trustees monitor reserve levels throughout the year and take remedial action as required.

4.8 *Grant making policy*

The Memorandum of Association of the HDBF permits the company to make grants in pursuance of its objects, and the nature of grants made in 2022 is indicated in note 14 to the financial statements.

4.9 *Going concern*

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. The trustees consider that there are no material uncertainties over the charity's financial viability in the short to medium term. Accordingly, they are satisfied it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

4.10 *Investment policy*

The HDBF is empowered by its Memorandum of Association to invest monies not immediately required for its purposes.

The HDBF's policy is to review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles.

HDBF's investment policies are based on two key policies:

- ethical investment – this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders;
- long-term responsibilities – Directors are aware of their long-term responsibilities in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions.

Investment policy for long-term funds is aimed primarily at generating a sustainable income with due regard to the need for the preservation of capital value and the possible need to realise investments to meet operational needs. The glebe investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

Glebe investments are held in agricultural land, property, equities and fixed interest securities.

Funds which may be needed for working capital in the short term are held as deposits with the Central Board of Finance administered by CCLA Investment Management Limited.

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For the year ended 31 December 2022

4.11 Total Return accounting

The law governing the use of Diocesan Endowment funds changed in 2016. Traditionally, permanent endowment funds draw income only, maintaining capital in perpetuity for the benefit of future generations. A Total Return investment approach allows the release of both income and capital gains for use by current beneficiaries. The Directors adopted Total Return accounting for the Diocesan Stipends Fund (DSF) with effect from 1 January 2019 by reference to the following:

- The date used for the initial value of the trust for investment was 31 December 1986.
- The initial value of the trust for investment was determined by reference to the cash, land (by acreage) and properties as detailed in the 1986 statutory accounts. Reasonable estimates for the land and properties were ascertained using valuations provided in the 1995 statutory accounts discounted to 1986 by appropriate indexes.
- CPIH was used to uplift the trust for investment giving rise to a valuation as at 1 January 2019 of £7.3m. The Unapplied Total Return fund as at 1 January 2019 amounted to £9.6m.

The Directors have adopted the following policy in determining the amount to be allocated from the unapplied total return fund (UTR) each year to the general fund to be used for clergy stipends, as detailed in note 26 to the accounts:

- All income that would have been credited to the general fund had a Total Return accounting policy not been implemented. To include dividend income, land rental income, special dividends and any other income such as dilapidations (where appropriate); *plus*
- An additional amount to be calculated as 0.5% of the DSF Rathbones' investment portfolio valued as at 1 January of each respective year; *plus*
- An additional £250k to be released annually to the general fund. An equivalent amount to be transferred from the general fund to the 'Total Return Mission Fund' to fund mission projects in the Diocese.
- CPIH is to be used as the inflationary measure to uplift the value of the trust for investment on an annual basis.

4.12 Linked charities: HDBE and UST

The Hereford Diocesan Board of Education (HDBE) is a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2019. The HDBE is accounted for as a 'branch' of HDBF and is a subcommittee of Bishop's Council and included within restricted funds. The HDBE has no income/expenditure and the value of the net assets at 31 December 2022 was £nil.

The Hereford Diocesan Board of Finance Educational Uniform Statutory Trusts Account (UST) is also a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2020. The UST is accounted for as a 'branch' of HDBF and included within restricted funds. None of the assets of the UST are available for the general purposes of the HDBF.

Income arising on the UST during 2022 amounted to £73k (2021: £51k) and was attributable to investment income. Expenditure amounted to £39k (2021: £50k) and was attributable largely to investment management costs and grants to schools. The trustees of the Hereford Diocese Board of Education have the discretionary authority to make grants from UST capital to support school building projects. In 2020 a loan was made from the UST to the Stottesdon School Trust, a Trust accounted for as a branch of HDBF. As at 31 December 2022, the loan stood at £141k (2021: £147k). This loan has been eliminated on consolidation of HDBF branches and repayments appear as a transfer between funds. A further transfer of £60k (2021: £60k) was made from the UST to the HDBF general fund to support the educational work of the Diocese.

The UST receives School Condition Allocations (SCA) funds annually from the Department of Education to fund school capital projects. These funds are not income of UST but rather the UST acts as agent to facilitate

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For the year ended 31 December 2022

the projects. The funds are ring-fenced and shown as a creditor of the UST. At the year-end, the SCA creditor amounted to £283k (2021: £856k).

The summary of the assets of the UST and the analysis of the movement in UST funds are shown in notes 24 and 25 respectively.

5. Principal risks & uncertainties

The Directors are responsible for the identification, mitigation and/or management of risk. To achieve this, the Board has compiled a register of all material risks together with mitigation plans and management controls to address these risks. This is subject to review by the Directors periodically with the responsibility for delivery of the mitigation strategies identified being delegated to the Diocesan Secretary.

The risk register identifies several areas where the risk of either failure to act or the impact of the events is considered 'high'. These areas and the associated mitigation strategies are:

5.1 *Decline in church attendance*

- Parishes, benefices and deaneries are being encouraged to consider a Mission Action Plan with a specific remit to consider how to achieve spiritual and numerical growth;
- To learn from the successes of the inter-generational missioner programme where the specific remit was to increase worshipping congregations and the number of younger people involved in church;
- Develop Messy / Forest Church initiatives, youth church projects, and support new church communities.

5.2 *Availability and effectiveness of stipendiary clergy* Recognising that the national Church faces a reduction in the number of ordained ministers over the next few years due to the age profile of existing clergy and the difficulties in recruiting to rural ministry, the Diocese is exploring innovative approaches to deployment and:

- Continuing to invest in a full-time director of vocations and ordinands to focus on helping (young) people to explore their call to stipendiary ministry, and encouraging all-age vocations in daily life and in church ministries;
- Raising stipends to place the Diocese of Hereford amongst the top quartile of English dioceses;
- Keeping interregnum periods to a minimum;
- Maintaining focus of supporting lay leaders, self-supporting ministers, voluntary ministers, supporting retired clergy to stay connected and growing local worship leaders as well as encouraging and recognising the vital ministry of Readers;
- Promoting and developing lay ministry, by offering diverse and flexible courses for initial and continuing training for a widening variety of ministries.

5.3 *Parish Offer and cash flow*

- Investing in intergenerational missioners to drive church growth, especially in market towns;
- Employing two full-time equivalent Parish Giving Advisers on a permanent basis;
- Encouraging open conversations about generous giving, stewardship and Parish Offer;
- Nurturing the growth of giving and fundraising forums in deaneries;
- Continuing to promote the national Parish Giving Scheme and legacy giving.

5.4 *Church buildings* The Diocese recognises that caring for historic church buildings can impose a burden on small parishes, or become a distraction from the core mission of the church, and that church closures can reduce parish income and add to diocesan costs. Hence the Diocese is:

Annual report

For the year ended 31 December 2022

- Pursuing its church building strategy, which includes the roll-out of 'Crossing the Threshold' and 'Mission and Mortar' toolkits to help parishes optimise the use of their church buildings or explore Festival Church status;
- Providing expert advice and guidance to parishes through the Diocesan Advisory Committee, Church Buildings Officer, and Community Partnership and Funding Officer;
- Encouraging PCCs to reduce running costs through 'smart purchasing' via the Parish Buying service;
- Helping PCCs to explore wider use of their church buildings as community assets.

5.5 Long-term effects of coronavirus pandemic There is still uncertainty about the longer-term effects of the COVID-19 pandemic, how it may affect general economic activity, income generation in parishes, depress investment returns, and change patterns of regular worship in church buildings. The Directors continue to monitor this situation carefully but consider that the HDBF will be able to weather any short to medium-term disruption.

6. Legal objects and responsibilities

The Diocese of Hereford covers the county of Herefordshire, the southern part of Shropshire and a few parishes in the counties of Worcestershire, Powys and Monmouthshire. The objects of the Diocese apply across this geographic area.

The HDBF's objects are to promote, aid, and further the religious and other charitable work of the Church of England in the Diocese of Hereford and, at the discretion of the trustees, elsewhere in the world including through:

- Supporting financially or otherwise training for ministry, clerical and lay;
- The maintenance and support of clergy and other persons connected with ministry or the work of the Church;
- the provision of pensions for ministers and their dependants in accordance with and subject to the Clergy Pensions Measure 1961.

The HDBF has the following statutory responsibilities: -

- the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976;
- the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- the management of investments and the custodian of assets relating to church schools under the Diocesan Board of Education Measure 1991;
- the custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

The strategic priorities of the company are established by the Diocesan Synod in communication with Deanery Synods, PCCs, and the Bishop of Hereford (in respect of his responsibility for the provision of the cure of souls). To this end, significant time and effort is committed to communication between and with these bodies, as well as with the church nationally; including an annual series of consultations on specific matters relating to the priorities for the forthcoming year, taking forward the commitments arising from synodical discussions including the diocesan budget.

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For the year ended 31 December 2022

7. Structure, governance and management

Information on the structure of the Church of England and National Church Institutions may be found on the Church of England's website.

Hereford Cathedral is the mother church of the Diocese and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its trustees' report and financial statements may be obtained from Hereford Cathedral, 5 College Cloisters, Cathedral Close, Hereford HR1 2NG. Tel: 01432 374200.

7.1 Organisational structure of the Diocese

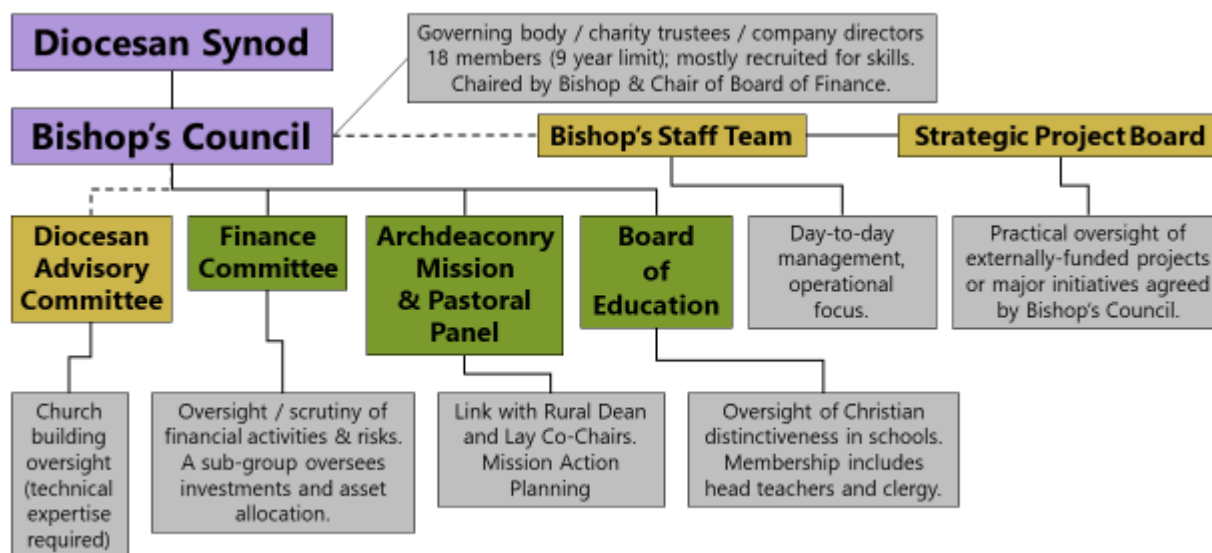
7.1.1 Geography

The Diocese of Hereford was created in c.676 and covers an area of 1,660 square miles encompassing all of Herefordshire, the southern half of Shropshire and small parts of Worcestershire, Powys and Monmouthshire. The overall population is approximately 325,000, a large proportion of which live in small, scattered communities of less than 500.

7.1.2 Overview of Board and Committee structure

The HDBF has delegated to the Bishop's Council all statutory functions under the Diocesan Boards of Finance Measure 1925, the Companies Acts and the Charities Acts as amended. Bishop's Council has responsibility for the day-to-day business of the company which it exercises by delegation to the Diocesan Secretary, who is supported by a number of heads of departments and their staff.

Some employed staff have job titles incorporating the title 'Director' but they are not directors of the company for the purposes of company law.



7.2 Company status

The Hereford Diocesan Board of Finance (HDBF) is a Company set up under the Diocesan Boards of Finance Measure 1925, as amended. It was incorporated on 27 July 1916 as a charitable company (No. 144467) limited by membership guarantees and is registered with the Charity Commission (No. 249685). Its governing documents are the Memorandum and Articles of Association, as amended 22 May 1953, 11 April 1962, 21 March 1986, 23 May 1994, 25 May 2010 and 2 March 2019.

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For the year ended 31 December 2022

Every member of Diocesan Synod is a member of HDBF for company law purposes and has a personal liability limited to £1 under their guarantee as company members in the event of its being wound up. The Company Directors of the HDBF form the Bishop's Council.

7.3 *Trustee training*

Trustees are appointed in line with the Hereford Synod / Diocesan Board of Finance Articles of Association and Standing Orders. Trustees are drawn from the membership of the Synod / Diocesan Board of Finance on a three-yearly cycle. Some trustees are appointed by virtue of their office while others are elected in line with standing orders. On appointment all trustees complete an induction day (held every three years) and are provided with two Charity Commission publications ('Trustee Handbook' and 'The Essential Trustee - What you need to know') together with copies of the previous year's accounts and the current year budget. New trustees are given a one-to-one briefing on the structure and organisation of the Church of England nationally, regionally and locally and given access to company policies, past papers and minutes to previous meetings. Meetings are designed to include space for trustees to be informed about key areas of business prior to decisions being made. Some ad hoc training for trustees is provided throughout the year and last year included safeguarding and the new mission and pastoral measure.

7.4 *Remuneration of key management personnel*

Emoluments of higher-paid employees are determined by a remuneration group consisting of four members of the Finance Committee. The terms of reference for this group was established by the Bishop's Council and includes regular appraisals, remuneration and salary benchmarking and consequent recommendation of changes.

7.5 *Directors' insurance*

Trustees' liability insurance (for trustees in their capacity as directors) has been maintained throughout the year for the benefit of the charitable company and its trustees.

7.6 *Funds held as custodian trustee*

The HDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements as the HDBF does not control them, and they are segregated from the HDBF's own assets by means of a separate accounting system. Further details of financial trust assets, whose market value amounted to £5.2m at 31 December 2022 (2021: £5.6m), are available from the HDBF on request.

7.7 *Related parties*

7.7.1 *General Synod, Church Commissioners and Archbishops' Council*

HDBF has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council based on an apportionment system to fund national training of ordinands and the activities of various national boards and councils. The stipends of the diocesan and suffragan bishops are borne by the Church Commissioners and are not reflected in the financial statements.

7.7.2 *Diocese of Hereford Multi-Academy Trust (DHMAT)*

HDBF works closely with this multi-academy trust (formerly known as the Bishop Anthony Education trust, created in 2013) as it seeks to foster, maintain and celebrate the Christian distinctiveness of church schools within the Diocese of Hereford.

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For the year ended 31 December 2022

7.7.3 Parochial Church Councils (PCCs)

HDBF is required by Parochial Church Councils (Powers) Measure 1956 to be custodian trustee in relation to PCC property, but the Company has no control over PCCs, which are independent charities. The accounts of PCCs do not form part of these financial statements. PCCs are able to influence the decision-making within HDBF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

7.7.4 Pension schemes

A money purchase scheme is available to all employees. HDBF contributes above the minimum employer contribution level required under the Pensions Act 2008. Since August 2015 all new employees have been automatically enrolled in the 'Pension Builder 2014' section of the Church Workers Pension Fund. The Pension Builder 2014 scheme is a hybrid scheme with a guarantee such that on reaching normal retirement age, the employee will receive, as a minimum, the contributions paid into the scheme on their behalf.

Ordained clergy are within the Church of England Funded Pensions Scheme (CEFPS).

8. Directors' responsibilities

The Trustees (Directors) 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 Directors to prepare financial statements for each financial year. Under that law the Directors 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 Directors 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 Directors are required to:

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the HDBF website. Legislation in England & Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

9. Statement of disclosure to the auditor

So far as the Directors are aware:

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

Annual report

For the year ended 31 December 2022

10. Reference and administrative details

10.1 Administrative details

Company limited by guarantee, registration number 144467

Charity registration number 249685

Registered office: The Diocesan Office, The Palace, Palace Yard, Hereford HR4 9BL

Telephone: 01432 373300

Email: diooffice@hereford.anglican.org

Website: www.hereford.anglican.org

10.2 Directors

The following served as Directors and Trustees from 1 January 2022 to the date this report was approved (unless shown otherwise):

Ex officio Directors:

The Rt Revd R C Jackson, Bishop of Hereford – President

Revd C J Rogers – Chair

The Very Revd S R D Brown

The Ven D C Chedzey

The Ven F R Gibson

RAdm P Wilcocks (until 9 April 2023)

Elected Directors:

Revd Preb W A Buck

Mrs J C Beavan

Revd G S Cole

Preb J A Davies (unit 13 Oct 2022)

Mr C H E Smith – Vice-Chair (until 8 March 2023)

Revd G P Smith

Ms S J Smith (until 13 October 2022)

Mr A C Wood – Vice-Chair (from 25 March 2023)

Nominated Directors:

Mrs R Gittins (until 13 Oct 2022)

Mr M R Hall

Mr T N Hone (until 9 December 2022)

Mr N A Sellar

Principal officers

Diocesan Secretary: Mr S R Pratley

Director of Finance: Mr S G P Herbert

10.3 Members of the Board

Since July 2010 membership of the Hereford Diocesan Board of Finance has, in common with many other dioceses, become co-terminus with membership of the Diocesan Synod.

10.4 Agents

Solicitors / Registrar

Gabbs Solicitors

14 Broad Street

Hereford

HR4 9AP

Investment managers

Rathbone Brothers PLC

8 Finsbury Circus

London

EC2M 7AZ

CCLA Investment Management Limited

One Angel Lane

London

EC4R 3AB

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For the year ended 31 December 2022

Bankers

Lloyds Bank PLC
8 High Town
Hereford
HR1 2AE

Glebe agents – agricultural

Berrys
Shiretown House
41-43 Broad Street
Hereford
HR4 9AR

Insurance agents

Ecclesiastical Insurance Office PLC
Beaufort House, Brunswick Road
Gloucester
GL1 1JZ

Independent auditor

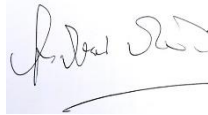
Crowe UK LLP
Round Greens Road
Oldbury
West Midlands
B69 2DG

The Directors' annual report is approved on behalf of the Board of Directors and the Strategic Report (included therein) is approved by the Board of Directors on 22 June 2023 and signed on its behalf by:



.....
Revd Jane Rogers

Chair
22 June 2023



.....
Mr Andrew Wood

Director
22 June 2023

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

Opinion

We have audited the financial statements of The Hereford Diocesan Board of Finance for the year ended 31 December 2022, which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes, 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 2022, 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 twelve 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 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.

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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 safeguarding vulnerable beneficiaries, health and safety, and employment (including taxation), 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 and Church of England Measures.

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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 and revenue recognition. 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; 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.



.....
Kerry Brown (Senior Statutory Auditor)

For and on behalf of Crowe UK LLP, Statutory Auditor

Round Greens Road, Oldbury, West Midlands B69 2DG

12 July 2023

Statement of financial activities

For the year ended 31 December 2022

		Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	funds	funds	2022	2021
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:							
Donations							
Parish Offer contributions	3	3,287	-	-	-	3,287	3,256
Archbishops' Council	4	393	9	625	-	1,027	729
Other donations	5	109	19	127	1	256	244
Charitable activities	6	411	-	-	-	411	403
Other trading income	7	352	-	17	-	369	305
Investment income	8	81	-	213	415	709	566
Other income	9	-	-	56	-	56	107
Total income and endowments		4,633	28	1,038	416	6,115	5,610
Expenditure on:							
Raising funds	10	109	-	52	56	217	242
Charitable activities: excl. pension deficit	11	5,598	208	910	-	6,716	6,486
Charitable activities: remeasurement of pension deficit liability	32	(65)	-	-	-	(65)	8
Total expenditure		5,642	208	962	56	6,868	6,736
Net (expenditure)/income before investment gains		(1,009)	(180)	76	360	(753)	(1,126)
Net gains/(losses) on investments		(482)	-	(1,214)	(558)	(2,254)	4,036
Net (expenditure)/income		(1,491)	(180)	(1,138)	(198)	(3,007)	2,910
Transfers between funds	23	530	165	(133)	(562)	-	-
Other recognised gains							
Gains on revaluation of fixed assets	15	499	-	3,300	133	3,932	5,009
Overage gains		-	-	64	1,250	1,314	-
Net movement in funds		(462)	(15)	2,093	623	2,239	7,919
Funds brought forward at 1 January		3,630	361	63,264	23,732	90,987	83,068
Funds carried forward at 31 December		3,168	346	65,357	24,355	93,226	90,987

All activities derive from continuing activities. The Notes on pages 29 to 62 form part of the financial statements.

Income and expenditure account

For the year ended 31 December 2022

	2022	2021
	£'000	£'000
Total income	5,699	5,257
Total expenditure	(6,812)	(6,664)
Operating deficit for the year	(1,113)	(1,407)
Net gains on investments	(1,696)	1,355
Net expenditure for the year	(2,809)	(52)
Other comprehensive income:		
Revaluation of fixed assets	3,799	4,843
Overage gains	64	-
Net assets transferred from endowments	562	513
Total comprehensive income	1,616	5,304

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

Balance sheet

For the year ended 31 December 2022

Company Number: 144467

		Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	Note	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Fixed assets							
Tangible assets	15	998	-	55,923	2,069	58,990	54,818
Investment property	17	-	-	518	7,781	8,299	8,263
Other investments	18	2,015	70	8,633	12,392	23,110	26,708
		3,013	70	65,074	22,242	90,399	89,789
Current assets							
Stocks		2	-	-	-	2	3
Debtors: amounts falling due within one year	19	305	9	55	829	1,198	289
Debtors: amounts falling after one year	20	9	-	4	-	13	8
Cash at bank & in hand		27	272	875	1,329	2,503	2,419
		343	281	934	2,158	3,716	2,719
Creditors: amounts falling due within one year	21	(188)	(5)	(651)	(45)	(889)	(1,521)
Net current assets/(liabilities)		155	276	283	2,113	2,827	1,198
Total assets less current liabilities		3,168	346	65,357	24,355	93,226	90,987
Creditors: amounts falling due after more than one year	22	-	-	-	-	-	-
Net Assets		3,168	346	65,357	24,355	93,226	90,987
Funds							
Unrestricted income fund	24	3,168	-	-	-	3,168	3,630
Designated funds	24	-	346	-	-	346	361
Restricted income funds	24	-	-	65,357	-	65,357	63,264
Endowment funds	24	-	-	-	24,355	24,355	23,732
Total funds		3,168	346	65,357	24,355	93,226	90,987

The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 22 June 2023 and signed on their behalf by:


Revd Jane Rogers

Chair

22 June 2023

Cash flow statement

For the year ended 31 December 2022

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Net cash outflow from operating activities		(3,041)		(785)
Cash flows from investing activities				
Dividends, interest and rent from investments		709		566
Proceeds from the sale of:				
Tangible fixed assets for the use of HDBF	387		1,550	
Fixed asset investments	11,357		4,290	
Proceeds from overage gains	1,315			
Purchase of:				
Tangible fixed assets for the use of HDBF	(598)		(10)	
Fixed asset investments	(10,049)		(4,813)	
Net cash provided by investing activities		2,412		1,017
Cash flows from financing activities				
Loan repaid to HDBF		4		4
Change in cash and cash equivalents in the reporting period		84		802
Net cash funds as at 1 January		2,419		1,617
Net cash funds as at 31 December		2,503		2,419
Notes to the cash flow statement				
<i>Reconciliation of net movements in funds to net cash flow from operating activities</i>				
Net movement in funds for the year ended 31 December		(753)		(1,126)
Add: depreciation & amortisation charges		10		10
Less: dividends, interest and rent from investments		(709)		(566)
(Loss)/profit on sale of functional assets		(40)		(92)
(Increase)/Decrease in stocks		1		(1)
Decrease/(Increase) in debtors		(918)		698
Increase in creditors		(632)		292
Net cash used in operating activities		(3,041)		(785)

No analysis of changes in net debt is presented as the charitable company has no borrowings.

Notes to the accounts

For the year ended 31 December 2022

1. Accounting policies

1.1 General information

Hereford Diocesan Board of Finance ("HDBF") is a charitable company limited by guarantee, incorporated in England and Wales (company registration number 144467) and registered with the Charity Commission (charity registration number 249685). The registered office address is The Diocesan Office, The Palace, Palace Yard, Hereford, HR4 9BL.

1.2 Accounting convention and basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in note 1.6, and fixed asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP (FRS 102), second edition effective 1 January 2019), the Companies Act 2006 and applicable accounting standards (FRS 102).

The HDBF meets the definition of a public benefit entity under FRS 102.

1.3 Income

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

- **Parish Offer** is recognised as income in the year in which it is receivable. Parish Offer relating to the year but received between 1 January and 31 January after the year end is included within other debtors.
- **Land rent** is recognised as income when receivable.
- **Property rental income** is recognised as income in the period to which it relates.
- **Interest and dividends** are recognised as income when receivable.
- **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- **Parochial fees** are recognised as income of the year to which they relate.
- **Donations** other than grants are recognised when receivable.
- **Gains on disposal of fixed assets for the HDBF's own use** (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.
- **Diocesan Stipends Fund** (endowment fund). The endowment fund is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends.

1.4 Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

- **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages, investment management costs of glebe and any other investments.

Notes to the accounts

For the year ended 31 December 2022

- **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure on education and Church of England schools in the Diocese and direct support for parishes and clergy.
- **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the HDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- **Support costs** consist of central management, administration and governance costs. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on a relevant basis as set out in notes 12 and 13.
- **Pension contributions.** The HDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 32). The pension costs charged as resources expended represent the HDBF's contributions payable in respect of the accounting period, in accordance with FRS 102. Deficit funding for the pension schemes to which HDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

1.5 Employee termination payments. All costs involved in terminating employee contracts are accounted for in the period to which they relate and are disclosed in aggregate in note 30.

1.6 Tangible fixed assets and depreciation

Freehold properties

Freehold properties are recognised at cost and subsequently measured at fair value. Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The HDBF 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. The Trustees perform annual impairment reviews in accordance with the requirements of FRS 102 to ensure that the carrying value is not more than the recoverable amount.

Investment properties

Glebe properties which are held for investment purposes and rented out are initially recognised at cost and subsequently measured at fair value at each reporting date.

Notes to the accounts

For the year ended 31 December 2022

Parsonage houses

The HDBF has followed the requirements of FRS 102 in its accounting treatment for benefice houses (parsonages). FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The HDBF 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 therefore consider the most suitable accounting policy is to capitalise such properties as restricted fund assets and to carry them at their estimated current market value. Revaluation gains or losses arising are reported within other recognised gains and Activities.

Other tangible fixed assets

All capital expenditure over £500 is capitalised and depreciated. Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of fixed assets over their currently expected useful economic lives on a straight line basis as follows:

Improvements to leasehold property	8 years
Plant & equipment:	
Office Fixtures and fittings	7-10 years
Computer equipment	5 years
Solar panels	20 years

Fixed asset investments

Fixed asset investments are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.

Glebe land with the potential for development is valued according to its agricultural value until such a time as either outline planning permission is received or a development agreement is in place, at which point it is revalued to reflect the development value, provided this can be determined with reasonable accuracy. The costs of reports and investigations incurred with the aim of obtaining outline planning permission for housing developments on specific glebe land is initially capitalised. The accumulated costs are scrutinised by the Directors at the end of each accounting year. In cases where the Directors believe that planning permission is unlikely to be obtained, the accumulated planning costs are treated as an investment loss and taken to the Statement of Financial Activities in the year in which the decision is made.

1.7 Financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost with the exception of investments which are held at fair value. Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. A specific provision is made for debts for which recoverability is in doubt. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

1.8 Debtors

Trade and other debtors are recognised at the settlement amount due.

Notes to the accounts

For the year ended 31 December 2022

1.9 Creditors and provisions

Creditors and provisions are recognised where the charity 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.

1.10 Equity share loan

The HDBF Educational Uniform Statutory Trust had one loan for which the settlement proceeds were based on the value of the equity in the property. As this constitutes a non-basic financial instrument under FRS 102 this loan has been recognised at fair value and is revalued at each reporting date. Any gains and losses arising at each year end are recognised within investment gains and losses in the SOFA. This loan was repaid in full during 2021.

1.11 Leases

The HDBF has entered into operating lease arrangements only for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or break clause where there is an expectation that this will be utilised.

1.12 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

1.13 Fund balances

Fund balances are split between unrestricted, restricted and endowment funds.

1.13.1 Unrestricted funds are the HDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the HDBF. There are two types of unrestricted funds:

- **General fund** which HDBF intends to use for the general purposes of the company; and
- **Designated funds** set aside out of unrestricted funds by the HDBF for a purpose specified by the Trustees. Such designations may be set aside from time to time according to policy decisions.

1.13.2 Restricted funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

As a matter of policy the Board has agreed that it should aim to achieve a capital base on the restricted pastoral fund sufficient to generate dividends and interest to meet average annual expenditure on essential property improvements.

1.13.3 Endowment funds are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment fund administered by the HDBF (Diocesan Stipends Fund), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment.

Notes to the accounts

For the year ended 31 December 2022

1.14 Trust funds

"Special trusts" (as defined by the Charities Act 2011), being any other trusts where the HDBF acts as trustee and controls the management and use of the funds, are included in the HDBF's own financial statements as charity branches. Trusts where the HDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the relevant note to the financial statements.

1.15 Linked charities

The HDBF's accounts aggregate the following charities linked by the Charity Commission to the HDBF. These charities are treated as branches of the HDBF and held within restricted funds.

- The Hereford Diocesan Board of Education (DBE) (linked charity number: 249685-1).
- The HDBF Educational Uniform Statutory Trust (UST) (linked charity number: 249685-2)

1.16 Going concern

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. The trustees consider that there are no material uncertainties over the charity's financial viability in the short to medium term. Accordingly, they are satisfied it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

1.17 Accounting for open schools and related Trust property

While a Church School continues to operate as such or is leased to a Local Authority or Academy for the purposes of a County School, it and any property attached thereto is not considered to have any current value to HDBF (as part of the Hereford Diocesan Board of Finance Educational Uniform Statutory Trust).

1.18 Accounting for closed schools and related Trust property

In 1953 a Scheme was made under Section 86 of the Education Act 1944. Under the Scheme the HDBF was made the governing body of the education foundations listed in the Scheme. Until closure, the governing body was required to administer a school in accordance with the trusts subsisting when the Scheme was made. In relation to the letting of premises included in the Scheme, the Board, as governing body, is bound by the general law applicable to trustees of charitable foundations. The application of the income and capital formerly laid down by the 1953 Scheme is now governed by the Uniform Statutory Trusts.

A Section 554 Order is usually made in respect of a closed school not included in the Section 86 Scheme. This allows the Department for Education to make an Order directing the sale of closed school premises where this has not already taken place and specifies the destination of the proceeds of sale and of the assets of trusts associated with the school. Such Orders may be made in respect of a school included in the Section 86 Scheme referred to above to allow part of the assets to be used other than as originally laid down in the Scheme, such as for the setting up of a local religious education fund. In making a Section 554 Order, the Department may take into account moral as well as legal claims and it is for the Department to decide what proportion, if any, comes to the Uniform Statutory Trusts. Once an Order is made and the Trustee is able to estimate the proceeds of the sale, based on professional advice, this amount is brought into the capital fund of the UST. If the school is redundant but a Section 554 Order has not yet been made or the net realisable value is so uncertain that any quantification might be misleading, this information is shown in a note to the accounts.

Notes to the accounts

For the year ended 31 December 2022

On the occurrence of a sale under Section 86 of the Act, the property on its closure immediately becomes an asset of the trust. If the Trustee owns the property, the estimated value will be brought into the capital fund of the UST. In all other cases if the Board considers an estimate of the capital value so uncertain that any quantification might be misleading, this information is shown in a note to the accounts.

Trustees of closed schools falling within the 'Reverter of Sites Act' have the duty to dispose of the asset at 'best value' and return the proceeds to the benefactor.

2. Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

2.1 Critical judgements

When a Church of England school closes, the site may revert back to the original owner, otherwise it will revert to the linked charity, the HDBF Educational Uniform Statutory Trust ("HDBF UST"). If it is to revert to the HDBF UST, there is a judgement as to the point at which the property is recognised. The policy adopted by the trustees is detailed in note 1.18.

Glebe land with the potential for development is valued according to its agricultural value until such a time as either outline planning permission is received or a development agreement is in place, at which point it is revalued to reflect the development value, provided this can be determined with reasonable accuracy.

2.2 Estimation uncertainty

Houses held as tangible fixed assets and houses held for investment are valued by the in-house Diocesan surveyor. The valuation is made using professional experience, relevant indices and by reference to the sale prices of similar properties in the same area.

Land and commercial properties are valued by the Directors by reference to a variety of land market surveys and property indexes as detailed in note 17.

Notes to the accounts

For the year ended 31 December 2022

3. Parish Offer contributions

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	General	Designated			2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Current year Parish Offer committed	3,350	-	-	-	3,350	3,370
Shortfall in commitments	(77)	-	-	-	(77)	(123)
	3,273	-	-	-	3,273	3,247
Received for previous years	14	-	-	-	14	9
	3,287	-	-	-	3,287	3,256

The Parish Offer system is based on annual commitments made by PCCs to contribute to the 'Common Fund' of the Diocese. Parish Offer receipts in 2022 represented 97.7% (2021: 96.4%) of the total commitments made. All Parish Offer receipts in 2021 related to the General fund.

4. Archbishops' Council

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	General	Designated			2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Lowest Income Communities funding (LInC)	368	-	-	-	368	298
Transitional support funding	12	-	-	-	12	92
Other grant funding	12	9	626	-	647	339
	392	9	626	-	1,027	729

The Lowest Income Communities (LInC) funding supports stipendiary ministry in the most deprived areas of the Diocese. The transitional funding is currently used to fund clergy stipends across the Diocese. In 2021 the LInC income and Transitional support funding was attributable to the General fund, other grant funding was attributable £23k to the General fund and £316k to Restricted funds.

5. Other donations

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	General	Designated			2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Trust income and grants	24	-	80	1	105	99
PCC partnership income	-	19	47	-	66	59
Benefact Trust (Ecclesiastical Ins.) - share of profits	77	-	-	-	77	80
Donations & sundry income	8	-	-	-	8	6
	109	19	127	1	256	244

In 2021, £24k of Trust income and grants was attributable to the General fund, £8k to Designated funds, £60k to Restricted funds and £7k to Endowment funds. PCC partnership income in 2021 was attributable £14k to Designated funds and £45k to Restricted funds. All other donations in 2021 were attributable to the General fund.

Notes to the accounts

For the year ended 31 December 2022

6. Charitable activities

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022 £'000	Total 2021 £'000
	General £'000	Designated £'000	£'000	£'000		
Fees for occasional offices	360	-	-	-	360	360
Income from educational activities	51	-	-	-	51	43
	411	-	-	-	411	403

All charitable activities related entirely to Unrestricted funds in both the current and prior year.

7. Other trading income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022 £'000	Total 2021 £'000
	General £'000	Designated £'000	£'000	£'000		
Rental income	352	-	15	-	367	304
Other trading income	-	-	2	-	2	1
	352	-	17	-	369	305

In 2021, £293k of the rental income was attributable to the General fund and £11k to Restricted funds. All of the other trading income in 2021 was attributable to Restricted funds.

8. Investment income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022 £'000	Total 2021 £'000
	General £'000	Designated £'000	£'000	£'000		
Rents receivable	-	-	14	126	140	122
Interest & dividends receivable	81	-	199	289	569	444
	81	-	213	415	709	566

£9k of the rents receivable in 2021 were attributable to Restricted funds, with the remainder attributable to Endowment funds. £71k of the interest & dividends receivable in 2021 were attributable to the General fund, £140k to Restricted funds and £233k to Endowment funds.

9. Other income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022 £'000	Total 2021 £'000
	General £'000	Designated £'000	£'000	£'000		
Redundant church costs recovered	-	-	17	-	17	15
Gain on disposal of fixed assets	-	-	39	-	39	92
	-	-	56	-	56	107

All other income in 2021 was attributable to Restricted funds.

Notes to the accounts

For the year ended 31 December 2022

10. Fund raising costs**10.1 Fund raising costs 2022**

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022 £'000
	General £'000	Designated £'000	£'000	£'000	
Land & property agents' fees	66	-	2	-	68
Glebe land maintenance & development	11	-	-	1	12
Property rental & other trading costs	-	-	16	-	16
Investment portfolio mgt fees	13	-	34	55	102
	90		52	56	198
Support costs (see note 12)	19	-	-	-	19
	109	-	52	56	217

10.2 Fund raising costs 2021

	Unrestricted funds		Restricted funds	Endowment funds	Total 2021 £'000
	General £'000	Designated £'000	£'000	£'000	
Land & property agents' fees	45	-	-	-	45
Glebe land maintenance & development	11	-	-	10	21
Property rental & other trading costs	4	-	38	-	42
Investment portfolio mgt fees	18	-	35	62	115
	78	-	73	72	223
Support costs	19	-	-	-	19
	97	-	73	72	242

Notes to the accounts

For the year ended 31 December 2022

11. Charitable activities

11.1 Charitable activities excluding remeasurement of pension deficit liability 2022

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022 £'000
	General £'000	Designated £'000	£'000	£'000	
Resourcing ministry and mission:					
Stipends and national insurance	2,331	-	147	-	2,478
Clergy pension contributions	634	-	-	-	634
Clergy Housing	630	-	114	-	744
Clergy moves & interregnums	97	-	-	-	97
Support for ministry	580	-	114	-	694
Mission and ministry projects	18	207	491	-	716
Allocated support costs	380	1	-	-	381
	4,670	208	866	-	5,744
Contributions to Archbishops' Council	414	-	-	-	414
Education	204	-	20	-	224
Parochial support	123	-	24	-	147
Grants and donations	8	-	-	-	8
Allocated support costs	179	-	-	-	179
Total expenditure on charitable activities excluding remeasurement of pension deficit liability	5,598	208	910	-	6,716

11.2 Charitable activities excluding remeasurement of pension deficit liability 2021

	Unrestricted funds		Restricted funds	Endowment funds	Total 2021 £'000
	General £'000	Designated £'000	£'000	£'000	
Resourcing ministry and mission:					
Stipends and national insurance	2,380	-	91	-	2,471
Clergy pension contributions	654	-	-	-	654
Clergy Housing	699	-	75	-	774
Clergy moves & interregnums	152	-	-	-	152
Support for ministry	524	-	109	-	633
Mission and ministry projects	26	147	242	-	415
Allocated support costs	375	-	1	-	376
	4,810	147	518	-	5,475
Contributions to Archbishops' Council	423	-	-	-	423
Education	210	-	67	-	277
Parochial support	104	-	31	-	135
Grants and donations	7	-	-	-	7
Allocated support costs	169	-	-	-	169
Total expenditure on charitable activities excluding remeasurement of pension deficit liability	5,723	147	616	-	6,486

Notes to the accounts

For the year ended 31 December 2022

12. Analysis of support costs

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Salary and employment costs	346	-	-	-	346	355
Property costs	48	-	-	-	48	43
Office costs	71	-	1	-	72	62
Legal and professional fees	74	-	-	-	74	73
General Synod representation	8	-	-	-	8	6
Governance costs	32	-	-	-	32	25
	579	-	1	-	580	564

All support costs in 2021 were attributable to the general fund except for £1k of office costs attributable to restricted funds.

13. Analysis of expenditure including allocation of support costs

13.1 Analysis 2022

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total 2022
	£'000	£'000	£'000	£'000
Raising funds:	198	-	19	217
Charitable activities: excl. pension deficit:				
Contributions to Archbishops' Council	-	414	7	421
Resourcing ministry and mission	5,022	340	382	5,744
Education	204	20	88	312
Parochial support	116	31	84	231
Other grants and donations	1	7	-	8
Charitable activities: pension deficit	(65)	-	-	(65)
	5,476	812	580	6,868

13.2 Analysis 2021

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total 2021
	£'000	£'000	£'000	£'000
Raising funds:	223	-	19	242
Charitable activities:				
Contributions to Archbishops' Council	-	423	5	428
Resourcing ministry and mission	4,932	167	376	5,475
Education	245	32	85	362
Parochial support	108	27	79	214
Other grants and donations	-	7	-	7
Charitable activities: pension deficit	8	-	-	8
	5,516	656	564	6,736

Notes to the accounts

For the year ended 31 December 2022

14. Analysis of grants made

14.1 Analysis 2022

	<i>Number</i>	<i>Individuals</i> £'000	<i>Institutions</i> £'000	Total 2022 £'000
From unrestricted funds - general fund:				
National church responsibilities:				
Contributions to Archbishops' Council	1	-	414	414
Grants to clergy	75	83	-	83
Ministry experience scheme	1	2	-	2
Support for ordinands in training	4	13	-	13
PCCs for church inspection fees	70	-	31	31
Other grants	2	-	7	7
	153	98	452	550
From unrestricted funds - designated funds:				
To support mission and ministry	11	-	35	35
From restricted funds:				
To support mission and ministry	243	1	206	207
To support school building projects	11	-	20	20
	418	99	713	812

14.2 Analysis 2021

	<i>Number</i>	<i>Individuals</i> £'000	<i>Institutions</i> £'000	Total 2021 £'000
From unrestricted funds:				
National church responsibilities:				
Contributions to Archbishop's Council	5	-	423	423
Grants to clergy	88	127	-	127
Ministry experience scheme	3	6	-	6
Support for ordinands in training	4	18	-	18
PCCs for church inspection fees	65	-	27	27
Other grants	2	-	7	7
	167	151	457	608
From unrestricted funds - designated funds:				
To support mission and ministry	1	-	10	10
From restricted funds:				
To support mission and ministry	1	-	6	6
To support school building projects	26	-	32	32
	195	151	505	656

Notes to the accounts

For the year ended 31 December 2022

15. Tangible fixed assets

	Freehold properties £'000	Leasehold property improvements £'000	Plant & equipment £'000	Total £'000
Cost or valuation				
At 1 January 2022	54,787	53	101	54,941
Additions	593	-	5	598
Disposals	(347)	-	-	(347)
Transfers	(1)	-	-	(1)
Revaluation	3,933	-	-	3,933
At 31 December 2022	58,965	53	106	59,124
Accumulated depreciation				
At 1 January 2022	-	53	71	124
Charge for the year	-	-	10	10
Disposals	-	-	-	-
At 31 December 2022	-	53	81	134
Net book value				
At 1 January 2022	54,787	-	31	54,818
At 31 December 2022	58,965	-	25	58,990

The leasehold property held at nil book value relates to the Diocesan Office in Hereford, the landlord being the Church Commissioners.

As at 31 December 2022, the Board was responsible for eight redundant churches. The value of these churches at this date is considered uncertain and not material and accordingly no value related to them has been included in these accounts. The Board was also responsible for St Barnabas Church, Hereford, and further details about this site are provided in note 34.

The Board and benefice houses were valued by the Board as at 31 December 2022 by taking advice from the employed Diocesan Property Surveyor (MCI0B). On 31 December 2022 there was a housing stock of 118 properties (2021: 117).

Due to the length of time properties have been held by the Board and the unavailability of historical accounting records it is not possible to provide a historical cost valuation for Board and benefice houses.

16. Capital commitments

There were no capital commitments as at 31 December 2022 (2021: £nil).

Notes to the accounts

For the year ended 31 December 2022

17. Investments held as Fixed Assets – Investment property

	As at 1 January 2022 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2022 £'000
Endowment funds						
Land	7,269	6	(852)	2	913	7,338
Buildings	506	-	-	-	(63)	443
	7,775	6	(852)	2	850	7,781
Restricted funds						
Buildings	488	-	-	-	30	518
Total	8,263	6	(852)	2	880	8,299

Endowment fund buildings at the year-end consists of one commercial property, which has been informally valued by the directors as at 31 December 2022.

Restricted fund buildings consist of houses held as investment properties. These have been valued by the Diocesan Surveyor (MCIOB) as at 31 December 2022.

The value of rural land was determined by the Directors. Due to the multiplicity of holdings and varying sizes and terms of occupation the cost of a professional valuation is deemed to be an imprudent use of charitable funds. The Directors used a variety of land market surveys to determine average land values at 31 December 2022. A discount was applied to 1986 Agricultural Holdings Act tenancies of 48% and Farm Business Tenancies of 26%. This constitutes an average yield of 1.5%. Other amenity tenancies/licences were discounted at 12.5% and vacant land was discounted at 5% to reflect the time taken to realise a value and reflect any restrictions on sale. Land for which planning permission has been received is valued according to its market value as determined by the Directors.

All glebe land is vested in and managed by the Board for the benefit of the Endowment (Diocesan Stipends) Fund in accordance with the terms of the Endowments and Glebe Measure 1976.

The historical cost of investment property land and buildings is unknown.

18. Investments held as Fixed Assets – Other investments

	As at 1 January 2022 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2022 £'000
Listed investments						
Unrestricted general fund	3,454	1,227	(1,284)	(900)	(482)	2,015
Designated funds	70	-	-	-	-	70
Restricted funds	9,151	3,122	(3,296)	900	(1,244)	8,633
Endowment funds	14,033	5,694	(5,405)	-	(1,930)	12,392
	26,708	10,043	(9,985)	-	(3,656)	23,110
Equity share loan						
Restricted fund - UST	-	-	-	-	-	-
Total	26,708	10,043	(9,985)	-	(3,656)	23,110

Listed investments are traded on London or comparable international stock exchanges.

The historical cost of listed investments held as at 31 December 2022 was £21.7m (2021: £20.3m).

Notes to the accounts

For the year ended 31 December 2022

19. Debtors: due within one year

	2022 £'000	2021 £'000
Other debtors	991	137
Prepayments & accrued income	187	148
Loan to Ludlow Mascall Centre ²	4	4
Loan to Stottesdon PCC ¹	16	0
	1,198	289

20. Debtors: due after one year

	2022 £'000	2021 £'000
Loan to Stottesdon PCC ¹	9	-
Loan to Ludlow Mascall Centre ²	4	8
	13	8

¹ The loan to the Stottesdon PPC of £25,343 (2021: £nil) is being repaid at £5,350 per month starting in October 2023, with interest chargeable at the bank base rate.

²The loan to the Ludlow Mascall Centre of £7,980 (2021: £11,980) is being repaid at £4,000 per annum, with interest chargeable at the Church of England's Central Board of Finance (CBF) rates.

21. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Other creditors and accruals	860	1,340
Taxation & Social Security	29	29
Pension deficit payments liability	-	152
	889	1,521

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

There were no amounts falling due after more than one year in either 2022 or 2021.

Notes to the accounts

For the year ended 31 December 2022

23. Analysis of transfers between funds

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated	funds	funds	funds
	£'000	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	60	-	(60)	-	-
From General fund to Endowment fund for reduction in pension deficit liability	(152)	-	-	152	-
From Endowment fund to General fund for stipends under Total Return (see note 26)	736	-	-	(736)	-
From General fund to the Total Return Mission Fund to support mission projects	(250)	234	16	-	-
From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements	-	(61)	61	-	-
Transfers to the General fund for manse costs	16	(8)	(8)	-	-
From Pastoral fund to General fund in respect of St Barnabas flat	120		(120)		-
From Pastoral fund to Endowment fund in respect of land at Bosbury	-	-	(22)	22	-
From Stottesdon School House Trust to UST in respect of loan			6 (6)		
	530	165	(133)	(562)	-

Comparatives for 2021 can be found in note 39 to these accounts.

Notes to the accounts

For the year ended 31 December 2022

24. Summary of assets by fund

	Tangible Fixed assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General Fund	998	2,015	343	(188)	3,168
Designated funds:					
Total Return Mission funds	-	70	281	(5)	346
	998	2,085	624	(193)	3,514
Restricted funds					
Pastoral Fund	55,923	6,183	133	(262)	61,977
Mission and Ministry Fund	-	-	4	-	4
Strategic Ministry Fund - curates	-	-	-	-	-
Ordinands in Training Fund	-	-	61	-	61
Strategic Development Fund	-	-	84	(28)	56
Strategic Capacity Fund	-	-	-	-	-
Other grant funds	-	-	71	(1)	70
Uniform Statutory Trust	-	2,497	541	(360)	2,678
Education funds	-	471	40	-	511
	55,923	9,151	934	(651)	65,357
Endowment funds					
Diocesan Stipends Fund	2,069	20,173	2,158	(45)	24,355
Total funds	58,990	31,409	3,716	(889)	93,226

Comparatives for 2021 can be found in note 38 to these accounts.

Notes to the accounts

For the year ended 31 December 2022

25. Analysis of movements in funds

	Balance at 1 Jan 2022 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	Balance at 31 Dec 2022 £'000
Unrestricted funds						
General reserve	3,630	4,633	(5,642)	530	17	3,168
Designated reserves:						
Total Return Mission funds	361	28	(208)	165	-	346
Total unrestricted funds	3,991	4,661	(5,850)	695	17	3,514
Restricted funds						
Pastoral Fund	59,576	204	(172)	(142)	2,511	61,977
Mission and Ministry Fund	9	-	(5)	-	-	4
Ordinands in Training Fund	49	119	(107)	-	-	61
Strategic Ministry Fund - curates	-	147	(147)	-	-	-
Strategic Development Fund	38	184	(219)	53	-	56
Strategic Capacity Fund	8	-	(8)	-	-	-
Other grant funds	18	302	(266)	16	-	70
Education Funds	517	10	-	(6)	(10)	511
Uniform Statutory Trust	3,049	72	(38)	(54)	(351)	2,678
Total restricted funds	63,264	1,038	(962)	(133)	2,150	65,357
Endowment funds						
Diocesan Stipends Fund						
- Investment Fund	7,839	-	-	721	-	8,560
- Unapplied Total Return	15,893	416	(56)	(1,283)	825	15,795
Total endowment funds	23,732	416	(56)	(562)	825	24,355
Total movement in funds	90,987	6,115	(6,868)	-	2,992	93,226

Comparatives for 2021 can be found in note 40 to these accounts.

Notes to the accounts

For the year ended 31 December 2022

26. Endowment Fund – Total Return

	Investment Fund £'000	Unapplied Total Return £'000	Total Endowment £'000
At 1 January 2022	7,839	15,893	23,732
Movements in the reporting period:			
Dividends and interest	-	289	289
Glebe land rent	-	101	101
Glebe commercial property rental income	-	25	25
Trust income	-	1	1
Realised and unrealised gains and (losses)	-	(425)	(425)
Transfer from general fund for reduction in clergy pension deficit payments liability	-	152	152
Overage gains	-	1,250	1,250
Land at Bosbury transferred from Pastoral fund	-	22	22
Less:			
Investment management costs	-	(55)	(55)
Glebe land development costs	-	(1)	(1)
Indexation using CPIH: 9.2%	721	(721)	-
	721	638	1,359
Unapplied Total Return allocated to income to be used for stipends:			
- Equating to dividend, interest and rents	-	(415)	(415)
- Equating to 0.5% of equity investments	-	(71)	(71)
- Additional annual transfer	-	(250)	(250)
	-	(736)	(736)
Net movements in report period:	721	(98)	623
At 31 December 2022	8,560	15,795	24,355

The trustees adopted a Total Return accounting approach under the Diocesan Stipend Funds (Amendment) Measure 2016 with effect from 1 January 2019. Comparatives for 2021 can be found in note 41.

Notes to the accounts

For the year ended 31 December 2022

27. Net income for the year

Net income for the year is stated after charging:

	2022 £'000	2021 £'000
Depreciation of tangible fixed assets	10	10
Rentals charged under operating leases	16	16
Amounts payable to external auditors for:		
- statutory audit	27	26
- tax advisory services	-	-

28. Financial commitments – operating leases

Total future minimum lease payments under non-cancellable operating leases were as follows:

	2022 £'000	2021 £'000
Minimum lease payments payable:		
Within one year of the balance sheet date	2	1
Within two to five years of the balance sheet date	7	-

Total future minimum lease payments receivable under non-cancellable operating leases were as follows:

	2022 £'000	2021 £'000
Minimum lease payments receivable		
Within one year of the balance sheet date	24	24
Within two to five years of the balance sheet date	38	62

29. Post balance sheet events and contingent liabilities

There were no post balance sheet events or contingent liabilities as at 31 December 2022.

30. Staff costs

Staff costs were as follows:

	2022 £'000	2021 £'000
Gross salaries and wages	1,160	1,128
Social Security costs	113	104
Pension contributions	114	122
	1,387	1,354

Included in staff costs in 2021 is an amount of £8,168 relating to compulsory redundancy payments.

The above figures include the Diocesan Director of Education (DDE), employed jointly by HDBF and DHMAT, a related party. Employment costs of the DDE are administered by DHMAT and recharged to HDBF.

Notes to the accounts

For the year ended 31 December 2022

The monthly average number of persons employed during the year by head count:

	2022		2021	
	Number Full-time	Number Part-time	Number Full-time	Number Part-time
Support ministers / staff	7.7	11.8	10.0	9.0
Education	2.0	2.0	2.0	2.0
Diocesan officers	3.0	1.0	3.0	1.0
Diocesan administration staff	3.3	5.6	2.0	6.3
Grant funded Intergenerational Missioners	2.4	2.3	3.5	3.0
Grant funded support staff	0.3	1.0	-	1.0
Grant funded deanery staff	-	1.0	-	1.0
	18.6	24.7	20.5	23.3

The average number of persons employed during the year based on full-time equivalents:

	2022 Number	2021 Number
Support ministers / staff	15.3	15.1
Education	3.2	3.2
Diocesan officers	3.8	3.8
Diocesan administration staff	6.9	6.0
Grant supported Intergenerational Missioners	3.8	5.3
Grant funded support staff	1.1	0.8
Grant funded deanery staff	0.7	0.7
	34.7	34.9

These staff numbers do not include the Archdeacon of Ludlow, who is paid through the Church Commissioners.

The number of employees whose emoluments for the year exceeded £60,000 (including benefits in kind but excluding pension contributions) was as follows:

	2022 Number	2021 Number
£70,000 - £80,000	1	1

30.1 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 2022 they were:

Diocesan Secretary	Mr S R Pratley
Director of Education	Mr A Teale
Director of Finance	Mr S G P Herbert

Remuneration (including employer's National Insurance) and pensions for these employees amounted to £225,486 (2021: £223,200).

Notes to the accounts

For the year ended 31 December 2022

30.2 Trustees' emoluments

No Trustee received any remuneration for services as Trustee. Four Trustees received travelling and out-of-pocket expenses totalling £2,359 (2021: £1,469 4 trustees) in respect of General Synod duties, duties as Archdeacon or Rural Dean, and other duties as Trustees.

The Church Commissioners are responsible for the stipends and housing of the Diocesan Bishop and the stipend of the Archdeacon of Ludlow (ex officio trustees). Parochial clergy, the Archdeacon of Hereford and support ministers who are trustees of the HDBF, whether ex officio, elected, appointed or co-opted, are in receipt of a stipend, housing and training/sabbatical grants paid via the Board by virtue of their office. One trustees received a CME grant totalling £225 (2021: 2 trustees received a clergy resettlement grants of £5,054).

The following table gives details of Trustees who were in receipt of a stipend and housing provided by the HDBF during the year:

	Stipend	Housing/ housing allowance
The Ven D Chedzey	Yes	Yes
Revd Preb W A Buck	Yes	Yes
Revd G Cole	Yes	Yes
Revd G Smith	Yes	Yes
Preb J Davies (resigned as trustee 13 Oct 22)	Yes	Yes

The Board also met the stipends, pensions and social security costs of an average of 82 (2021: 83) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2022 £'000	2021 £'000
Stipends	2,310	2,308
National insurance contributions including Apprenticeship levy	205	197
Pension costs - current year	747	690
- deficit reduction	87	152
	3,349	3,347

The stipends of the Diocesan Bishop, and Archdeacon of Ludlow, were paid for and funded by the Church Commissioners.

31. Related parties

Herefordshire Vennture, a charitable organisation of which Revd J Rogers (HDBF Chair of Trustees) and Mr S Pratley (Diocesan Secretary) are trustees, leased office space within the HDBF St Barnabas Church property at Enil for the year (2021: £4,590). The balance outstanding at the end of the year was £nil (2021: £nil).

The Diocese of Hereford Multi-Academy Trust (DHMAT) is a related party to HDBF by virtue of the following:

- Mr A Teale (Diocesan Director of Education) is also a Director of DHMAT.
- Mr S Pratley (Diocesan Secretary) is also a member of DHMAT with the power, among other things, to appoint and remove trustees.

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For the year ended 31 December 2022

During the year, invoices net of VAT totalling £7,350 (2021: £6,375) for partnership costs were raised from HDBF to DHMAT. The balance outstanding at the end of the year was £nil (2021: £6,375).

During the year, invoices net of VAT totalling £60,637 (2021: £62,364) were raised from DHMAT to HDBF for salary and administration costs. The balance outstanding at the year-end was £nil (2021: £nil).

The Diocese of Hereford Educational Trust (DHET) is a related party of HDBF as detailed below. During the year there were no transactions between HDBF and DHET:

- Mr A Teale (Diocesan Director of Education) and Mr S Pratley (Diocesan Secretary) are also directors of DHET.

Hereford Cathedral is a related party of HDBF. Bishop's Council select two members to sit on the Cathedral Council for a period of 5 years and the Dean of Hereford Cathedral is also an ex-officio Director of HDBF. During the year, invoices net of VAT totalling £3,816 were raised from HDBF to the Cathedral for safeguarding costs (2021: £1,381). The balance outstanding at the year-end was £389 (2021: £nil). During the year, invoices net of VAT totalling £7,167 (2021: £4,686) were raised from the Cathedral to HDBF for salary and administration costs. The balance at the year-end was £nil (2021: £nil).

The Ven D Chedzey (an HDBF Trustee) is also Vice Chair of Trustees of the Hereford Historic Churches Trust. During 2021, HDBF received a grant from the Hereford Historic Churches Trust amounting to £10,000 (2021: £nil). The balance at the year-end was £nil (2021: £nil).

The Ven D Chedzey (an HDBF Trustee) is also a Trustees of LEAF – Locally Encouraging All to Flourish. During 2021, HDBF made a grant to LEAF – Locally Encouraging All to Flourish for £13,500 (2021: £10,000). The balance at the year-end was £nil (2021: £nil).

N Sellar (an HDBF Trustee) is also a Trustees of Halo Leisure Services Ltd. During 2021, HDBF paid £227 (2021: £nil) to Halo Leisure Services in relation to room hire. The balance at the year-end was £nil (2021: £nil).

32. Pension commitments

32.1 Church of England Funded Pension Scheme (CEFPS)

The Hereford Diocesan Board of Finance participates in the Church of England Funded Pension Scheme for stipendiary clergy, a defined benefit pension scheme, and as at 31 December 2022 had 80 members in the scheme (2021: 87). This scheme is administered by the Church of England Pensions Board, which holds the assets of the Scheme 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 this means 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 £765k (2021: £703k), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £696k for 2022 (2021: £711k).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out as at 31 December 2021. The 2021 valuation revealed a surplus of £560m, based on assets of £2,720m and a funding target of £2,160m, assessed using the following assumptions:

- An average discount rate of 2.7% p.a.;
- RPI inflation of 3.6% p.a. (and pension increases consistent with this);
- CPIH inflation in line with RPI less 0.8% pre 2030 moving to RPI with no adjustment from 2030 onwards;
- Increase in pensionable stipends in line with CPIH;
- Mortality in accordance with 90% of the S3NA tables, with allowance for improvements in mortality

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rates in line with the CMI2020 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter of 7, an initial addition to mortality improvements of 0.5% pa and an allowance for 2020 data of 0%

Following the 31 December 2018 valuation, a deficit recovery plan was put in place until 31 December 2022 and the deficit recovery contributions (as a percentage of pensionable stipends) were as set out in the table below. An interim reduction to deficit contributions to 3.2% of pensionable stipends was made with effect from 1 April 2022. Following finalisation of the 31 December 2021 valuation, deficit contributions ceased with effect from 1 January 2023, since the Scheme was in surplus.

As at 31 December 2020 and 31 December 2021 the deficit recovery contributions under the recovery plan in force were as set out in the table below. For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

	Jan 2018 to	
% of pensionable stipends	Dec 2020	Jan 2021 to Dec 2022
Deficit repair contributions	11.9%	7.1%

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability.

However, as there are no agreed deficit recovery payments from 1 January 2023 onwards, the balance sheet liability as at 31 December 2022 is nil. The movement in the balance sheet liability over 2021 and over 2022 is set out in the table below.

	2022 £'000	2021 £'000
Balance sheet liability as at 1 January	152	296
Deficit contribution paid	(87)	(152)
Interest cost (recognised in the SOFA)	-	-
Remaining change to the balance sheet liability* (recognised in SoFA)	(65)	8
Balance sheet liability as at 31 December	-	152

*Comprises change in agreed deficit recovery plan, and change in discount rate and inflation 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. No assumptions are needed for December 2022 as there are no agreed deficit recovery payments going forward. No price inflation assumption was needed for December 2021 since pensionable stipends for the remainder of the recovery plan were already known.

	December 2022	December 2021	December 2020
Discount rate	n/a	0.0% p.a.	0.2% p.a.
Price inflation	n/a	n/a	3.1% p.a.
Increase to total pensionable payroll	n/a	-1.5% p.a.	1.6% p.a.

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For the year ended 31 December 2022

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

32.2 Church of England Pension Builder Scheme

Hereford Diocesan Board of Finance 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 scheme separately from those of the Employer and the other participating employers.

The Church Workers Pension Fund 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'.

Pension Builder Scheme

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes. HDBF has no members in the Pension Builder Classic Scheme.

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. Discretionary bonuses may be added before retirement, depending on investment returns and other factors. The account, plus any bonuses declared is payable, unreduced, from age 65.

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 means 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 the contributions payable (2021: £72k, 2020: £67k).

A valuation of the Pension Builder scheme is carried out once every three years; the most recent was carried out as at 31 December 2019. The next valuation is due as at 31 December 2022.

For the Pension Builder 2014 section, the valuation revealed a surplus of £5.5m 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, Hereford Diocesan Board of Finance could become responsible for paying a share of that employer's pension liabilities. The directors have assessed this risk and consider it to be minimal.

At 31 December 2021, HDBF had 31 active members (2021: 36) in the Pension Builder 2014. Contributions outstanding at the year end amounted to £nil (2021: £nil).

32.3 Hereford Diocesan Board of Finance: other staff pension arrangements

The Hereford Diocesan Board of Finance contributes to individual money purchase policies operated by pension providers chosen by individual employees. The assets of these schemes are held separately from those of the Board, being invested with third party pension and insurance companies.

Contributions to the various schemes during the year totalled £24,030 (2021: £22,941) and were charged to the Income and Expenditure Account. Contributions outstanding at the year-end amounted to £1,543 (2021: £1,384).

Notes to the accounts

For the year ended 31 December 2022

33. Description of funds

General fund The General Fund is the HDBF's unrestricted undesignated fund available for any of the HDBF's purposes without restriction.

Designated funds

Total Return Mission Funds

This relates to monies transferred by the trustees on a fixed annual basis from the general fund to fund large mission projects that adhere to strict criteria. It is also used to provide match funding for strategic development bids. The funds are monitored by the Strategy steering group.

Designated funds can be undesignated and returned to the general fund by the trustees.

Endowment fund

Diocesan Stipends Fund

The expendable endowment (Diocesan Stipends) Fund is an expendable endowment fund from which the Board draws income to meet part of the cost of clergy stipends.

The fund was substantially affected by the provision of the Endowments and Glebe Measure 1976.

From 1 April 1978, incumbent clergy received from the Church Commissioners guaranteed annuities and personal grants equal in total to the net endowment income of their respective benefices prior to that date.

All other income previously attaching to a benefice including glebe income, along with income applicable to non-incumbent clergy, has been allocated to this expendable endowment (diocesan stipends) fund from that date.

From 1 January 2006, all stipendiary clergy were invited to relinquish their rights to guaranteed annuities and personal grants under a policy from the Church of England. All relevant HDBF clergy have relinquished those rights.

The income of the Diocesan Stipends Fund is used to support the cost of stipends. The capital is available to acquire, develop or improve glebe land & buildings at the request of the Bishop and the concurrence of the Board.

With effect from 1 January 2019 the HDBF trustees adopted a Total Return Accounting approach to the Diocesan Stipends Fund. The Fund is now split into two components:

- **Investment Fund** (or Trust for Investment): this represents the original value of the endowment uplifted each year by an inflationary measure;
- **Unapplied Total Return**: this represents the amount of the Diocesan Stipends Fund over and above the value of the Trust for Investment.

Restricted funds:

Pastoral Fund

The Diocesan Pastoral Account is used to support activities within the remit of the Diocesan Mission and Pastoral Committee (DMPC) as set out in the *Mission and Pastoral Measure 2011 (No.3)*. This will include expenditure on any property vested by or under this Measure in the Church Commissioners or the DBF, and grants and loans for parsonage and church provision, restoration, improvement or repair.

Where the DBF is satisfied that any monies in the diocesan pastoral account are not (likely to be) required for meeting the expenses or expenditure referred to in this section it may:

Notes to the accounts

For the year ended 31 December 2022

1. apply those monies by way of grant or loan to the provision, restoration, improvement or repair of churches and parsonage houses in the diocese, including the repair of any building closed for regular public worship vested in the Board pending the coming into operation of arrangements under a pastoral (church buildings disposal) scheme, or to other purposes of the diocese or any benefice or parish in the diocese; or
2. apply those monies by way of grant or loan for the benefit of another diocese, either generally for those purposes or for such of those purposes as the Board may specify; or
3. transfer those monies to the capital or income account of the diocesan stipends fund; or
4. transfer those monies to one or more other accounts or funds held by the Board or apply or transfer them partly to such other accounts or funds and partly as provided in paragraphs (1) to (3). [Mission and Pastoral Measure 2011 section 94(4)].

Mission and Ministry Fund

Prior to 2018, the Church Commissioners made an annual grant to HDBF for the restricted purpose of mission and ministry work within the Diocese. The grant income has now ceased and the fund is gradually being depleted as mission grants are awarded.

Ordinands in Training Fund

This restricted fund has arisen as a result of a change in the method of funding the training costs of ordinands. Prior to 2017, the training and residential costs were funded directly from the Church of England's Ministry Division. From 1 January 2017, a block grant has been receivable by HDBF, out of which training and maintenance costs are met. Any unused funds at the end of each year can only be used to fund future training and maintenance costs.

Education Funds

These relate to two Educational trusts: St Mary's School Trust (Bucknell School House) and Stottesdon School Foundation. Both trusts are managed by the Diocesan Board of Education. They had previously been included within custodian trustee accounts, but under the Charity Commission directive linking the Hereford Diocese Board of Education and HDBF in 2019, these are now included as restricted funds under branch accounting.

Strategic Development Fund

This fund relates to projects which have received funds from the Archbishops' Council Strategic Development Fund (SDF) together with any associated parish funding and HDBF match funding. This fund related wholly to the 'Intergenerational Missioner' project employing seven Intergenerational Missioners across six market towns in the Diocese. The main part of this five year project concluded in December 2022. The Intergenerational Missioner project is funded 25% by local PCC contributions, 50% from Archbishops' Council (SDF), and 25% by HDBF.

Notes to the accounts

For the year ended 31 December 2022

Strategic Capacity Fund

Monies received from the Archbishops' Council Strategic Capacity Fund (SCF) to fund the employment of a Programme Manager for three years to facilitate the implementation of projects and growth initiatives throughout the Diocese.

Other Grant Funds

Other grant funds relate to grants received from third parties by HDBF to be administered as directed.

Uniform Statutory Trust Fund

The Hereford Diocesan Board of Finance Educational Uniform Statutory Trust (UST) is a registered charity linked by the Charity Commission to HDBF of which the HDBF is the sole trustee. The principal activity of the UST is the advancement of Christian education in the Diocese. Under SORP (FRS 102), the charity is accounted for as a branch of HDBF and shown within restricted funds. The capital and income may be applied as follows:

1. in or towards the purchase of a site for, or the erection, improvement or enlargement of, the premises of any relevant school in the area or a teacher's house for use in connection with any relevant school in the area;
2. for the maintenance of any relevant school in the area;
3. the maintenance of a teacher's house for use in connection with any relevant school in the area.

In addition, the income may be applied as follows:

4. for the provision of advice, guidance and resources in connection with any matter related to the management of, or education provided at any relevant school in the area;
5. the provision of services for the carrying out of any inspection of any relevant school in the area;
6. to defray the cost of employing staff in connection with points 1. and 2. above.

34. St. Barnabas Church, Hereford

This property is owned by the Hereford Diocesan Board of Finance, and was until 30 June 2006 made available on licence to the parish of All Saints' Hereford for the conduct of divine worship. From June 2006, the parish of All Saints no longer required the building for their parish mission and the property vested in the HDBF. From July 2017, the property was leased to two charitable organisations: Vennture, and Oasis Church Hereford. In 2022, following discussions with the lessees, DBF trustees decided to put the site on the open market for sale. The DBF received multiple expressions of interest for the site and signed a 'heads of terms' agreement with one bidder. As the Church Commissioners remain responsible for the small consecrated portion of the site, they are currently undertaking a consultation process seeking public feedback on the proposed sale of the site. If the Commissioners support a sale in principle, the purchaser will submit a full planning application detailing their future plans for the site to Herefordshire Council for their review and decision. In the meantime, the Directors have valued the property at the purchaser's bid price less fees, and this is figure included within the freehold properties total shown in note 15.

35. Corporation tax

The Company is a registered charity and as such its income and gains falling within Sections 471 to 489 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

Notes to the accounts

For the year ended 31 December 2022

36. Closed schools

36.1 *Sarn School*

Sarn School closed in August 2006 and was subject to the Reverter of Sites Act. An agreement was reached between the Trustee and the Reverter in February 2010, the net proceeds to be divided equally with any Capital Gains Tax to be met by the Trustee. A charitable scheme was established during 2017 to receive the proceeds and is held within the Custodian trustee accounts. When a S.554 Order is made the proceeds will be brought into the DBF as part of the UST fund.

36.2 *Westbury and Hope Primary Schools*

Westbury and Hope Primary Schools were closed during 2017 with pupils transferred to Worthen Primary School. Westbury Primary School was sold in March 2020. The sale proceeds will ultimately flow to the DBF as part of the UST fund via a S.554 order. However, until such a time as the S.554 Order has been awarded, the proceeds of the sale are not available to use for other Diocesan schools. The S.554 Order was still in progress as at 31 December 2021 and therefore the proceeds are held within the Custodian trustee accounts. Hope Primary School will also be sold but, as the school was built and funded by the Local Authority, proceeds from the sale of the school will flow to the Local Authority.

Notes to the accounts

For the year ended 31 December 2022

37. Prior year comparative SoFA: year ended 31 December 2021

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated			2021
	£'000	£'000	£'000	£'000	£'000
Income and endowments from:					
Donations					
Parish share contributions	3,256	-	-	-	3,256
Archbishops' Council	413	-	316	-	729
Other donations	110	22	105	7	244
Charitable activities	403	-	-	-	403
Other trading income	293	-	12	-	305
Investment income	71	-	149	346	566
Other income	-	-	107	-	107
Total income and endowments	4,546	22	689	353	5,610
Expenditure on:					
Raising funds	97	-	73	72	242
Charitable activities: excl. pension deficit	5,723	147	616	-	6,486
Charitable activities: pension deficit	8	-	-	-	8
Total resources expended	5,828	147	689	72	6,736
Net income/(expenditure) before investment gains	(1,282)	(125)	-	281	(1,126)
Net gains/(losses) on investments	535	-	820	2,681	4,036
Net income/(expenditure)	(747)	(125)	820	2,962	2,910
Transfers between funds	340	175	(2)	(513)	-
Other recognised gains (losses)					
Gains/(losses) on revaluation of fixed assets	-	-	4,843	166	5,009
Net movement in funds	(407)	50	5,661	2,615	7,919
Funds brought forward at 1 January 2021	4,037	311	57,603	21,117	83,068
Total funds at 31 December 2021	3,630	361	63,264	23,732	90,987

Notes to the accounts

For the year ended 31 December 2022

38. Prior year: Summary of assets by fund as at 31 December 2021

	Tangible Fixed assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General fund	383	3,454	217	(424)	3,630
Designated funds:					
Total Return Mission funds	-	70	291	-	361
	383	3,524	508	(424)	3,991
Restricted funds					
Pastoral Fund	52,499	6,270	819	(12)	59,576
Mission and Ministry Fund	-	-	9	-	9
Strategic Ministry Fund - curates	-	-	-	-	-
Ordinands in Training Fund	-	-	49	-	49
Strategic Development Fund	-	-	38	-	38
Strategic Capacity Fund	-	-	8	-	8
Other grant funds	-	-	18	-	18
Uniform Statutory Trust	-	2,888	1,034	(873)	3,049
Education funds	-	481	36	-	517
	52,499	9,639	2,011	(885)	63,264
Endowment funds					
Diocesan stipends fund	1,936	21,808	200	(212)	23,732
Total funds	54,818	34,971	2,719	(1,521)	90,987

Notes to the accounts

For the year ended 31 December 2022

39. Prior year: Analysis of transfers between funds: year ended 31 December 2021

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated			
	£'000	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	60	-	(60)	-	-
From General fund to Endowment fund for reduction in pension deficit liability	(144)	-	-	144	-
From Endowment fund to General fund for stipends under Total Return (see note 26)	657	-	-	(657)	-
From General fund to the Total Return Mission Fund to support mission projects	(250)	250	-	-	-
From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements	-	(61)	61	-	-
Transfers to the General fund for manse costs	17	(14)	(3)	-	-
From the Brampton Abbots fund to the Pastoral fund to clear fund surplus			1 (1)		
From UST to Stottesdon School House trust in respect of loan			5 (5)		
	340	175	(2)	(513)	-

Notes to the accounts

For the year ended 31 December 2022

40. Prior year: Analysis of movements in funds: year ended 31 December 2021

	Balance at 1 Jan 2021 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	Balance at 31 Dec 2021 £'000
Unrestricted funds						
General reserve	4,037	4,546	(5,828)	340	535	3,630
Designated reserves:						
Total Return Mission funds	311	22	(147)	175	-	361
	4,348	4,568	(5,975)	515	535	3,991
Restricted funds						
Pastoral Fund	54,228	208	(160)	1	5,299	59,576
Mission and Ministry Fund	15	-	(6)	-	-	9
Ordinands in Training Fund	24	134	(109)	-	-	49
Strategic Ministry Fund - curates	-	91	(91)	-	-	-
Strategic Development Fund	32	141	(193)	58	-	38
Strategic Capacity Fund	23	-	(15)	-	-	8
Other grant funds	30	54	(65)	(1)	-	18
Education Funds	462	10	-	(5)	50	517
Uniform Statutory Trust	2,789	51	(50)	(55)	314	3,049
Total restricted funds	57,603	689	(689)	(2)	5,663	63,264
Endowment funds						
Diocesan stipends fund						
- Investment fund	7,473	7	-	359	-	7,839
- Unapplied Total Return	13,644	346	(72)	(872)	2,847	15,893
Total endowment funds	21,117	353	(72)	(513)	2,847	23,732
Total movement in funds	83,068	5,610	(6,736)	-	9,045	90,987

Notes to the accounts

For the year ended 31 December 2022

41. Prior year: Endowment Fund – Total Return: year ended 31 December 2021

	Investment Fund £'000	Unapplied Total Return £'000	Total Endowment £'000
At 1 January 2021	7,473	13,644	21,117
Movements in the reporting period:			
Dividends and interest	-	233	233
Glebe land rent	-	104	104
Glebe commercial property rental income	-	9	9
Trust income	7	-	7
Realised and unrealised gains and (losses)	-	2,847	2,847
Transfer from general fund for reduction in clergy pension deficit payments liability	-	144	144
Less:	-	(62)	(62)
Investment management costs	-	(10)	(10)
Glebe land development costs			
Indexation using CPIH: 4.8%	359	(359)	-
	366	2,906	3,272
Unapplied Total Return allocated to income to be used for stipends:			
- Equating to dividend, interest and rents	-	(346)	(346)
- Equating to 0.5% of equity investments	-	(61)	(61)
- Additional annual transfer	-	(250)	(250)
	-	(657)	(657)
Net movements in report period:	366	2,249	2,615
At 31 December 2021	7,839	15,893	23,732

Accounts

Hereford Diocesan Board of Finance

Annual Report & Accounts 2021



— Diocese of —
Hereford
Proclaiming Christ ✦ Growing Disciples

Company limited by guarantee
Company number 144467
Charity number 249685

Hereford Diocesan Board of Finance

Report & Accounts for the year ended 31 December 2021

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Foreword by the Bishop of Hereford

For the year ended 31 December 2021

1. Foreword by the Bishop of Hereford

Dear Friends,

Welcome to this annual report. As I write this, we are seeing tragedy unfold daily in Ukraine and a resurgence of COVID cases.

But in the midst of this God continues to be at work in the Diocese of Hereford. At our last Synod we celebrated the work of our Intergenerational Ministers who have had significant impact in the communities they serve. With the removal of COVID restrictions more face to face gatherings are happening. We welcome the restarting of Messy Church where most of our weekly church attendance happens for children. However, there is no doubt that COVID has hit us hard financially and in terms of church attendance. It's not so much fewer people are coming as they are coming less regularly. There is a tiredness out there both in clergy and lay leaders that our strategy needs to be aware of going forward.

In the autumn of 2021 we held a number of listening events and small focus groups around the Diocese. This was a valuable opportunity to read the mood of the community. The anxieties people expressed around finance, buildings, our demographic profile and numbers were no surprise. Some of these issues are difficult to address with a central strategy. But there was an appetite for more opportunities for lay ministry and I sensed a greater preparedness to work collaboratively, both with other churches and with the wider community. We have recently appointed Elizabeth Wild as the director of Mission and Ministry. Her main role will be in providing training and equipping for lay ministry to address this need. We are also participating in the pilot of a national project to raise non-stipendiary vocations in a broader age range of people.

What we must avoid in the midst of our challenges is anxiety. In the Bible 'Do not fear' is a command, not advice! We do not know what the future holds, but we do know who holds the future. If our worries drive us to greater dependence on God in prayer rather than just our own strategic ingenuity, we will be well placed to set our sails and be blown by the wind of the Spirit. Jesus said the fields are ripe for harvest. By that he meant that spiritual hunger is a universal fact of the human condition. We still believe the Gospel is the best news in the world. May God help us to be fruitful as we share it.

I hope you enjoy this report. As we begin to look forward to a post COVID world, I hope you will find here evidence of God at work. I hope too that will spur us to pray that we enter into all that God has for us in the future.

With best wishes,

A handwritten signature in black ink, appearing to read 'Richard Jackson', with a stylized flourish at the end.

The Rt. Revd Richard Jackson

Annual report

For the year ended 31 December 2021

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements of the company and its linked charities, for the year ended 31 December 2021.

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.

STRATEGIC REPORT

2. Strategic aims

The main role of the Hereford Diocesan Board of Finance ("HDBF") is to identify and manage the financial aspects of the provision of ministry within the Diocese so as to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further the strategic priorities in the Diocese.

Bishop's Council agreed strategic priorities to direct the activities of the Diocese over a five-year period (2015-2021). These **shared priorities** align with the wider mission of the Church of England:

Mission

- 1: Growing Christian disciples of all ages and backgrounds – spiritually and numerically
- 2: Serving the common good – transforming lives and communities

Ministry for Mission

- 3: Reimagining, developing, and sharing ministry for mission in the 21st century

Resources for Mission

- 4: Shared commitment to focusing and growing resources for mission – staff, time, money.

The trustees focus resources to achieve the following **shared goals**:

- To reach younger generations as strongly as older ones – so that disciples and churches better reflect the ages and backgrounds of the communities served;
- To lift areas of weaker attendance to match more closely the 3% of the population attending Anglican churches in rural areas of the Diocese;
- To grow a 'mixed economy' of congregations – different styles, days/times, reach, in every deanery across the Diocese.

3. Achievements and performance

3.1 Overview

The arrival of the COVID-19 pandemic in 2020 brought disruption to the lives and livelihoods of millions of people. Pandemic restrictions continued in various forms through most of 2021, presenting a challenge to the Church's established patterns of worship, ministry and outreach. Yet church congregations across the Diocese of Hereford responded to the evolving COVID-19 restrictions with generosity and imagination, reaching out to and serving their local communities. The Diocese continued to deliver against its key shared priorities of Spiritual and Numerical Growth, Contributing to the Common Good, Re-imagining Ministry, and Resources for Mission – numbered 1 to 4 in the following table:

Annual report

For the year ended 31 December 2021

Key achievements	Shared Priority areas:	1	2	3	4
Serving our local communities: ❖ Provided regular services, Alpha and discipleship courses, Messy Church, Synods, conferences and many other church-led activities using a hybrid in person / online approach; ❖ extended pastoral care and support to people in need; ❖ supported local food banks through parish volunteers in order to meet increased demand; ❖ responded to a request from the local authority to provide more support for vulnerable and isolated people ❖ published fresh guidance for churches and volunteers as COVID-19 restrictions continued to evolve.		✓	✓	✓	✓
Education: ❖ Delivered significant improvements in performance of church schools, there are now no church schools that are in special measures; ❖ changed the relationship to form a closer link between the Board of Education and the Board of Finance; ❖ re-appointed the Board of Education with a very strong skill set; ❖ oversaw the highest take up of the Schools Partnership Agreement; ❖ successfully supported the introduction of the new SIAMS inspection framework; ❖ conducted a wide consultation before setting out a clear strategy for schools considering becoming academies; ❖ concluded a very positive external review of Education provision and strategy; ❖ developed partnerships with schools and enhanced oversight of Diocese of Hereford Multi-Academy Trust (DHMAT); ❖ continued to support schools to adjust to remote learning and changing circumstances during the pandemic.		✓	✓		
Safeguarding young people and vulnerable adults: ❖ Completed a thorough past cases review ('PCR2') process on time and within budget, achieving a positive outcome; ❖ trained ~170 parish officers, conducted ~590 DBS checks across all deaneries. ❖ Implemented new safer recruitment and improved safeguarding policies			✓		
Mission and outreach: ❖ Extended Intergenerational Mission project into Condover, Ledbury, and Pontesbury deaneries; ❖ continued part-funding of the ambitious five year project with St Peter & St James Hereford to establish a city-based youth church with close links to Hereford's new university, the New Model Institute for Technology & Engineering; ❖ continued to support many, small rural parishes that would otherwise have struggled to continue to fund the cost of their ministry.; ❖ appointed a new Archdeacon of Ludlow and Cathedral Dean.		✓	✓	✓	✓

Annual report

For the year ended 31 December 2021

Learning and leadership: ❖ Developed diocesan pioneer learning community to identify new ways of being/doing church, with extensive joint working and best practice sharing; ❖ extended the 'Growing Leaders' course for laity; ❖ supported innovative deanery pastoral plan approaches and cross-working within deaneries; ❖ Bishop Richard continued to record a short video each week, providing biblical wisdom, insights and encouragement for everyone.	✓	✓	✓	
Supporting our 400 churches: ❖ Offered a wide range of training courses to our churches, including: safeguarding, quinquennial inspections, modern slavery, church tourism, encouraging giving and generosity, parenting for faith, funding for church buildings, valuing churchyards, establishing stronger links between schools and churches, 'Living in Love & Faith', 'Crossing the Threshold' workshop, racial and social justice conversations; ❖ produced a regular Community Partnership, Funding and Generous Giving e-newsletter, helping our churches to identify appropriate sources of funding and guidance; ❖ promoted benefits of the Parish Giving Scheme: 259 parishes had joined PGS with >2,400 PGS donors by year-end (approx. 82% of target); ❖ provided guidance to parish churches on digital giving solutions; ❖ enhanced communications by deepening diocesan social media presence.	✓	✓		✓
Caring for the environment: ❖ Established a Net Zero Carbon steering group to develop and drive forward a differentiated approach to support the 'net zero by 2030' ambition within the Diocese (2020 CO₂ footprint estimated to be 5,500 tonnes), with key focus areas being glebe land, churches and churchyards, Voluntary Aided schools, clergy housing, training for clergy and laity, and multi-agency partnerships. ❖ worked ecumenically to promote A Rocha UK's Eco Church initiative across deaneries, continuing the journey towards Eco Diocese accreditation.		✓		
Financial stewardship: ❖ Entered year three of plans to sell parcels of glebe land with the aim of enabling the development of at least 240 new homes over a six year period. At least 46 of these will be affordable. ❖ monitored expenditure closely in order to contain operating losses to £885k (per management accounts), £50k favourable to budget, although the overall deficit level was largely due to marked decline in parish contributions compared to pre-pandemic levels.				✓

3.2 The Christian presence

Clergy form a central part in the life of churches in the Diocese. In 2021, an average of 63.2 (2020: 66.4) trained stipendiary clergy and 17.0 (2020 13.2) curates were deployed in the Diocese; supporting them in their ministry, training and continued development is a key priority for HDBF and represents by far its largest financial commitment. Although the HDBF does not 'employ' the parish clergy, it is responsible for training and paying them, and contributing to their pension fund. In turn, generous Parish Offer contributions from every Parochial Church Council (PCC) are essential in meeting these ministry costs.

Annual report

For the year ended 31 December 2021

3.3 *Public benefit*

Through carrying out the above objectives and in promoting the whole mission of the church (pastoral, evangelistic, social and ecumenical) the trustees are confident, having had regard to Charity Commission guidance, that HDBF delivers public benefit through:

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers;
 - The Diocese supports some 400 buildings in 350 parishes providing regular opportunities for public worship. As well as acts of worship, weddings and funerals, many of our buildings (in the absence of coronavirus restrictions) are accessed during the week for community activities.
- promoting Christian values, and service by members of local Anglican churches in and to their communities, for the benefit of individuals and society as a whole.
- community engagement, resourcing education and supporting those in need both spiritually and physically.

4. **Future plans**

4.1 *2022 and beyond*

The Diocesan Bishop set up a strategy review group in 2021, with input from a number of clergy and readers. The review group recommended conducting an online survey open to all, and seeking feedback from parishes and especially under-represented groups on the Diocese's future priorities. Bishop Richard also led a series of ten deanery 'listening events' in the fourth quarter of 2021, inviting reflection on areas of church life that were developing well alongside key challenges. These events highlighted concerns around church buildings and finances, congregations, and clergy wellbeing. Many parishes reported that congregation numbers had returned fully after COVID-19 lockdown restrictions eased; over 250 churches in the Diocese have fewer than 20 people attending regularly.

The listening events identified that people wanted their ordained clergy to provide more effective, accessible biblical teaching alongside imaginative liturgy; to teach spirituality and equip people to pray; to enable lay ministry; to foster closer links with local schools and community groups; and to be more visible, available and approachable.

Feedback from these events also indicated that people looked to diocesan staff and support ministers to continue to offer training for lay ministry; to facilitate mission planning; and to provide guidance for PCCs, especially around giving and capital fundraising.

The strategy review group agreed the following core values for the Diocese:

- Corporate prayer and worship are the foundation of our activity;
- Our calling is to proclaim Christ in word and deed, grow disciples, and build the Kingdom;
- The people of God working together are our greatest resource;
- Local church congregations are the centre of the Diocese;
- We are all part of one body, whether parish or central resources.

The review group recognised the need for continuing development in the following areas:

- Focus on Christ
- Generosity
- Co-operation
- Community engagement.

Annual report

For the year ended 31 December 2021

The Bishop's Staff team, Bishop's Council, and Diocesan Synod will further develop a refreshed strategy over the coming months, with a view to communicating the revised approach across the Diocese in autumn 2022. The strategy is likely to focus on:

- Growing congregations and engaging those not in church;
- Connecting with younger people;
- Increasing confidence, morale and capability;
- Expanding support and diversifying training for lay leaders;
- Sustainability of church buildings and finances;
- Permission giving and mutual accountability;
- Reframing language, whilst recognising that Christian discipleship is demanding.

5. Financial review

5.1 Overview

2021 proved to be a second challenging year for the Hereford DBF with continuing COVID-19 restrictions, resulting in further reductions in income. This in turn has contributed to an overall General fund deficit of £942k (2020: £494k) (including fund transfers but excluding investment gains). Although disappointing, the Trustees view the size of the deficit in the light of other assets available for use by the DBF and, in particular, the Unapplied Total Return Fund which increased by £2.2m over the same period.

Total income for the year amounted to £5.61m (2020: £5.74m), a fall of 2.3%.

As in previous years, parish contributions provided the primary source of income for the DBF to pay for local stipendiary ministry and related costs. The COVID-19 pandemic and resultant closure of places of worship resulted in dwindling and, in some cases, nil cash collections and fundraising. Many parishes drew on reserves to pay their 2020 Parish Offer commitments but, in the face of depleted reserves and on-going COVID-19 restrictions, were unable to maintain the level of Offer for 2021. Parish Offer commitments for 2021 were £3.37m (2020: £3.85m), the collection rate was 96.4% (2020: 90.8%) with actual Parish Offer receipts standing at £3.26m (2020: £3.50m), a decrease of £242k.

Total expenditure for the year amounted to £6.74m compared to £6.48m in 2020, an increase of £261k. The majority of this difference relates to an increase in General fund expenditure of £248k attributable largely to additional curates, increased clergy housing costs and higher than normal numbers of clergy moves and associated grants.

The overall deficit for the year before investment gains was £1.13m (2020: a deficit of £0.74m). Investment gains amounted to £4.0m (2020: £1.4m) and a revaluation of fixed assets, mostly clergy housing resulted in a gain of £5.0m (2020: £2.92m). The net movement in funds for 2021 was a surplus of £7.92m (2020: surplus of £3.62m).

5.2 Comparison to budget

A key financial indicator for HDBF is actual performance compared to budget.

In October 2020, Synod approved an overall budget deficit (based on the General fund, Diocesan Stipend fund and Pastoral fund) of £935k before investment gains & losses. The final outturn before year-end accounting adjustments was a deficit of £885k, a variance of £50k. In overall terms, this was due to lower than budgeted Parish Offer collection rates, but there were also increases in property rental income and parochial fee income, offset by increases in clergy housing and stipend costs.

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5.3 Significant Property Transactions

During the year, the DBF sold six houses, granted a 99 year lease on a property to a PCC and sold a small plot of glebe land. This generated net proceeds of £1.77m.

5.4 Balance sheet position

The Directors consider that the balance sheet indicates that restricted and endowment funds are held in an appropriate mix of investment and current assets, given the purposes for which the funds are held.

Net assets at the balance sheet date totalled £91.0m (2020: £83.1m), although it should be noted that £87.0m (2020: £78.7m) is held in restricted and endowment funds (mainly properties used for ministry and glebe assets) which cannot be used directly for the general purposes of the HDBF. The restrictions that relate to these funds are detailed in note 33 to the accounts. The movement in net assets of £7.9m is due largely to the fixed asset revaluation gains of £5.0m and gains on investments of £4.0m.

5.5 Review of the Statement of Financial Activities by fund

Unrestricted General fund

The unrestricted General fund is summarised in the following table. The year-end adjustments made for the clergy pension liability creditor are shown separately. Favourable variances are shown as positive and unfavourable shown in brackets.

	2021	2020	Variance
	£'000	£'000	£'000
Income			
Parish Offer contributions	3,256	3,498	(242)
All other sources of income	1,290	1,341	(51)
Total income	4,546	4,839	(293)
Expenditure			
Raising funds and charitable activities before pension adjustments	(5,828)	(5,580)	(248)
Net gains on investments and disposals of fixed assets	535	122	413
Transfers between funds (excluding pension movements):			
From the DSF ¹ for investment income arising	407	424	(17)
From HDBF Uniform Statutory Trust	60	60	-
Other	17	5	12
Total transfers between funds (excluding pension movements)	484	489	(5)
From General to DSF: reduction in pension deficit liability	(144)	(242)	98
Net movements in funds as per SoFA	(407)	(372)	(35)
General funds brought forward as at 1 January 2021	4,037	4,409	(372)
General funds carried forward as at 31 December 2021	3,630	4,037	(407)

¹DSF: Diocesan Stipends Fund

Designated funds

In order to encourage mission within the Diocese, the Trustees have agreed to set aside £250k annually into a designated 'Total Return Mission Fund'. During 2021 £147k was applied to mission projects with the balance at the year-end standing at £361k (2020: £311k). As at 31 December 2021, commitments for approved projects totalled £959k, with future payments expected in the period 1 January 2022 to 31 December 2026.

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For the year ended 31 December 2021

Restricted funds

As set out in note 24, the HDBF administers a number of restricted funds. As at 31 December 2021, restricted funds totalled £63.3m (2020: £57.6m). These funds are not available for the general purposes of the HDBF with the exception of surpluses arising on the Pastoral fund as set out in note 33. As at 31 December 2021, these surpluses, as represented by cash and fixed asset investments, amounted to £7.0m (2020: £4.8m).

Endowment (Diocesan Stipends) fund

The Endowment fund recorded net income of £281k (2020: 318k) before investment gains. The fund is made up of two components: the Trust for Investment and the Unapplied Total Return. As at 31 December 2021, the balance on the Trust for Investment amounted to £7.8m (2020: £7.5m) and is not available for the general purposes of the HDBF. The balance on the Unapplied Total Return fund at the year-end was £15.9m (2020: £13.6m). The Unapplied Total Return fund is available to support clergy stipends.

5.6 Investment performance

Overall performance

The total value of all investments (including DSF endowment fund net current assets) at 31 December 2021 was £35.1m (2020: £30.9m) and the total return on investment was 15.6% (2020: 5.9%).

Listed investments for each fund are held with CCLA Investment Management Ltd and Rathbone Investment Management Ltd. Rathbone investment managers have a mandate to generate a return from each portfolio of CPI+4%, with a balance between capital growth and income, managed with a medium risk profile. From 1 January 2019, the Main, Pastoral and Diocesan Stipends Fund portfolios were managed on a total return basis. In the year to 31 December 2021, the combined portfolios achieved a total return of 16.4% (2020: 5.6%) compared to the composite benchmark of 14.7% (2020: 1.7%), and well ahead of the absolute level of return required under the core investment mandate of CPI+4% (CPI Dec 2021: 5.4%).

Agricultural, commercial and industrial land and buildings (excluding school land) were valued at £7.8m at 31 December 2021 (2020: £6.8m). Rents receivable from glebe amounted to £113k (2020: £141k) – an income yield of 1.6% (2020: 2.1%).

5.7 Reserves policy

General unrestricted fund

HDBF's core responsibilities include the payment of stipends and pension contributions for parochial clergy, the provision and maintenance of clergy housing, and the selection and training of future clergy. HDBF also employs diocesan support ministers and staff who provide guidance and expertise to parishes in a variety of ways, as well as enabling the company to meet its legal and charitable obligations. A reserves policy is necessary to ensure that, in the event of significant reduction in income, or capital losses during periods of geopolitical or economic uncertainty, HDBF will be able to meet these financial commitments as they fall due whilst avoiding the need to resort to external borrowings.

In formulating a minimum reserve policy, consideration has been given to the following:

- Economic instability giving rise to a significant fall in Parish Offer;
- Inflationary pressures above expectation;
- Unavoidable increases in expenditure.

In the light of the above, the Directors' policy is to maintain free reserves equivalent to at least four months' operating expenditure in cash and readily liquid assets in the general unrestricted fund.

Based on 2022 budgeted expenditure, the amount of free reserves required under this policy totals £2.0m. As at 31 December 2021, the unrestricted reserves (excluding property) stood at £3.2m, which included approximately £689k of Parish Offer monies received in December. This free reserves figure excludes £383k of General fund freehold property and office equipment that could only be realised through asset disposal.

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For the year ended 31 December 2021

It also excludes £361k of designated fund, £63.3m of restricted fund and £23.7m endowment fund assets that are not available for the general purposes of the charity. Although the General fund year-end reserves figure of £3.2m is above the minimum level indicated by the policy, the Directors consider this amount to be appropriate in view of future projected operating deficits. Management and trustees monitor reserve levels throughout the year and take remedial action as and when required.

5.8 Grant making policy

The Memorandum of Association of the HDBF permits the company to make grants in pursuance of its objects, and the nature of grants made in 2021 is indicated in note 14 to the financial statements.

5.9 Going concern

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. The trustees consider that there are no material uncertainties over the charity's financial viability in the short to medium term. Accordingly, they are satisfied it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

5.10 Investment policy

The HDBF is empowered by its Memorandum of Association to invest monies not immediately required for its purposes.

The HDBF's policy is to review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles.

HDBF's investment policies are based on two key policies:

- ethical investment – this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders;
- long-term responsibilities – Directors are aware of their long-term responsibilities in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions.

Investment policy for long-term funds is aimed primarily at generating a sustainable income with due regard to the need for the preservation of capital value and the possible need to realise investments to meet operational needs. The glebe investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

Glebe investments are held in agricultural land, property, equities and fixed interest securities.

Funds which may be needed for working capital in the short term are held as deposits with the Central Board of Finance administered by CCLA Investment Management Limited.

5.11 Total Return accounting

The law governing the use of Diocesan Endowment funds changed in 2016. Traditionally, permanent endowment funds draw income only, maintaining capital in perpetuity for the benefit of future generations. A Total Return investment approach allows the release of both income and capital gains for use by current beneficiaries. The Directors adopted Total Return accounting for the Diocesan Stipends Fund (DSF) with effect from 1 January 2019 by reference to the following:

- The date used for the initial value of the trust for investment was 31 December 1986.
- The initial value of the trust for investment was determined by reference to the cash, land (by acreage) and properties as detailed in the 1986 statutory accounts. Reasonable estimates for the

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land and properties were ascertained using valuations provided in the 1995 statutory accounts discounted to 1986 by appropriate indexes.

- CPIH was used to uplift the trust for investment giving rise to a valuation as at 1 January 2019 of £7.3m. The Unapplied Total Return fund as at 1 January 2019 amounted to £9.6m.

The Directors have adopted the following policy in determining the amount to be allocated from the unapplied total return fund (UTR) each year to the general fund to be used for clergy stipends, as detailed in note 26 to the accounts:

- All income that would have been credited to the general fund had a Total Return accounting policy not been implemented. To include dividend income, land rental income, special dividends and any other income such as dilapidations (where appropriate); *plus*
- An additional amount to be calculated as 0.5% of the DSF Rathbone's investment portfolio valued as at 1 January of each respective year; *plus*
- An additional £250k to be released annually to the general fund. An equivalent amount to be transferred from the general fund to the 'Total Return Mission Fund' to fund mission projects in the Diocese.
- CPIH is to be used as the inflationary measure to uplift the value of the trust for investment on an annual basis.

5.12 *Linked charities: HDBE and UST*

The Hereford Diocesan Board of Education (HDBE) is a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2019. The HDBE is accounted for as a 'branch' of HDBF and is a subcommittee of Bishop's Council and included within restricted funds. The HDBE has no income/expenditure and the value of the net assets at 31 December 2021 was £nil.

The Hereford Diocesan Board of Finance Educational Uniform Statutory Trusts Account (UST) is also a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2020. The UST is accounted for as a 'branch' of HDBF and included within restricted funds. None of the assets of the UST are available for the general purposes of the HDBF.

Income arising on the UST during 2021 amounted to £51k (2020: £55k) and was attributable to investment income. Expenditure amounted to £50k (2020: £13k) and was attributable largely to investment management costs and grants to schools. The trustees of the Hereford Diocese Board of Education have the discretionary authority to make grants from UST capital to support school building projects. In 2020 a loan was made from the UST to the Stottesdon School Trust, a Trust accounted for as a branch of HDBF. As at 31 December 2021, the loan stood at £147k (2020: £152k). This loan has been eliminated on consolidation of HDBF branches and repayments appear as a transfer between funds. A further transfer of £60k (2020: £60k) was made from the UST to the HDBF general fund to support the educational work of the Diocese.

The UST receives School Condition Allocations (SCA) funds annually from the Department of Education to fund school capital projects. These funds are not income of UST but rather the UST acts as agent to facilitate the projects. The funds are ring-fenced and shown as a creditor of the UST. At the year-end, the SCA creditor amounted to £856k (2020: £647k).

The summary of the assets of the UST and the analysis of the movement in UST funds are shown in notes 24 and 25 respectively.

6. **Principal risks & uncertainties**

The Directors are responsible for the identification, mitigation and/or management of risk. To achieve this, the Board has compiled a register of all material risks together with mitigation plans and management controls to address these risks. This is subject to review by the Directors periodically with the responsibility for delivery of the mitigation strategies identified being delegated to the Diocesan Secretary.

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The risk register identifies several areas where the risk of either failure to act or the impact of the events is considered 'high'. These areas and the associated mitigation strategies are:

6.1 ***Decline in church attendance***

- Parishes, benefices and deaneries are being encouraged to consider a Mission Action Plan with a specific remit to consider how to achieve spiritual and numerical growth;
- To monitor the success and explore the expansion of the inter-generational missionaries who have a specific remit to increase worshipping congregations, achieve growth and increase the number of younger people involved in church.
- Develop Messy / Forest Church initiatives, youth church projects, and support new church communities.

6.2 ***Availability and effectiveness of stipendiary clergy*** Recognising that the national Church faces a reduction in the number of ordained ministers over the next few years due to the age profile of existing clergy and the difficulties in recruiting to rural ministry, the Diocese is exploring innovative approaches to deployment and:

- Continuing to invest in a full-time director of vocations and ordinands to focus on helping (young) people to explore their call to stipendiary ministry, and encouraging all-age vocations in daily life and in church ministries;
- Raising stipends to place the Diocese of Hereford amongst the top quartile of English dioceses;
- Keeping interregnum periods to a minimum;
- Maintaining focus of supporting lay leaders, self-supporting ministers, voluntary ministers, supporting retired clergy to stay connected and growing local worship leaders as well as encouraging and recognising the vital ministry of Readers;
- Promoting and developing lay ministry, by offering diverse and flexible courses for initial and continuing training for a widening variety of ministries.

6.3 ***Parish Offer and cash flow***

- Investing in intergenerational missionaries to drive church growth, especially in market towns;
- Employing two full-time equivalent Parish Giving Advisers on a permanent basis;
- Encouraging open conversations about generous giving, stewardship and Parish Offer;
- Nurturing the growth of giving and fundraising forums in deaneries;
- Continuing to promote the national Parish Giving Scheme and legacy giving.

6.4 ***Church buildings*** The Diocese recognises that caring for historic church buildings can impose a burden on small parishes, or become a distraction from the core mission of the church, and that church closures can reduce parish income and add to diocesan costs. Hence the Diocese is:

- Pursuing its church building strategy, which includes the roll-out of 'Crossing the Threshold' and 'Mission and Mortar' toolkits to help parishes optimise the use of their church buildings or explore Festival Church status;
- Providing expert advice and guidance to parishes through the Diocesan Advisory Committee, Church Buildings Officer, and Community Partnership and Funding Officer;
- Encouraging PCCs to reduce running costs through 'smart purchasing' via the Parish Buying service;
- Helping PCCs to explore wider use of their church buildings as community assets.

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For the year ended 31 December 2021

6.5 Long-term effects of coronavirus pandemic There is still uncertainty about the longer-term effects of the COVID-19 pandemic, how it may affect general economic activity, income generation in parishes, depress investment returns, and change patterns of regular worship in church buildings. The Directors continue to monitor this situation carefully but consider that the HDBF will be able to weather any short to medium-term disruption.

7. Legal objects and responsibilities

The Diocese of Hereford covers the county of Herefordshire, the southern part of Shropshire and a few parishes in the counties of Worcestershire, Powys and Monmouthshire. The objects of the Diocese apply across this geographic area.

The HDBF's objects are to promote, aid, and further the religious and other charitable work of the Church of England in the Diocese of Hereford and, at the discretion of the trustees, elsewhere in the world including through:

- Supporting financially or otherwise training for ministry, clerical and lay;
- The maintenance and support of clergy and other persons connected with ministry or the work of the Church;
- the provision of pensions for ministers and their dependants in accordance with and subject to the Clergy Pensions Measure 1961.

The HDBF has the following statutory responsibilities: -

- the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976;
- the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- the management of investments and the custodian of assets relating to church schools under the Diocesan Board of Education Measure 1991;
- the custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

The strategic priorities of the company are established by the Diocesan Synod in communication with Deanery Synods, PCCs, and the Bishop of Hereford (in respect of his responsibility for the provision of the cure of souls). To this end, significant time and effort is committed to communication between and with these bodies, as well as with the church nationally; including an annual series of consultations on specific matters relating to the priorities for the forthcoming year, taking forward the commitments arising from synodical discussions including the diocesan budget.

8. Structure, governance and management

Information on the structure of the Church of England and National Church Institutions may be found on the Church of England's website.

Hereford Cathedral is the mother church of the Diocese and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its trustees' report and financial statements may be obtained from Hereford Cathedral, 5 College Cloisters, Cathedral Close, Hereford HR1 2NG. Tel: 01432 374200.

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For the year ended 31 December 2021

8.1 Organisational structure of the Diocese

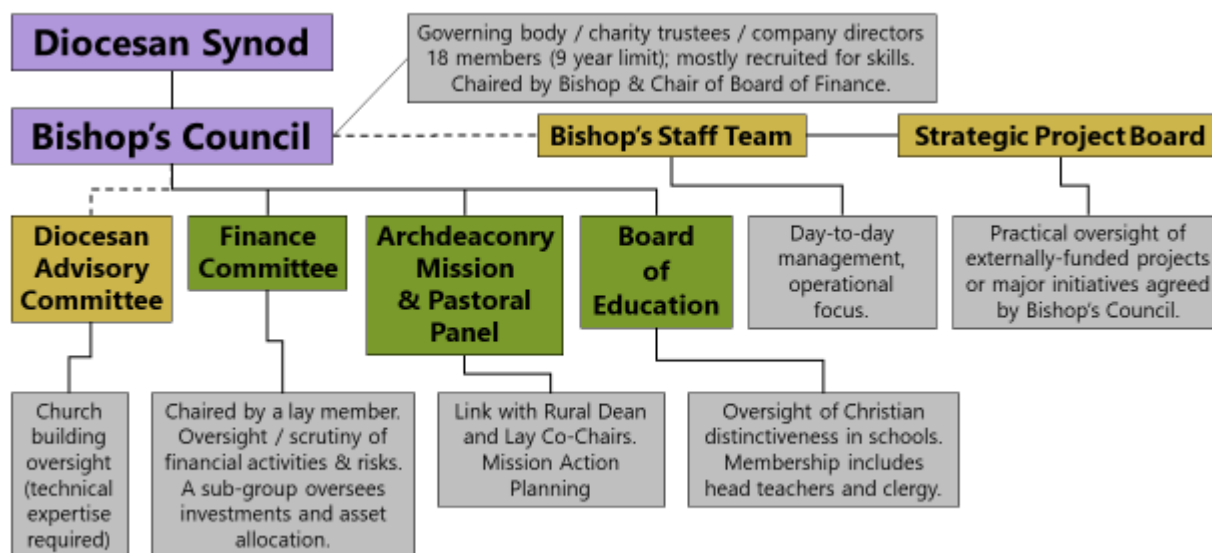
8.1.1 Geography

The Diocese of Hereford was created in c.676 and covers an area of 1,660 square miles encompassing all of Herefordshire, the southern half of Shropshire and small parts of Worcestershire, Powys and Monmouthshire. The overall population is approximately 325,000, a large proportion of which live in small, scattered communities of less than 500.

8.1.2 Overview of Board and Committee structure

The HDBF has delegated to the Bishop's Council all statutory functions under the Diocesan Boards of Finance Measure 1925, the Companies Acts and the Charities Acts as amended. Bishop's Council has responsibility for the day-to-day business of the company which it exercises by delegation to the Diocesan Secretary, who is supported by a number of heads of departments and their staff.

Some employed staff have job titles incorporating the title 'Director' but they are not directors of the company for the purposes of company law.



8.2 Company status

The Hereford Diocesan Board of Finance (HDBF) is a Company set up under the Diocesan Boards of Finance Measure 1925, as amended. It was incorporated on 27 July 1916 as a charitable company (No. 144467) limited by membership guarantees and is registered with the Charity Commission (No. 249685). Its governing documents are the Memorandum and Articles of Association, as amended 22 May 1953, 11 April 1962, 21 March 1986, 23 May 1994, 25 May 2010 and 2 March 2019.

Every member of Diocesan Synod is a member of HDBF for company law purposes and has a personal liability limited to £1 under their guarantee as company members in the event of its being wound up. The Company Directors of the HDBF form the Bishop's Council.

8.3 Trustee training

Trustees are appointed in line with the Hereford Synod / Diocesan Board of Finance Articles of Association and Standing Orders. Trustees are drawn from the membership of the Synod / Diocesan Board of Finance on a three-yearly cycle. Some trustees are appointed by virtue of their office while others are elected in line with standing orders. On appointment all trustees complete an induction

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day (held every three years) and are provided with two Charity Commission publications ('Trustee Handbook' and 'The Essential Trustee - What you need to know') together with copies of the previous year's accounts and the current year budget. New trustees are given a one-to-one briefing on the structure and organisation of the Church of England nationally, regionally and locally and given access to company policies, past papers and minutes to previous meetings. Meetings are designed to include space for trustees to be informed about key areas of business prior to decisions being made. Some ad hoc training for trustees is provided throughout the year and last year included safeguarding and the new mission and pastoral measure.

8.4 Remuneration of key management personnel

Emoluments of higher-paid employees are determined by a remuneration group consisting of four members of the Finance Committee. The terms of reference for this group was established by the Bishop's Council and includes regular appraisals, remuneration and salary benchmarking and consequent recommendation of changes.

8.5 Directors' insurance

Trustees' liability insurance (for trustees in their capacity as directors) has been maintained throughout the year for the benefit of the charitable company and its trustees.

8.6 Funds held as custodian trustee

The HDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements as the HDBF does not control them, and they are segregated from the HDBF's own assets by means of a separate accounting system. Further details of financial trust assets, whose market value amounted to £5.6m at 31 December 2021 (2020: £5.1m), are available from the HDBF on request.

8.7 Related parties

8.7.1 General Synod, Church Commissioners and Archbishops' Council

HDBF has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council based on an apportionment system to fund national training of ordinands and the activities of various national boards and councils. The stipends of the diocesan and suffragan bishops are borne by the Church Commissioners and are not reflected in the financial statements.

8.7.2 Diocese of Hereford Multi-Academy Trust (DHMAT)

HDBF works closely with this multi-academy trust (formerly known as the Bishop Anthony Education trust, created in 2013) as it seeks to foster, maintain and celebrate the Christian distinctiveness of church schools within the Diocese of Hereford.

8.7.3 Parochial Church Councils (PCCs)

HDBF is required by Parochial Church Councils (Powers) Measure 1956 to be custodian trustee in relation to PCC property, but the Company has no control over PCCs, which are independent charities. The accounts of PCCs do not form part of these financial statements. PCCs are able to influence the decision-making within HDBF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

8.7.4 Pension schemes

A money purchase scheme is available to all employees. HDBF contributes above the minimum employer contribution level required under the Pensions Act 2008. Since August 2015 all new employees have been

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automatically enrolled in the 'Pension Builder 2014' section of the Church Workers Pension Fund. The Pension Builder 2014 scheme is a hybrid scheme with a guarantee such that on reaching normal retirement age, the employee will receive, as a minimum, the contributions paid into the scheme on their behalf.

Ordained clergy are within the Church of England Funded Pensions Scheme (CEFPS).

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9. Directors' responsibilities

The Trustees (Directors) 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 Directors to prepare financial statements for each financial year. Under that law the Directors 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 Directors 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 Directors are required to:

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the HDBF website. Legislation in England & Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

10. Statement of disclosure to the auditor

So far as the Directors are aware:

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

11. Reference and administrative details

11.1 Administrative details

Company limited by guarantee, registration number 144467

Charity registration number 249685

Registered office: The Diocesan Office, The Palace, Palace Yard, Hereford HR4 9BL

Telephone: 01432 373300

Email: diooffice@hereford.anglican.org

Website: www.hereford.anglican.org

11.2 Directors

The following served as Directors and Trustees from 1 January 2021 to the date this report was approved (unless shown otherwise):

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For the year ended 31 December 2021

Ex officio Directors:

The Rt Revd R C Jackson, Bishop of Hereford – President
Revd J Rogers – Chair
The Very Revd Sarah Brown (from 2 October 2021)
Revd Preb Simon Cawdell (until 12 October 2021)
The Ven D C Chedzey
The Ven F R Gibson (from 25 April 2021)
The Very Revd Michael Tavinor (until 28 February 2021)
RAdm Philip Wilcocks

Elected Directors:

Revd Preb W A Buck	Revd A P Morgan (until 12 October 2021)
Mrs J C Beavan	Mr C H E Smith – Vice-Chair
Revd G Cole (from 12 October 2021)	Revd G Smith (from 12 October 2021)
Major P J A Darling (until 12 October 2021)	Ms S J Smith
Preb J A Davies	

Nominated Directors:

Mrs R Gittins	Mr T N Hone
Mr M Hall (from 12 October 2021)	Mr N A Sellar

Principal officers

Diocesan Secretary: Mr S R Pratley	Director of Finance: Mr S G P Herbert

11.3 Members of the Board

Since July 2010 membership of the Hereford Diocesan Board of Finance has, in common with many other dioceses, become co-terminus with membership of the Diocesan Synod.

11.4 Agents

Solicitors / Registrar

Lee Bolton Monier-Williams (until 31 July 2020)
1 The Sanctuary
Westminster
London
SW1P 3JT

Gabbs Solicitors (from 1 August 2020)
14 Broad Street
Hereford
HR4 9AP

Bankers

Lloyds Bank PLC
8 High Town
Hereford
HR1 2AE

Glebe agents – agricultural

Carter Jonas
Canon Court North
Abbey Lawn
Shrewsbury SY2 5DE

Investment managers

Rathbone Brothers PLC
8 Finsbury Circus
London
EC2M 7AZ

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

Insurance agents

Ecclesiastical Insurance Office PLC
Beaufort House, Brunswick Road
Gloucester
GL1 1JZ

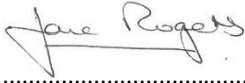
Independent auditor

Haysmacintyre LLP
10 Queen Street Place
London
EC4R 1AG

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For the year ended 31 December 2021

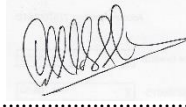
The Directors' annual report is approved on behalf of the Board of Directors and the Strategic Report (included therein) is approved by the Board of Directors on 24 June 2022 and signed on its behalf by:



.....
Revd Jane Rogers

Chair

24 June 2022



.....
Mr C H E Smith

Director

24 June 2022

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

Opinion

We have audited the financial statements of The Hereford Diocesan Board of Finance for the year ended 31 December 2021, which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes, 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 2021, 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 twelve 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 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.

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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 safeguarding vulnerable beneficiaries, health and safety, and employment (including taxation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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 and Church of England Measures.

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 and revenue recognition. 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; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.



Lee Stokes (Senior Statutory Auditor)

For and on behalf of Haysmacintyre LLP, Statutory Auditor

10 Queen Street Place, London EC4R 1AG

24 June 2022

Statement of financial activities

For the year ended 31 December 2021

		Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	funds	funds	2021	2020
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:							
Donations							
Parish Offer contributions	3	3,256	-	-	-	3,256	3,498
Archbishops' Council	4	413	-	316	-	729	708
Other donations	5	110	22	105	7	244	273
Charitable activities	6	403	-	-	-	403	321
Other trading income	7	293	-	12	-	305	336
Investment income	8	71	-	149	346	566	600
Other income	9	-	-	107	-	107	3
Total income and endowments		4,546	22	689	353	5,610	5,739
Expenditure on:							
Raising funds	10	97	-	73	72	242	184
Charitable activities: excl. pension deficit	11	5,723	147	616	-	6,486	6,290
Charitable activities: remeasurement of pension deficit liability	32	8	-	-	-	8	1
Total expenditure		5,828	147	689	72	6,736	6,475
Net (expenditure)/income before investment gains		(1,282)	(125)	-	281	(1,126)	(736)
Net gains on investments		535	-	820	2,681	4,036	1,434
Net (expenditure)/income		(747)	(125)	820	2,962	2,910	698
Transfers between funds	23	340	175	(2)	(513)	-	-
Other recognised gains							
Gains on revaluation of fixed assets	15	-	-	4,843	166	5,009	2,920
Net movement in funds		(407)	50	5,661	2,615	7,919	3,618
Funds brought forward at 1 January		4,037	311	57,603	21,117	83,068	79,450
Funds carried forward at 31 December		3,630	361	63,264	23,732	90,987	83,068

All activities derive from continuing activities. The Notes on pages 28 to 60 form part of the financial statements.

Income and expenditure account

For the year ended 31 December 2021

	2021 £'000	2020 £'000
Total income	5,257	5,371
Total expenditure	(6,664)	(6,425)
Operating deficit for the year	(1,407)	(1,054)
Net gains on investments	1,355	370
Net expenditure for the year	(52)	(684)
Other comprehensive income:		
Revaluation of fixed assets	4,843	2,825
Net assets transferred from endowments	513	432
Total comprehensive income	5,304	2,573

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

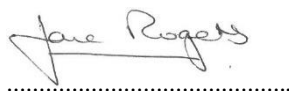
Balance sheet

For the year ended 31 December 2021

Company Number: 144467

		Unrestricted funds		Restricted funds	Endowment funds	Total 2021	Total 2020
	Note	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Fixed assets							
Tangible assets	15	383	-	52,499	1,936	54,818	51,551
Investment property	17	-	-	488	7,775	8,263	7,313
Other investments	18	3,454	70	9,151	14,033	26,708	22,815
		3,837	70	62,138	23,744	89,789	81,679
Current assets							
Stocks		3	-	-	-	3	2
Debtors: amounts falling due within one year	19	205	-	66	18	289	987
Debtors: amounts falling after one year	20	-	-	8	-	8	12
Cash at bank & in hand		9	291	1,937	182	2,419	1,617
		217	291	2,011	200	2,719	2,618
Creditors: amounts falling due within one year	21	(424)	-	(885)	(212)	(1,521)	(1,173)
Net current assets/(liabilities)		(207)	291	1,126	(12)	1,198	1,445
Total assets less current liabilities		3,630	361	63,264	23,732	90,987	83,124
Creditors: amounts falling due after more than one year							
Pension deficit payments liability	22	-	-	-	-	-	(56)
Net Assets		3,630	361	63,264	23,732	90,987	83,068
Funds							
Unrestricted income fund	24	3,630	-	-	-	3,630	4,037
Designated funds	24	-	361	-	-	361	311
Restricted income funds	24	-	-	63,264	-	63,264	57,603
Endowment funds	24	-	-	-	23,732	23,732	21,117
Total funds		3,630	361	63,264	23,732	90,987	83,068

The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 24 June 2022 and signed on their behalf by:


Revd Jane Rogers

Chair

24 June 2022

Cash flow statement

For the year ended 31 December 2021

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Net cash outflow from operating activities		(785)		(1,774)
Cash flows from investing activities				
Dividends, interest and rent from investments		566		600
Proceeds from the sale of:				
Tangible fixed assets for the use of the HDBF	1,550		284	
Fixed asset investments	4,290		7,017	
Purchase of:				
Tangible fixed assets for the use of the HDBF	(10)		(10)	
Fixed asset investments	(4,813)		(5,998)	
Net cash provided by investing activities		1,017		1,293
Cash flows from financing activities				
Loan repaid to HDBF		4		4
Change in cash and cash equivalents in the reporting period		802		123
Net cash funds as at 1 January		1,617		1,494
Net cash funds as at 31 December		2,419		1,617
Notes to the cash flow statement				
<i>Reconciliation of net movements in funds to net cash flow from operating activities</i>				
Net movement in funds for the year ended 31 December		(1,126)		(736)
Add: depreciation & amortisation charges		10		10
Less: dividends, interest and rent from investments		(566)		(600)
(Loss)/profit on sale of functional assets		(92)		107
(Increase)/Decrease in stocks		(1)		1
Decrease/(Increase) in debtors		698		(713)
Increase in creditors		292		157
Net cash used in operating activities		(785)		(1,774)

No analysis of changes in net debt is presented as the charitable company has no borrowings.

Notes to the accounts

For the year ended 31 December 2021

1. Accounting policies

1.1 General information

Hereford Diocesan Board of Finance ("HDBF") is a charitable company limited by guarantee, incorporated in England and Wales (company registration number 144467) and registered with the Charity Commission (charity registration number 249685). The registered office address is The Diocesan Office, The Palace, Palace Yard, Hereford, HR4 9BL.

1.2 Accounting convention and basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in note 1.6, and fixed asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP (FRS 102), second edition effective 1 January 2019), the Companies Act 2006 and applicable accounting standards (FRS 102).

The HDBF meets the definition of a public benefit entity under FRS 102.

1.3 Income

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

- **Parish Offer** is recognised as income in the year in which it is receivable. Parish Offer relating to the year but received between 1 January and 31 January after the year end is included within other debtors.
- **Land rent** is recognised as income when receivable.
- **Property rental income** is recognised as income in the period to which it relates.
- **Interest and dividends** are recognised as income when receivable.
- **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- **Parochial fees** are recognised as income of the year to which they relate.
- **Donations** other than grants are recognised when receivable.
- **Gains on disposal of fixed assets for the HDBF's own use** (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.
- **Diocesan Stipends Fund** (endowment fund). The endowment fund is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends.

1.4 Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

- **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages, investment management costs of glebe and any other investments.

Notes to the accounts

For the year ended 31 December 2021

- **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure on education and Church of England schools in the Diocese and direct support for parishes and clergy.
- **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the HDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- **Support costs** consist of central management, administration and governance costs. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on a relevant basis as set out in notes 12 and 13.
- **Pension contributions.** The HDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 32). The pension costs charged as resources expended represent the HDBF's contributions payable in respect of the accounting period, in accordance with FRS 102. Deficit funding for the pension schemes to which HDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

1.5 Employee termination payments. All costs involved in terminating employee contracts are accounted for in the period to which they relate and are disclosed in aggregate in note 30.

1.6 Tangible fixed assets and depreciation

Freehold properties

Freehold properties are recognised at cost and subsequently measured at fair value. Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The HDBF 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. The Trustees perform annual impairment reviews in accordance with the requirements of FRS 102 to ensure that the carrying value is not more than the recoverable amount.

Investment properties

Glebe properties which are held for investment purposes and rented out are initially recognised at cost and subsequently measured at fair value at each reporting date.

Notes to the accounts

For the year ended 31 December 2021

Parsonage houses

The HDBF has followed the requirements of FRS 102 in its accounting treatment for benefice houses (parsonages). FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The HDBF 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 therefore consider the most suitable accounting policy is to capitalise such properties as restricted fund assets and to carry them at their estimated current market value. Revaluation gains or losses arising are reported within other recognised gains and Activities.

Other tangible fixed assets

All capital expenditure over £500 is capitalised and depreciated. Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of fixed assets over their currently expected useful economic lives on a straight line basis as follows:

Improvements to leasehold property	8 years
Plant & equipment:	
Office Fixtures and fittings	7-10 years
Computer equipment	5 years
Solar panels	20 years

Fixed asset investments

Fixed asset investments are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.

Glebe land with the potential for development is valued according to its agricultural value until such a time as either outline planning permission is received or a development agreement is in place, at which point it is revalued to reflect the development value, provided this can be determined with reasonable accuracy. The costs of reports and investigations incurred with the aim of obtaining outline planning permission for housing developments on specific glebe land is initially capitalised. The accumulated costs are scrutinised by the Directors at the end of each accounting year. In cases where the Directors believe that planning permission is unlikely to be obtained, the accumulated planning costs are treated as an investment loss and taken to the Statement of Financial Activities in the year in which the decision is made.

1.7 Financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost with the exception of investments which are held at fair value. Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. A specific provision is made for debts for which recoverability is in doubt. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

1.8 Debtors

Trade and other debtors are recognised at the settlement amount due.

Notes to the accounts

For the year ended 31 December 2021

1.9 Creditors and provisions

Creditors and provisions are recognised where the charity 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.

1.10 Equity share loan

The HDBF Educational Uniform Statutory Trust had one loan for which the settlement proceeds were based on the value of the equity in the property. As this constitutes a non-basic financial instrument under FRS 102 this loan has been recognised at fair value and is revalued at each reporting date. Any gains and losses arising at each year end are recognised within investment gains and losses in the SOFA. This loan was repaid in full during 2021.

1.11 Leases

The HDBF has entered into operating lease arrangements only for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or break clause where there is an expectation that this will be utilised.

1.12 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

1.13 Fund balances

Fund balances are split between unrestricted, restricted and endowment funds.

1.13.1 Unrestricted funds are the HDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the HDBF. There are two types of unrestricted funds:

- **General fund** which HDBF intends to use for the general purposes of the company; and
- **Designated funds** set aside out of unrestricted funds by the HDBF for a purpose specified by the Trustees. Such designations may be set aside from time to time according to policy decisions.

1.13.2 Restricted funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

As a matter of policy the Board has agreed that it should aim to achieve a capital base on the restricted pastoral fund sufficient to generate dividends and interest to meet average annual expenditure on essential property improvements.

1.13.3 Endowment funds are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment fund administered by the HDBF (Diocesan Stipends Fund), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment.

Notes to the accounts

For the year ended 31 December 2021

1.14 Trust funds

"Special trusts" (as defined by the Charities Act 2011), being any other trusts where the HDBF acts as trustee and controls the management and use of the funds, are included in the HDBF's own financial statements as charity branches. Trusts where the HDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the relevant note to the financial statements.

1.15 Linked charities

The HDBF's accounts aggregate the following charities linked by the Charity Commission to the HDBF. These charities are treated as branches of the HDBF and held within restricted funds.

- The Hereford Diocesan Board of Education (DBE) (linked charity number: 249685-1).
- The HDBF Educational Uniform Statutory Trust (UST) (linked charity number: 249685-2)

1.16 Going concern

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. The trustees consider that there are no material uncertainties over the charity's financial viability in the short to medium term. Accordingly, they are satisfied it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

1.17 Accounting for open schools and related Trust property

While a Church School continues to operate as such or is leased to a Local Authority or Academy for the purposes of a County School, it and any property attached thereto is not considered to have any current value to HDBF (as part of the Hereford Diocesan Board of Finance Educational Uniform Statutory Trust).

1.18 Accounting for closed schools and related Trust property

In 1953 a Scheme was made under Section 86 of the Education Act 1944. Under the Scheme the HDBF was made the governing body of the education foundations listed in the Scheme. Until closure, the governing body was required to administer a school in accordance with the trusts subsisting when the Scheme was made. In relation to the letting of premises included in the Scheme, the Board, as governing body, is bound by the general law applicable to trustees of charitable foundations. The application of the income and capital formerly laid down by the 1953 Scheme is now governed by the Uniform Statutory Trusts.

A Section 554 Order is usually made in respect of a closed school not included in the Section 86 Scheme. This allows the Department for Education to make an Order directing the sale of closed school premises where this has not already taken place and specifies the destination of the proceeds of sale and of the assets of trusts associated with the school. Such Orders may be made in respect of a school included in the Section 86 Scheme referred to above to allow part of the assets to be used other than as originally laid down in the Scheme, such as for the setting up of a local religious education fund. In making a Section 554 Order, the Department may take into account moral as well as legal claims and it is for the Department to decide what proportion, if any, comes to the Uniform Statutory Trusts. Once an Order is made and the Trustee is able to estimate the proceeds of the sale, based on professional advice, this amount is brought into the capital fund of the UST. If the school is redundant but a Section 554 Order has not yet been made or the net realisable value is so uncertain that any quantification might be misleading, this information is shown in a note to the accounts.

Notes to the accounts

For the year ended 31 December 2021

On the occurrence of a sale under Section 86 of the Act, the property on its closure immediately becomes an asset of the trust. If the Trustee owns the property, the estimated value will be brought into the capital fund of the UST. In all other cases if the Board considers an estimate of the capital value so uncertain that any quantification might be misleading, this information is shown in a note to the accounts.

Trustees of closed schools falling within the 'Reverter of Sites Act' have the duty to dispose of the asset at 'best value' and return the proceeds to the benefactor.

2. Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

2.1 Critical judgements

When a Church of England school closes, the site may revert back to the original owner, otherwise it will revert to the linked charity, the HDBF Educational Uniform Statutory Trust ("HDBF UST"). If it is to revert to the HDBF UST, there is a judgement as to the point at which the property is recognised. The policy adopted by the trustees is detailed in note 1.18.

Glebe land with the potential for development is valued according to its agricultural value until such a time as either outline planning permission is received or a development agreement is in place, at which point it is revalued to reflect the development value, provided this can be determined with reasonable accuracy.

2.2 Estimation uncertainty

Houses held as tangible fixed assets and houses held for investment are valued by the in-house Diocesan surveyor. The valuation is made using professional experience, relevant indices and by reference to the sale prices of similar properties in the same area.

Land and commercial properties are valued by the Directors by reference to a variety of land market surveys and property indexes as detailed in note 17.

Notes to the accounts

For the year ended 31 December 2021

3. Parish Offer contributions

	Unrestricted funds		Restricted funds	Endowment funds	Total 2021 £'000	Total 2020 £'000
	General £'000	Designated £'000	£'000	£'000		
Current year Parish Offer committed	3,370	-	-	-	3,370	3,854
Shortfall in commitments	(123)	-	-	-	(123)	(356)
	3,247	-	-	-	3,247	3,498
Received for previous years	9	-	-	-	9	-
	3,256	-	-	-	3,256	3,498

The Parish Offer system is based on annual commitments made by PCCs to contribute to the 'Common Fund' of the Diocese. Parish Offer receipts in 2021 represented 96.4% (2020: 90.8%) of the total commitments made. All Parish Offer receipts in 2020 related to the General fund.

4. Archbishops' Council

	Unrestricted funds		Restricted funds	Endowment funds	Total 2021 £'000	Total 2020 £'000
	General £'000	Designated £'000	£'000	£'000		
Lowest Income Communities funding (LInC)	298	-	-	-	298	288
Transitional support funding	92	-	-	-	92	114
Other grant funding	23	-	316	-	339	306
	413	-	316	-	729	708

The Lowest Income Communities (LInC) funding supports stipendiary ministry in the most deprived areas of the Diocese. The transitional funding is currently used to fund clergy stipends across the Diocese. In 2020 the LInC income and Transitional support funding was attributable to the General fund, other grant funding was attributable £21k to the General fund and £285k to Restricted funds.

5. Other donations

	Unrestricted funds		Restricted funds	Endowment funds	Total 2021 £'000	Total 2020 £'000
	General £'000	Designated £'000	£'000	£'000		
Trust income and grants	24	8	60	7	99	126
PCC partnership income	-	14	45	-	59	42
Ecclesiastical Insurance Office - share of profits	80	-	-	-	80	84
Donations & sundry income	6	-	-	-	6	21
	110	22	105	7	244	273

In 2020, £89k of Trust income and grants was attributable to the General fund, £1k to Designated funds and £36k to Restricted funds. PCC partnership income in 2020 was attributable £1k to Designated funds and £41k to Restricted funds. All other donations in 2020 were attributable to the General fund.

Notes to the accounts

For the year ended 31 December 2021

6. Charitable activities

	Unrestricted funds		Restricted funds	Endowment funds	Total 2021 £'000	Total 2020 £'000
	General £'000	Designated £'000	£'000	£'000		
Fees for occasional offices	360	-	-	-	360	288
Income from educational activities	43	-	-	-	43	33
	403	-	-	-	403	321

All charitable activities related entirely to Unrestricted funds in both the current and prior year.

7. Other trading income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2021 £'000	Total 2020 £'000
	General £'000	Designated £'000	£'000	£'000		
Rental income	293	-	11	-	304	335
Other trading income	-	-	1	-	1	1
	293	-	12	-	305	336

In 2020, £325k of the rental income was attributable to the General fund and £10k to Restricted funds. All of the other trading income in 2020 was attributable to Restricted funds.

8. Investment income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2021 £'000	Total 2020 £'000
	General £'000	Designated £'000	£'000	£'000		
Rents receivable	-	-	9	113	122	152
Interest & dividends receivable	71	-	140	233	444	448
	71	-	149	346	566	600

£11k of the rents receivable in 2020 were attributable to Restricted funds, with the remainder attributable to Endowment funds. £78k of the interest & dividends receivable in 2020 were attributable to the General fund, £143k to Restricted funds and £227k to Endowment funds.

9. Other income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2021 £'000	Total 2020 £'000
	General £'000	Designated £'000	£'000	£'000		
Redundant church costs recovered	-	-	15	-	15	3
Gain on disposal of fixed assets	-	-	92	-	92	-
	-	-	107	-	107	3

All other income in 2020 was attributable to Restricted funds.

Notes to the accounts

For the year ended 31 December 2021

10. Fund raising costs**10.1 Fund raising costs 2021**

	Unrestricted funds		Restricted funds	Endowment funds	Total 2021 £'000
	General £'000	Designated £'000	£'000	£'000	
Land & property agents' fees	45	-	-	-	45
Glebe land maintenance & development	11	-	-	10	21
Property rental & other trading costs	4	-	38	-	42
Investment portfolio mgt fees	18	-	35	62	115
	78		73	72	223
Support costs (see note 12)	19	-	-	-	19
	97	-	73	72	242

10.2 Fund raising costs 2020

	Unrestricted funds		Restricted funds	Endowment funds	Total 2020 £'000
	General £'000	Designated £'000	£'000	£'000	
Land & property agents' fees	55	-	1	-	56
Glebe land maintenance & development	5	-	-	-	5
Property rental & other trading costs	1	-	10	-	11
Investment portfolio mgt fees	15	-	29	50	94
	76	-	40	50	166
Support costs	18	-	-	-	18
	94	-	40	50	184

Notes to the accounts

For the year ended 31 December 2021

11. Charitable activities

11.1 Charitable activities excluding remeasurement of pension deficit liability 2021

	Unrestricted funds	Restricted funds	Endowment funds	Total 2021 £'000
	General £'000	Designated £'000	£'000	£'000
Resourcing ministry and mission:				
Stipends and national insurance	2,380	-	91	2,471
Clergy pension contributions	654	-	-	654
Clergy Housing	699	-	75	774
Clergy moves & interregnums	152	-	-	152
Support for ministry	524	-	109	633
Mission and ministry projects	26	147	242	415
Allocated support costs	375	-	1	376
	4,810	147	518	5,475
Contributions to Archbishops' Council	423	-	-	423
Education	210	-	67	277
Parochial support	104	-	31	135
Grants and donations	7	-	-	7
Allocated support costs	169	-	-	169
Total expenditure on charitable activities excluding remeasurement of pension deficit liability	5,723	147	616	6,486

11.2 Charitable activities excluding remeasurement of pension deficit liability 2020

	Unrestricted funds	Restricted funds	Endowment funds	Total 2020 £'000
	General £'000	Designated £'000	£'000	£'000
Resourcing ministry and mission:				
Stipends and national insurance	2,398	-	-	2,398
Clergy pension contributions	536	-	-	536
Clergy Housing	610	-	156	766
Clergy moves & interregnums	69	-	-	69
Support for ministry	591	-	176	767
Mission and ministry projects	29	76	217	322
Allocated support costs	390	-	1	391
	4,623	76	550	5,249
Contributions to Archbishops' Council	401	-	-	401
Education	192	-	156	348
Parochial support	105	-	23	128
Grants and donations	7	-	-	7
Allocated support costs	157	-	-	157
Total expenditure on charitable activities excluding remeasurement of pension deficit liability	5,485	76	729	6,290

Notes to the accounts

For the year ended 31 December 2021

12. Analysis of support costs

	Unrestricted funds		Restricted funds	Endowment funds	Total 2021	Total 2020
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Salary and employment costs	355	-	-	-	355	350
Property costs	43	-	-	-	43	42
Office costs	61	-	1	-	62	65
Legal and professional fees	73	-	-	-	73	86
General Synod representation	6	-	-	-	6	3
Governance costs	25	-	-	-	25	20
	563	-	1	-	564	566

All support costs in 2020 were attributable to the general fund except for £1k of office costs attributable to restricted funds.

13. Analysis of expenditure including allocation of support costs

13.1 Analysis 2021

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total 2021
	£'000	£'000	£'000	£'000
Raising funds:	223	-	19	242
Charitable activities: excl. pension deficit:				
Contributions to Archbishops' Council	-	423	5	428
Resourcing ministry and mission	4,932	167	376	5,475
Education	245	32	85	362
Parochial support	108	27	79	214
Other grants and donations	-	7	-	7
Charitable activities: pension deficit	8	-	-	8
	5,516	656	564	6,736

13.2 Analysis 2020

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total 2020
	£'000	£'000	£'000	£'000
Raising funds:	166	-	18	184
Charitable activities: excl. pension deficit:				
Contributions to Archbishops' Council	(9)	410	4	405
Resourcing ministry and mission	4,757	101	391	5,249
Education	192	156	81	429
Parochial support	107	21	72	200
Other grants and donations	-	7	-	7
Charitable activities: pension deficit	1	-	-	1
	5,214	695	566	6,475

Notes to the accounts

For the year ended 31 December 2021

14. Analysis of grants made

14.1 Analysis 2021

	<i>Number</i>	<i>Individuals</i> £'000	<i>Institutions</i> £'000	Total 2021 £'000
From unrestricted funds - general fund:				
National church responsibilities:				
Contributions to Archbishops' Council	5	-	423	423
Grants to clergy	88	127	-	127
Ministry experience scheme	3	6	-	6
Support for Ordinands in training	4	18	-	18
PCCs for church inspection fees	65	-	27	27
Other grants	2	-	7	7
	167	151	457	608
From unrestricted funds - designated funds:				
To support mission and ministry	1	-	10	10
From restricted funds:				
To support mission and ministry	1	-	6	6
To support school building projects	26	-	32	32
	195	151	505	656

14.2 Analysis 2020

	<i>Number</i>	<i>Individuals</i> £'000	<i>Institutions</i> £'000	Total 2020 £'000
From unrestricted funds:				
National church responsibilities:				
Contributions to Archbishop's Council	5	-	410	410
Grants to clergy	23	44	-	44
Ministry experience scheme	5	12	-	12
Clebury Mortimer youth project	-	-	-	-
Support for Ordinands in training	6	36	-	36
PCCs for church inspection fees	52	-	21	21
Other grants	2	-	7	7
	93	92	438	530
From unrestricted funds - designated funds:				
To support mission and ministry	2	7	2	9
From restricted funds:				
To support mission and ministry	1	-	156	156
To support school building projects	1	-	-	-
	97	99	596	695

Notes to the accounts

For the year ended 31 December 2021

15. Tangible fixed assets

	Freehold properties £'000	Leasehold property improvements £'000	Plant & equipment £'000	Total £'000
Cost or valuation				
At 1 January 2021	51,520	53	93	51,666
Additions	-	-	10	10
Disposals	(1,458)	-	(1)	(1,459)
Transfers	(284)	-	-	(284)
Revaluation	5,009	-	-	5,009
At 31 December 2021	54,787	53	102	54,942
Accumulated depreciation				
At 1 January 2021	-	53	62	115
Charge for the year	-	-	10	10
Disposals	-	-	(1)	(1)
At 31 December 2021	-	53	71	124
Net book value				
At 1 January 2021	51,520	-	31	51,551
At 31 December 2021	54,787	-	31	54,818

The leasehold property held at nil book value relates to the diocesan office in Hereford, the landlord being the Church Commissioners.

As at 31 December 2021, the Board was responsible for seven redundant churches. The value of these churches at this date is considered uncertain and not material and accordingly no value related to them has been included in these accounts.

The Board and benefice houses were valued by the Board as at 31 December 2021 by taking advice from the employed Diocesan Property Surveyor (MCIOB). On 31 December 2021 there was a housing stock of 117 properties (2020: 124).

Due to the length of time properties have been held by the Board and the unavailability of historical accounting records it is not possible to provide a historical cost valuation for Board and benefice houses.

16. Capital commitments

There were no capital commitments as at 31 December 2021 (2020: £nil).

Notes to the accounts

For the year ended 31 December 2021

17. Investments held as Fixed Assets – Investment property

	As at 1 January 2021 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2021 £'000
Endowment funds						
Land	6,372	107	(4)	-	794	7,269
Buildings	460	-	-	-	46	506
	6,832	107	(4)	-	840	7,775
Restricted funds						
Buildings	481	-	(284)	284	7	488
Total	7,313	107	(288)	284	847	8,263

Endowment fund buildings at the year-end consists of one commercial property, which has been informally valued by the directors as at 31 December 2021.

Restricted fund buildings consist of houses held as investment properties. These have been valued by the Diocesan Surveyor (MCIOB) as at 31 December 2021.

The value of rural land was determined by the Directors. Due to the multiplicity of holdings and varying sizes and terms of occupation the cost of a professional valuation is deemed to be an imprudent use of charitable funds. The Directors used a variety of land market surveys to determine average land values at 31 December 2021. A discount was applied to 1986 Agricultural Holdings Act tenancies of 42% and Farm Business Tenancies of 18%. This constitutes an average yield of 1.5%. Other amenity tenancies/licences were discounted at 12.5% and vacant land was discounted at 5% to reflect the time taken to realise a value and reflect any restrictions on sale. Land for which planning permission has been received is valued according to its market value as determined by the Directors.

All glebe land is vested in and managed by the Board for the benefit of the Endowment (Diocesan Stipends) Fund in accordance with the terms of the Endowments and Glebe Measure 1976.

The historical cost of investment property land and buildings is unknown.

18. Investments held as Fixed Assets – Other investments

	As at 1 January 2021 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2021 £'000
Listed investments						
Unrestricted general fund	3,636	541	(588)	(670)	535	3,454
Designated funds	74	-	-	(4)	-	70
Restricted funds	6,902	2,053	(1,451)	600	1,047	9,151
Endowment funds	12,073	2,112	(2,033)	74	1,807	14,033
	22,685	4,706	(4,072)	-	3,389	26,708
Equity share loan						
Restricted fund - UST	130	-	(130)	-	-	-
Total	22,815	4,706	(4,202)	-	3,389	26,708

Listed investments are traded on London or comparable international stock exchanges.

The historical cost of listed investments held as at 31 December 2021 was £20.2m (2020: £18.9m).

Notes to the accounts

For the year ended 31 December 2021

19. Debtors: due within one year

	2021	2020
	£'000	£'000
Other debtors	137	817
Prepayments & accrued income	148	166
Loan to Bishop Mascall Centre ¹	4	4
	289	987

20. Debtors: due after one year

	2021	2020
	£'000	£'000
Loan to Bishop Mascall Centre ¹	8	12

¹The loan to the Bishop Mascall Centre of £11,980 (2020: £15,980) is being repaid at £4,000 per annum, with interest chargeable at the Church of England's Central Board of Finance (CBF) rates.

21. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Other creditors and accruals	1,340	896
Taxation & Social Security	29	37
Pension deficit payments liability	152	240
	1,521	1,173

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

	2021	2020
	£'000	£'000
Pension deficit payments liability	-	56

Notes to the accounts

For the year ended 31 December 2021

23. Analysis of transfers between funds

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated	funds	funds	funds
	£'000	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	60	-	(60)	-	-
From General fund to Endowment fund for reduction in pension deficit liability	(144)	-	-	144	-
From Endowment fund to General fund for stipends under Total Return (see note 26)	657	-	-	(657)	-
From General fund to the Total Return Mission Fund to support mission projects	(250)	250	-	-	-
From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements	-	(61)	61	-	-
Transfers to the General fund for manse costs	17	(14)	(3)	-	-
From the Brampton Abbots fund to the Pastoral fund to clear fund surplus			1 (1)		
From UST to Stottesdon School House trust in respect of loan			5 (5)		
	340	175	(2)	(513)	-

Comparatives for 2020 can be found in note 39 to these accounts.

Notes to the accounts

For the year ended 31 December 2021

24. Summary of assets by fund

	Tangible Fixed assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General Fund	383	3,454	217	(424)	3,630
Designated funds:					
Total Return Mission funds	-	70	291	-	361
	383	3,524	508	(424)	3,991
Restricted funds					
Pastoral Fund	52,499	6,270	819	(12)	59,576
Mission and Ministry Fund	-	-	9	-	9
Strategic Ministry Fund - curates	-	-	-	-	-
Ordinands in Training Fund	-	-	49	-	49
Strategic Development Fund	-	-	38	-	38
Strategic Capacity Fund	-	-	8	-	8
Other grant funds	-	-	18	-	18
Uniform Statutory Trust	-	2,888	1,034	(873)	3,049
Education funds	-	481	36	-	517
	52,499	9,639	2,011	(885)	63,264
Endowment funds					
Diocesan Stipends Fund	1,936	21,808	200	(212)	23,732
Total funds	54,818	34,971	2,719	(1,521)	90,987

Comparatives for 2020 can be found in note 38 to these accounts.

Notes to the accounts

For the year ended 31 December 2021

25. Analysis of movements in funds

	Balance at 1 Jan 2021 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	Balance at 31 Dec 2021 £'000
Unrestricted funds						
General reserve	4,037	4,546	(5,828)	340	535	3,630
Designated reserves:						
Total Return Mission funds	311	22	(147)	175	-	361
Total unrestricted funds	4,348	4,568	(5,975)	515	535	3,991
Restricted funds						
Pastoral Fund	54,228	208	(160)	1	5,299	59,576
Mission and Ministry Fund	15	-	(6)	-	-	9
Ordinands in Training Fund	24	134	(109)	-	-	49
Strategic Ministry Fund - curates	-	91	(91)	-	-	-
Strategic Development Fund	32	141	(193)	58	-	38
Strategic Capacity Fund	23	-	(15)	-	-	8
Other grant funds	30	54	(65)	(1)	-	18
Education Funds	462	10	-	(5)	50	517
Uniform Statutory Trust	2,789	51	(50)	(55)	314	3,049
Total restricted funds	57,603	689	(689)	(2)	5,663	63,264
Endowment funds						
Diocesan Stipends Fund						
- Investment Fund	7,473	7	-	359	-	7,839
- Unapplied Total Return	13,644	346	(72)	(872)	2,847	15,893
Total endowment funds	21,117	353	(72)	(513)	2,847	23,732
Total movement in funds	83,068	5,610	(6,736)	-	9,045	90,987

Comparatives for 2020 can be found in note 40 to these accounts.

Notes to the accounts

For the year ended 31 December 2021

26. Endowment Fund – Total Return

	Investment Fund £'000	Unapplied Total Return £'000	Total Endowment £'000
At 1 January 2021	7,473	13,644	21,117
Movements in the reporting period:			
Dividends and interest	-	233	233
Glebe land rent	-	104	104
Glebe commercial property rental income	-	9	9
Trust income	7	-	7
Realised and unrealised gains and (losses)	-	2,847	2,847
Transfer from general fund for reduction in clergy pension deficit payments liability	-	144	144
Less:			
Investment management costs	-	(62)	(62)
Glebe land development costs	-	(10)	(10)
Indexation using CPIH: 4.8%	359	(359)	-
	366	2,906	3,272
Unapplied Total Return allocated to income to be used for stipends:			
- Equating to dividend, interest and rents	-	(346)	(346)
- Equating to 0.5% of equity investments	-	(61)	(61)
- Additional annual transfer	-	(250)	(250)
	-	(657)	(657)
Net movements in report period:	366	2,249	2,615
At 31 December 2021	7,839	15,893	23,732

The trustees adopted a Total Return accounting approach under the Diocesan Stipend Funds (Amendment) Measure 2016 with effect from 1 January 2019. Comparatives for 2020 can be found in note 41.

27. Net income for the year

Net income for the year is stated after charging:

	2021 £'000	2020 £'000
Depreciation of tangible fixed assets	10	10
Rentals charged under operating leases	16	17
Amounts payable to external auditors for:		
- statutory audit	26	20
- tax advisory services	-	1

Notes to the accounts

For the year ended 31 December 2021

28. Financial commitments – operating leases

Total future minimum lease payments under non-cancellable operating leases were as follows:

	2021 £'000	2020 £'000
Minimum lease payments payable:		
Within one year of the balance sheet date	1	1

Total future minimum lease payments receivable under non-cancellable operating leases were as follows:

	2021 £'000	2020 £'000
Minimum lease payments receivable		
Within one year of the balance sheet date	24	-
Within two to five years of the balance sheet date	86	-

29. Post balance sheet events and contingent liabilities

There were no post balance sheet events or contingent liabilities as at 31 December 2021.

30. Staff costs

Staff costs were as follows:

	2021 £'000	2020 £'000
Gross salaries and wages	1,128	1,166
Social Security costs	104	109
Pension contributions	122	117
	1,354	1,392

Included in staff costs in 2020 is an amount of £11,000 relating to voluntary redundancy payments.

The above figures include the Diocesan Director of Education (DDE), employed jointly by HDBF and DHMAT, a related party. Employment costs of the DDE are administered by DHMAT and recharged to HDBF.

Notes to the accounts

For the year ended 31 December 2021

The monthly average number of persons employed during the year by head count:

	2021		2020	
	Number Full-time	Number Part-time	Number Full-time	Number Part-time
Support ministers / staff	10.0	9.0	11.2	6.2
Education	2.0	2.0	2.0	2.0
Diocesan officers	3.0	1.0	3.0	1.0
Diocesan administration staff	2.0	6.3	3.0	5.0
Grant funded Intergenerational Missioners	3.5	3.0	5.0	2.0
Grant funded support staff	-	1.0	1.0	0.2
Grant funded deanery staff	-	1.0	-	1.0
	20.5	23.3	25.2	17.4

The average number of persons employed during the year based on full-time equivalents:

	2021 Number	2020 Number
Support ministers / staff	15.1	15.0
Education	3.2	3.2
Diocesan officers	3.8	3.8
Diocesan administration staff	6.0	5.7
Grant supported Intergenerational Missioners	5.3	6.0
Grant funded support staff	0.8	1.1
Grant funded deanery staff	0.7	0.7
	34.9	35.5

These staff numbers do not include the Archdeacon of Ludlow, who is paid through the Church Commissioners.

The number of employees whose emoluments for the year exceeded £60,000 (including benefits in kind but excluding pension contributions) was as follows:

	2021 Number	2020 Number
£70,000 - £80,000	1	1

30.1 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 2021 they were:

Diocesan Secretary	Mr S R Pratley
Director of Education	Mr A Teale
Director of Finance	Mr S G P Herbert

Remuneration (including employer's National Insurance) and pensions for these employees amounted to £223,200 (2020: £211,500).

Notes to the accounts

For the year ended 31 December 2021

30.2 Trustees' emoluments

No Trustee received any remuneration for services as Trustee. Four Trustees received travelling and out-of-pocket expenses totalling £1,469 (2020: £2,481 4 trustees) in respect of General Synod duties, duties as Archdeacon or Rural Dean, and other duties as Trustees.

The Church Commissioners are responsible for the stipends and housing of the Diocesan Bishop and the stipend of the Archdeacon of Ludlow (ex officio trustees). Parochial clergy, the Archdeacon of Hereford and support ministers who are trustees of the HDBF, whether ex officio, elected, appointed or co-opted, are in receipt of a stipend, housing and training/sabbatical grants paid via the Board by virtue of their office. Two trustees received clergy resettlement grants totalling £5,054 (2020: 1 trustee received a clergy study grant of £45).

The following table gives details of Trustees who were in receipt of a stipend and housing provided by the HDBF during the year:

	Stipend	Housing/ housing allowance
The Ven D Chedzey	Yes	Yes
The Ven F R Gibson	No	Yes
Revd Preb S Cawdell	Yes	Yes
Revd Preb W A Buck	Yes	Yes
Revd G Cole	Yes	Yes
Revd G Smith	Yes	Yes
Preb J Davies	Yes	Yes

The Board also met the stipends, pensions and social security costs of an average of 83 (2020: 81) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2021 £'000	2020 £'000
Stipends	2,308	2,211
National insurance contributions including Apprenticeship levy	197	185
Pension costs - current year	690	553
- deficit reduction	152	243
	3,347	3,192

The stipends of the Diocesan Bishop, and Archdeacon of Ludlow, were paid for and funded by the Church Commissioners.

31. Related parties

Herefordshire Vennture, a charitable organisation of which Revd J Rogers (HDBF Chair of Trustees) and Mr S Pratley (Diocesan Secretary) are trustees, leased office space within the HDBF St Barnabas Church property at £4,590 for the year (2020: £6,790).

The Diocese of Hereford Multi-Academy Trust (DHMAT) is a related party to HDBF by virtue of the following:

- Mr A Teale (Diocesan Director of Education) is also a Director of DHMAT.

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For the year ended 31 December 2021

- Mr S Pratley (Diocesan Secretary) is also a member of DHMAT with the power, among other things, to appoint and remove trustees.

During the year, invoices net of VAT totalling £6,375 (2020: £6,375) for partnership costs were raised from HDBF to DHMAT. The balance outstanding at the end of the year was £6,375 (2020: £nil).

During the year, invoices net of VAT totalling £62,364 (2020: £52,560) were raised from DHMAT to HDBF for salary and administration costs. The balance outstanding at the year-end was £nil (2020: £nil).

The Diocese of Hereford Educational Trust (DHET) is a related party of HDBF as detailed below. During the year there were no transactions between HDBF and DHET:

- Mr A Teale (Diocesan Director of Education) and Mr S Pratley (Diocesan Secretary) are also directors of DHET.

Hereford Cathedral is a related party of HDBF. Bishop's Council select two members to sit on the Cathedral Council for a period of 5 years and the Dean of Hereford Cathedral is also an ex-officio Director of HDBF. During the year, invoices net of VAT totalling £1,381 were raised from HDBF to the Cathedral for safeguarding costs (2020: £4,500). The balance outstanding at the year end was £nil (2020: £3,485). During the year, invoices net of VAT totalling £4,686 (2020: £1,474) were raised from the Cathedral to HDBF for salary and administration costs. The balance at the year end was £nil (2020: £nil).

The Ven D Chedzey (an HDBF Trustee) is also Vice Chair of Trustees of the Hereford Historic Churches Trust. During 2020, HDBF received a grant from the Hereford Historic Churches Trust amounting to £5,000.

32. Pension commitments

32.1 Church of England Funded Pension Scheme (CEFPS)

The Hereford Diocesan Board of Finance participates in the Church of England Funded Pension Scheme for stipendiary clergy, a defined benefit pension scheme, and as at 31 December 2021 had 87 members in the scheme (2020: 85). This scheme is administered by the Church of England Pensions Board, which holds the assets of the Scheme 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 this means 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 (2021: £703k, 2020 £555k), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £711k for 2021 (2020: £556k).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out as 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% p.a.;
- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a.;
- Mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CMI2018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter of 7 and an initial addition to mortality improvements of 0.5% p.a.

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

Notes to the accounts

For the year ended 31 December 2021

	Jan 2018 to Dec 2020	Jan 2021 to Dec 2022
% of pensionable stipends		
Deficit repair contributions	11.9%	7.1%

As at 31 December 2019, 31 December 2020 and 31 December 2021 the deficit recovery contributions under the recovery plan in force at that time were as set out in the above table.

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 balance sheet liability over 2020 and over 2021 is set out in the table below.

	2021 £'000	2020 £'000
Balance sheet liability as at 1 January	296	538
Deficit contribution paid	(152)	(243)
Interest cost (recognised in the SoFA)	-	5
Remaining change to balance sheet liability* (recognised in SoFA)	8	(4)
Balance sheet liability as at 31 December	152	296

* 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. In general, these are set by reference to the duration of the deficit recovery payments but, as at 31 December 2021, under accounting rules the payments are not discounted since the remaining recovery plan is less than 12 months. No price inflation assumption is needed since pensionable stipends for the remainder of the recovery plan are already known.

	December 2021	December 2020	December 2019
Discount rate	0.0% p.a.	0.2% p.a.	1.1% p.a.
Price inflation	n/a	3.1% p.a.	2.8% p.a.
Increase to total pensionable payroll	-1.5% p.a.	1.6% p.a.	1.3% p.a.

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

32.2 Church of England Pension Builder Scheme

Hereford Diocesan Board of Finance 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 scheme separately from those of the Employer and the other participating employers.

The Church Workers Pension Fund 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'.

Notes to the accounts

For the year ended 31 December 2021

Pension Builder Scheme

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes. HDBF has no members in the Pension Builder Classic Scheme.

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. Discretionary bonuses may be added before retirement, depending on investment returns and other factors. The account, plus any bonuses declared is payable, unreduced, from age 65.

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 means 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 the contributions payable (2021: £72k, 2020: £67k).

A valuation of the Pension Builder scheme is carried out once every three years; the most recent was carried out as at 31 December 2019. The next valuation is due as at 31 December 2022.

For the Pension Builder 2014 section, the valuation revealed a surplus of £5.5m 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, Hereford Diocesan Board of Finance could become responsible for paying a share of that employer's pension liabilities. The directors have assessed this risk and consider it to be minimal.

At 31 December 2021, HDBF had 36 active members (2020: 32) in the Pension Builder 2014. Contributions outstanding at the year end amounted to £nil (2020: £nil).

32.3 Hereford Diocesan Board of Finance: other staff pension arrangements

The Hereford Diocesan Board of Finance contributes to individual money purchase policies operated by pension providers chosen by individual employees. The assets of these schemes are held separately from those of the Board, being invested with third party pension and insurance companies.

Contributions to the various schemes during the year totalled £22,941 (2020: £22,079) and were charged to the Income and Expenditure Account. Contributions outstanding at the year-end amounted to £1,384 (2020: £1,298).

Notes to the accounts

For the year ended 31 December 2021

33. Description of funds

General fund The General Fund is the HDBF's unrestricted undesignated fund available for any of the HDBF's purposes without restriction.

Designated funds

Total Return Mission Funds

This relates to monies transferred by the trustees on a fixed annual basis from the general fund to fund large mission projects that adhere to strict criteria. It is also used to provide match funding for strategic development bids. The funds are monitored by the Strategy steering group.

Designated funds can be undesignated and returned to the general fund by the trustees.

Endowment fund

Diocesan Stipends Fund

The expendable endowment (Diocesan Stipends) Fund is an expendable endowment fund from which the Board draws income to meet part of the cost of clergy stipends.

The fund was substantially affected by the provision of the Endowments and Glebe Measure 1976.

From 1 April 1978, incumbent clergy received from the Church Commissioners guaranteed annuities and personal grants equal in total to the net endowment income of their respective benefices prior to that date.

All other income previously attaching to a benefice including glebe income, along with income applicable to non-incumbent clergy, has been allocated to this expendable endowment (diocesan stipends) fund from that date.

From 1 January 2006, all stipendiary clergy were invited to relinquish their rights to guaranteed annuities and personal grants under a policy from the Church of England. All relevant HDBF clergy have relinquished those rights.

The income of the Diocesan Stipends Fund is used to support the cost of stipends. The capital is available to acquire, develop or improve glebe land & buildings at the request of the Bishop and the concurrence of the Board.

With effect from 1 January 2019 the HDBF trustees adopted a Total Return Accounting approach to the Diocesan Stipends Fund. The Fund is now split into two components:

- **Investment Fund** (or Trust for Investment): this represents the original value of the endowment uplifted each year by an inflationary measure;
- **Unapplied Total Return**: this represents the amount of the Diocesan Stipends Fund over and above the value of the Trust for Investment.

Restricted funds:

Pastoral Fund

The Diocesan Pastoral Account is used to support activities within the remit of the Diocesan Mission and Pastoral Committee (DMPC) as set out in the *Mission and Pastoral Measure 2011 (No.3)*. This will include expenditure on any property vested by or under this Measure in the Church Commissioners or the DBF, and grants and loans for parsonage and church provision, restoration, improvement or repair.

Where the DBF is satisfied that any monies in the diocesan pastoral account are not (likely to be) required for meeting the expenses or expenditure referred to in this section it may:

Notes to the accounts

For the year ended 31 December 2021

1. apply those monies by way of grant or loan to the provision, restoration, improvement or repair of churches and parsonage houses in the diocese, including the repair of any building closed for regular public worship vested in the Board pending the coming into operation of arrangements under a pastoral (church buildings disposal) scheme, or to other purposes of the diocese or any benefice or parish in the diocese; or
2. apply those monies by way of grant or loan for the benefit of another diocese, either generally for those purposes or for such of those purposes as the Board may specify; or
3. transfer those monies to the capital or income account of the diocesan stipends fund; or
4. transfer those monies to one or more other accounts or funds held by the Board or apply or transfer them partly to such other accounts or funds and partly as provided in paragraphs (1) to (3). [Mission and Pastoral Measure 2011 section 94(4)].

Mission and Ministry Fund

Prior to 2018, the Church Commissioners made an annual grant to HDBF for the restricted purpose of mission and ministry work within the Diocese. The grant income has now ceased and the fund is gradually being depleted as mission grants are awarded.

Ordinands in Training Fund

This restricted fund has arisen as a result of a change in the method of funding the training costs of ordinands. Prior to 2017, the training and residential costs were funded directly from the Church of England's Ministry Division. From 1 January 2017, a block grant has been receivable by HDBF, out of which training and maintenance costs are met. Any unused funds at the end of each year can only be used to fund future training and maintenance costs.

Education Funds

These relate to two Educational trusts: St Mary's School Trust (Bucknell School House) and Stottesdon School Foundation. Both trusts are managed by the Diocesan Board of Education. They had previously been included within custodian trustee accounts, but under the Charity Commission directive linking the Hereford Diocese Board of Education and HDBF in 2019, these are now included as restricted funds under branch accounting.

Restructuring Fund (2020 only)

Monies received from Archbishops' Council to help HDBF restructure its organisation to enable the transition from unrestricted funding by Archbishops' Council to targeted provision for lowest income communities.

Strategic Development Funds

This fund relates to projects which have received funds from the Archbishops' Council Strategic Development Fund (SDF) together with any associated parish funding and HDBF match funding. As at 31 December 2021 this fund related wholly to the 'Intergenerational Missioner' project employing seven Intergenerational Missioners across six market towns in the Diocese. The Intergenerational Missioner project is funded 25% by local PCC contributions, 50% from Archbishops' Council (SDF), and 25% by HDBF.

Notes to the accounts

For the year ended 31 December 2021

Strategic Capacity Fund

Monies received from the Archbishops' Council Strategic Capacity Fund (SCF) to fund the employment of a Programme Manager for three years to facilitate the implementation of projects and growth initiatives throughout the Diocese.

Other Grant Funds

Other grant funds relate to grants received from third parties by HDBF to be administered as directed.

Uniform Statutory Trust Fund

The Hereford Diocesan Board of Finance Educational Uniform Statutory Trust (UST) is a registered charity linked by the Charity Commission to HDBF of which the HDBF is the sole trustee. The principal activity of the UST is the advancement of Christian education in the Diocese. Under SORP (FRS 102), the charity is accounted for as a branch of HDBF and shown within restricted funds. The capital and income may be applied as follows:

1. in or towards the purchase of a site for, or the erection, improvement or enlargement of, the premises of any relevant school in the area or a teacher's house for use in connection with any relevant school in the area;
2. for the maintenance of any relevant school in the area;
3. the maintenance of a teacher's house for use in connection with any relevant school in the area.

In addition, the income may be applied as follows:

4. for the provision of advice, guidance and resources in connection with any matter related to the management of, or education provided at any relevant school in the area;
5. the provision of services for the carrying out of any inspection of any relevant school in the area;
6. to defray the cost of employing staff in connection with points 1. and 2. above.

34. St. Barnabas Church, Hereford

This property is owned by the Hereford Diocesan Board of Finance, and was until 30 June 2006 made available on licence to the parish of All Saints, Hereford, for the conduct of divine worship. As of 30 June 2006, the parish of All Saints Hereford no longer required the building for their parish mission and the property was therefore passed back into the complete control of the HDBF. From July 2017, the property has been leased to two charitable organisations: Vennture, and Oasis Church Hereford.

35. Corporation tax

The Company is a registered charity and as such its income and gains falling within Sections 471 to 489 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

36. Closed schools

36.1 Sarn School

Sarn School closed in August 2006 and was subject to the Reverter of Sites Act. An agreement was reached between the Trustee and the Reverter in February 2010, the net proceeds to be divided equally with any Capital Gains Tax to be met by the Trustee. A charitable scheme was established during 2017 to receive the proceeds and is held within the Custodian trustee accounts. When a S.554 Order is made the proceeds will be brought into the DBF as part of the UST fund.

Notes to the accounts

For the year ended 31 December 2021

36.2 Westbury and Hope Primary Schools

Westbury and Hope Primary Schools were closed during 2017 with pupils transferred to Worthen Primary School. Westbury Primary School was sold in March 2020. The sale proceeds will ultimately flow to the DBF as part of the UST fund via a S.554 order. However, until such a time as the S.554 Order has been awarded, the proceeds of the sale are not available to use for other Diocesan schools. The S.554 Order was still in progress as at 31 December 2021 and therefore the proceeds are held within the Custodian trustee accounts. Hope Primary School will also be sold but, as the school was built and funded by the Local Authority, proceeds from the sale of the school will flow to the Local Authority.

37. Prior year comparative SoFA: year ended 31 December 2020

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated			2020
	£'000	£'000	£'000	£'000	£'000
Income and endowments from:					
Donations					
Parish share contributions	3,498	-	-	-	3,498
Archbishops' Council	423	-	285	-	708
Other donations	194	2	77	-	273
Charitable activities	321	-	-	-	321
Other trading income	325	-	11	-	336
Investment income	78	-	154	368	600
Other income	-	-	3	-	3
Total income and endowments	4,839	2	530	368	5,739
Expenditure on:					
Raising funds	94	-	40	50	184
Charitable activities: excl. pension deficit	5,485	76	729	-	6,290
Charitable activities: pension deficit	1	-	-	-	1
Total resources expended	5,580	76	769	50	6,475
Net income/(expenditure) before investment gains	(741)	(74)	(239)	318	(736)
Net gains/(losses) on investments	122	-	248	1,064	1,434
Net income/(expenditure)	(619)	(74)	9	1,382	698
Transfers between funds	247	183	2	(432)	-
Other recognised gains (losses)					
Gains/(losses) on revaluation of fixed assets	-	-	2,825	95	2,920
Net movement in funds	(372)	109	2,836	1,045	3,618
Funds brought forward at 1 January 2020	4,409	202	54,767	20,072	79,450
Total funds at 31 December 2020	4,037	311	57,603	21,117	83,068

Notes to the accounts

For the year ended 31 December 2021

38. Prior year: Summary of assets by fund as at 31 December 2020

	Tangible Fixed assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General fund	382	3,636	243	(224)	4,037
Designated funds:					
Total Return Mission funds	-	74	237	-	311
	382	3,710	480	(224)	4,348
Restricted funds					
Pastoral fund	49,399	4,379	483	(33)	54,228
Mission and Ministry fund	-	-	15	-	15
Ordinands in training fund	-	-	24	-	24
Restructuring fund	-	-	-	-	-
Strategic development fund	-	-	32	-	32
Strategic capacity fund	-	-	23	-	23
Building strategy fund	-	-	(1)	-	(1)
Uniform Statutory Trust	-	2,703	737	(651)	2,789
Grant funds	-	-	31	-	31
Education Trusts	-	431	31	-	462
	49,399	7,513	1,375	(684)	57,603
Endowment funds					
Diocesan stipends fund	1,770	18,905	763	(321)	21,117
Total funds	51,551	30,128	2,618	(1,229)	83,068

Notes to the accounts

For the year ended 31 December 2021

39. Prior year: Analysis of transfers between funds: year ended 31 December 2020

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated	funds	funds	funds
	£'000	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	60	-	(60)	-	-
From General fund to Endowment fund for reduction in pension deficit liability	(242)	-	-	242	-
From Endowment fund to General fund for stipends under Total Return (see note 26)	674	-	-	(674)	-
From General fund to the Total Return Mission Fund to support mission projects	(250)	250	-	-	-
From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements	-	(61)	61	-	-
From Mission innovation Fund to support the Abbeydore Mission Co-ordinator Fund	-	(5)	5	-	-
From the Mission & ministry fund to the Mission innovation fund to support Ecumenical ministry in Ledbury	-	4	(4)	-	-
From the Holmer Church Plant fund to the General fund for manse costs	4	(4)	-	-	-
From the St Peters St James hub fund to the General fund for manse costs	1	(1)	-	-	-
From UST to Stottesdon School House trust in respect of loan1			(152) 152		- -
	247	183	2	(432)	-

Notes to the accounts

For the year ended 31 December 2021

40. Prior year: Analysis of movements in funds: year ended 31 December 2020

	Balance at 1 Jan 2020 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	Balance at 31 Dec 2020 £'000
Unrestricted funds						
General reserve	4,409	4,839	(5,580)	247	122	4,037
Designated reserves:						
Total Return Mission funds	202	2	(76)	183	-	311
	4,611	4,841	(5,656)	430	122	4,348
Restricted funds						
Pastoral reserve	51,366	102	(203)	-	2,963	54,228
Mission and Ministry reserve	19	-	-	(4)	-	15
Ordinands in training fund	8	146	(130)	-	-	24
Restructuring fund	5	3	(8)	-	-	-
Strategic development fund	38	123	(190)	61	-	32
Strategic capacity fund	14	53	(44)	-	-	23
Building strategy fund	2	-	(3)	-	-	(1)
Grant funds	8	38	(20)	5	-	31
Education trusts	427	10	(158)	152	31	462
Uniform statutory Trust	2,880	55	(13)	(212)	79	2,789
Total restricted funds	54,767	530	(769)	2	3,073	57,603
Endowment funds						
Diocesan stipends fund						
- Investment fund	7,414	-	-	59	-	7,473
- Unapplied Total Return	12,658	368	(50)	(491)	1,159	13,644
Total endowment funds	20,072	368	(50)	(432)	1,159	21,117
Total movement in funds	79,450	5,739	(6,475)	-	4,354	83,068

Notes to the accounts

For the year ended 31 December 2021

41. Prior year: Endowment Fund – Total Return: year ended 31 December 2020

	Investment Fund £'000	Unapplied Total Return £'000	Total Endowment £'000
At 1 January 2020	7,414	12,658	20,072
Movements in the reporting period:			
Dividends and interest	-	227	227
Glebe land rent	-	107	107
Glebe commercial property rental income	-	34	34
Receipts for dilapidations	-	1,159	1,159
Realised and unrealised gains and (losses)	-	242	242
Transfer from general fund for reduction in clergy pension deficit payments liability			
Less:	-	(50)	(50)
Investment management costs			
Glebe land development costs			
Indexation using CPIH: 0.8%	59	(59)	-
	59	1,660	1,719
Unapplied Total Return allocated to income to be used for stipends:			
- Equating to dividend, interest and rents	-	(369)	(369)
- Equating to 0.5% of equity investments	-	(55)	(55)
- Additional annual transfer	-	(250)	(250)
	-	(674)	(674)
Net movements in report period:	59	986	1,045
At 31 December 2020	7,473	13,644	21,117

Accounts

Hereford Diocesan Board of Finance

Annual Report & Accounts 2020



— Diocese of —
Hereford
Proclaiming Christ ✦ Growing Disciples

Company limited by guarantee
Company number 144467
Charity number 249685

Hereford Diocesan Board of Finance

Report & Accounts for the year ended 31 December 2020

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Foreword by the Bishop of Hereford

For the year ended 31 December 2020

1. Foreword by the Bishop of Hereford

Dear Friends,

Welcome to this annual report which sets out so much of what has been achieved in our life together over the past year. What a year it's been! I have spent precisely 10 days without restrictions since I've been here. The opportunity to get out and about has been far less than I would have wished, and I have ministered deeply to my computer!

But despite the restrictions on gathering together, there has been much to celebrate. Parishes have been hugely resourceful. Worship has gone online, but with the sensitivity to include those who can't do that for whatever reason. The church has got out of the building, often acting as a catalyst and convener for community action. Churches have acted as food banks, visited the lonely, taken people to hospital visits and so much more. We have engaged with national issues in many ways, not least through Kina Robertshaw's media work in the wake of the death of George Floyd and the Black Lives Matter movement.

Some of our projects have begun to show fruit despite the lockdown. We are seeing new Christians through our Intergenerational Team. The church plant at St. Peter's Hereford is getting under way and we seem to have attracted lots of external funding. Some of this has been from the Culture Recovery Fund. More has come from the central church which has allowed us to welcome a bumper crop of curates to be ordained in 2021. It has also funded parish giving advisers who have made a real difference to our financial position, even allowing for COVID. People have responded through gift days in parishes and at the Cathedral with great generosity. Alongside this, deanery plans are taking shape in Abbeydore and Pontesbury that are reimagining rural ministry in an exciting and collaborative way.

There have been times of sadness too. We said goodbye to Michael Tavinor after a distinguished 19 years as Dean. He leaves the Cathedral in good heart. Bishop Alistair retired in April after a fruitful ministry, always calling us to the priority of evangelism and the transforming power of the scriptures. We shall miss them both. Tragically, we lost Stephen Borthwick suddenly just before Christmas. His passion for education and chairmanship of the Diocesan Board made a huge difference to the life of children in our schools.

One of my hopes for our diocese is that we increasingly use the word to describe 'us', not as a disembodied other. We all are the diocese: the parishes, benefices and deaneries; our schools, chaplaincies, and inter-generational workers; those who work at the diocesan office resourcing and supporting front line ministry and ensuring our affairs are administered responsibly and wisely. Each of us has a part to play as part of the body. I am hugely grateful to my colleagues in the senior staff team for their wisdom and prayerfulness. Leadership in the New Testament is always collaborative and I couldn't ask for a better group of colleagues and support staff.

I hope you enjoy this report. As we begin to look forward to a post COVID world, I hope you will find here evidence of God at work. I hope too that will spur us to pray that we enter into all that God has for us in the future.

With best wishes,

A handwritten signature in black ink, appearing to read 'Richard Jackson', with a stylized flourish at the end.

The Rt. Revd Richard Jackson

Annual report

For the year ended 31 December 2020

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements of the company and its linked charities, 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.

STRATEGIC REPORT

2. Strategic aims

The main role of the Hereford Diocesan Board of Finance ("HDBF") is to identify and manage the financial aspects of the provision of ministry within the Diocese so as to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further the strategic priorities in the Diocese.

Bishop's Council agreed strategic priorities to direct the activities of the Diocese over a five-year period (2015-2021). These **shared priorities** align with the wider mission of the Church of England:

Mission

- 1: Growing Christian disciples of all ages and backgrounds – spiritually and numerically
- 2: Serving the common good – transforming lives and communities

Ministry for Mission

- 3: Reimagining, developing, and sharing ministry for mission in the 21st century

Resources for Mission

- 4: Shared commitment to focusing and growing resources for mission – staff, time, money.

The trustees focus resources to achieve the following **shared goals**:

- To reach younger generations as strongly as older ones – so that disciples and churches better reflect the ages and backgrounds of the communities served;
- To lift areas of weaker attendance to match more closely the 3% of the population attending Anglican churches in rural areas of the Diocese;
- To grow a 'mixed economy' of congregations – different styles, days/times, reach, in every deanery across the Diocese.

3. Achievements and performance

3.1 Overview

The arrival of the COVID-19 pandemic in 2020 brought huge disruption to the lives and livelihoods of countless millions of people. In the UK alone, tens of thousands of people sadly lost their lives to coronavirus, and many more were left mourning. Unsurprisingly, the Church's established patterns of worship, ministry and outreach were interrupted or suspended, leaving some feeling anxious or isolated, and others in need. And yet the Church – its people, both lay and ordained – responded to the daily challenges of life under COVID-19 restrictions with generosity and imagination. God has not been constrained by the pandemic! The Diocese can still point to some important achievements in 2020 within its key shared priorities of Spiritual and Numerical Growth, Contributing to the Common Good, Re-imagining Ministry, and Resources for Mission – numbered 1 to 4 in the following table:

Annual report

For the year ended 31 December 2020

Key achievements	Shared Priority areas:	1	2	3	4
Serving our local communities: COVID-19 pandemic responses included: ❖ migrating services, Alpha and discipleship courses, diocesan meetings, coffee mornings and many other church-led activities online; ❖ pioneering new ways of providing pastoral care and support to people in need; ❖ using our extensive volunteer network to deliver 'Home Safe from Hospital' initiative in partnership with NHS and local councils, welcoming people home, checking on their well-being, and delivering food parcels and medication; ❖ supporting food banks as they coped with unprecedented demand and shielding staff members or closed venues; ❖ diocesan staff adapting swiftly to home working and demonstrating resilience in delivering key services to parishes while some colleagues were furloughed.		✓	✓	✓	✓
Education: ❖ delivered significant improvements in performance of church schools; ❖ developed partnerships with schools and enhanced oversight of Diocese of Hereford Multi-Academy Trust (DHMAT); ❖ supported schools to adjust to remote learning and changing circumstances during the pandemic.		✓	✓		
Safeguarding young people and vulnerable adults: ❖ completed a thorough past cases review ('PCR2') process on time and within budget, achieving a positive outcome; ❖ trained >150 parish officers, renewed >1000 DBS checks across all deaneries.			✓		
Mission and outreach: ❖ extended Intergenerational Mission project into Condover, Ledbury, and Pontesbury deaneries; ❖ approved project funding for St Peter's & St James Hereford and embarked on ambitious five year project designed to establish a city-based youth church with close links to Hereford's new university, the New Model Institute for Technology & Engineering; ❖ commenced Holmer church plant into local housing estates; ❖ Bishop Richard visited 38 parishes in a prayer pilgrimage in September.		✓	✓	✓	✓
Learning and leadership: ❖ developed diocesan pioneer learning community to identify new ways of being/doing church, with extensive joint working and best practice sharing; ❖ enabled one deanery to run a 'Growing Leaders' course for laity; ❖ supported innovative deanery pastoral plan approaches and cross-working within deaneries.		✓	✓	✓	
Supporting our 400 churches: ❖ launched 'Mission & Mortar' toolkit, helping our churches to assess their future needs and aspirations; ❖ achieved Parish Giving Scheme roll-out targets; 232 parishes had joined PGS with >2,100 PGS donors by year-end; ❖ provided guidance on digital giving solutions;		✓	✓		✓

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❖ bid successfully for C of E Giving Adviser funds to develop Parish Giving Adviser resources; ❖ enhanced communications by deepening and widening diocesan social media presence, with regular COVID briefings, and weekly videos from Bishop Richard.				
Caring for the environment: ❖ Diocesan Synod voted to support the Church of England's net zero carbon by 2030 target, and started to develop plans to achieve this; ❖ worked ecumenically to promote A Rocha UK's Eco Church initiative across deaneries, continuing the journey towards Eco Diocese accreditation.		✓		
Financial stewardship: ❖ encouraged parishes to set aside time to pray and give in a diocesan Gift Day; ❖ concluded disposal of remaining commercial glebe assets; ❖ entered year two of plans to sell parcels of glebe land with the aim of enabling the development of at least 240 new homes over a six year period. At least 46 of these will be affordable. ❖ closed the diocesan office in Ludlow and relocated staff; ❖ Careful financial management during the pandemic limited operating losses to approx. £375k (per management accounts), a £350k improvement on mid-year forecasts, although £300k adverse to original (pre-COVID) 2020 budget target.				✓

3.2 The Christian presence

Clergy form a central part in the life of churches in the Diocese. In 2020, an average of 66.4 trained stipendiary clergy and 13.2 curates were deployed in the Diocese; supporting them in their ministry, training and continued development is a key priority for HDBF and represents by far its largest financial commitment. Although the HDBF does not 'employ' the parish clergy, it is responsible for training and paying them, and contributing to their pension fund. In turn, generous Parish Offer contributions from every Parochial Church Council (PCC) are essential in meeting these ministry costs.

3.3 Public benefit

Through carrying out the above objectives and in promoting the whole mission of the church (pastoral, evangelistic, social and ecumenical) the trustees are confident, having had regard to Charity Commission guidance, that HDBF delivers public benefit through:

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers;
 - The Diocese supports 400 buildings in 350 parishes providing regular opportunities for public worship. As well as acts of worship, weddings and funerals, many of our buildings (in the absence of coronavirus restrictions) are accessed during the week for community activities.
- promoting Christian values, and service by members of local Anglican churches in and to their communities, for the benefit of individuals and society as a whole.
- community engagement, resourcing education and supporting those in need both spiritually and physically.

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4. Future plans

4.1 *Looking beyond the COVID-19 pandemic*

HDBF trustees are taking steps to ensure that a full range of activities across the Diocese can resume at the earliest opportunity in 2021 in accordance with UK Government guidelines. Trustees expect to work with local church leaders to focus on the following areas:

- a greater emphasis on praying communities
- encouraging fresh expressions of church, and offering a variety of styles of worship in each deanery;
- training local people in leading mission and outreach;
- increasing the number of worshipping Christians, especially those under 35;
- developing confidence in sharing the Christian faith;
- fostering stronger links between church, school and home;
- building robust deanery plans to resource mission;
- promoting a generous giving culture, with more widespread adoption of the Parish Giving Scheme and digital giving solutions, leading in turn to a post-COVID recovery in Parish Offer contribution levels that will sustain frontline ministry;
- raising environmental awareness across the diocese through initiatives such as Eco Church;
- making sound long-term investment allocation decisions so as to grow the value of assets available to resource and serve the future church;
- consulting and supporting a refreshed strategic direction for the next few years.

4.2 *A statement by the Bishop of Hereford*

"2021 will be dominated by COVID as was 2020. We hope by the summer things may be approaching a sort of normality, with public worship resuming on a more regular basis, the return of social events and opportunities for service and fund raising.

We are coming to the end of our last five year strategic plan. As this report goes to press, the next steps of our life together are being reviewed. Over the next few months we hope to put these draft plans out for reflection and response.

The national church talks increasingly of the future being a mixed ecology. I'm sure that will be true in our diocese as well. We want to see revitalised, healthy churches confident in the life-transforming power of the gospel. We recognise that in many places we have lost touch with people under 50 and that is going to require imaginative new ways for people to belong. Our intergenerational minsters are pioneering here, with new models of church springing up in a number of places.

I am committed to keeping the numbers of our frontline clergy as high as we can. I agree with the biblical scholar who said, "The local church is the hope of the world and its future lies primarily in the hands of its leaders." We need well trained, well-resourced and supported clergy to do what only clergy can do. But we also need lay leadership at so many levels. Mobilising, encouraging and supporting such leadership will be a key part of our strategy.

Archdeacon Fiona joined the senior staff team at Easter, and now that the team is back up to full strength I intend to work with the Archdeacons to help in the formulation of deanery mission action plans. Good plans energise people to serve, and give sense of ownership of the spiritual and missional life of the church.

Hereford Diocese may be the smallest in the Church of England but it is certainly no backwater. My prayer is that we will harness our considerable passion and missional energy to chart a future of growth and health. With God all things are possible."

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5. Financial review

5.1 Overview

2020 proved to be a challenging year for the DBF with the COVID-19 pandemic resulting in significant falls in income. This in turn has contributed to an overall general fund deficit of £494k (including fund transfers but excluding investment gains). Although disappointing, the Trustees view the size of the deficit in the light of other assets available for use by the DBF and in particular, the Unapplied Total Return Fund which has increased by £986k over the same period.

Total income for the year amounted to £5.74m (2019: £6.87m). Excluding one-off income relating to property dilapidations, education trusts and grants, the underlying income decreased from £6.39m in 2019 to £5.74m in 2020, a fall of 10.1%.

As in previous years, parish contributions of £3.5m (2019: £3.8m) provided the primary source of income for the Diocese to pay for local stipendiary ministry and related costs. Since introducing the Parish Offer system in 2017, the DBF had seen PCCs contributing at least 99% on average of their commitment for the year. The COVID-19 pandemic and resultant closure of places of worship resulted in dwindling and, in some cases, nil cash collections and fundraising, leaving many PCCs struggling to honour their Parish Offer commitments. In the light of this unexpected situation, it is encouraging to note that the HDBF received 90.8% of the commitments made for the year, testimony to the willingness of PCCs to reach into their reserves. However, this has left many PCCs with weakened finances.

Total expenditure for the year amounted to £6.48m compared with £5.69m in 2019, an apparent increase of £0.79m, but this includes a credit in 2019 against expenditure of £830k relating to movement on the clergy pension scheme deficit payments liability. After adjusting for this credit, the movement between years is a reduction of £50k. This can be further broken down into £167k reduction in general fund arising from concerted efforts by the trustees to reduce costs, and a rise of £117k in designated and restricted fund spending to resource local ministry.

The overall deficit for the year before investment gains was £0.74m (2019: a surplus of £1.17m). Investment gains amounted to £1.4m (2019: £3.4m) and a revaluation of fixed assets, mostly clergy housing resulted in a gain of £2.92m (2019: loss of £3.72m). The net movement in funds for 2020 was a surplus of £3.62m (2019: £0.86m).

5.2 Comparison to budget

A key financial indicator for HDBF is actual performance compared to budget.

In October 2019, Synod approved an overall budget deficit (based on the General fund, Diocesan Stipend fund and Pastoral fund) of £74k before investment gains & losses. The final outturn before year-end accounting adjustments was a deficit of £366k, a variance of £291k. In overall terms, this was due to the decline in Parish Offer income of £325k, but there were other costs/falls in income, notably parochial fees (£85k below budget) and clergy stipends (£84k more than budget). These were partially offset by HMRC Job Retention Scheme grants (£69k) and other operational savings during the year.

These statutory accounts show a net deficit before investment gains of £736k. The budget and statutory accounts are not prepared on the same basis and therefore a direct comparison is not helpful.

5.3 Significant Property Transactions

During the year, the DBF sold two of its three investment properties generating proceeds of £1.2m. It also sold a vicarage and small parcel of land generating proceeds of £344k.

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5.4 Balance sheet position

The Directors consider that the balance sheet indicates that restricted and endowment funds are held in an appropriate mix of investment and current assets, given the purposes for which the funds are held.

Net assets at the balance sheet date totalled £83.1m (2019: £79.5m), although it should be noted that £78.7m (2019: £74.8m) is held in restricted and endowment funds (mainly properties used for ministry and glebe assets) which cannot be used directly for the general purposes of the HDBF. The restrictions that relate to these funds are detailed in note 33 to the accounts.

The movement in net assets of £3.6m is due largely to the fixed asset revaluation gain of £2.9m and gains on investments of £1.4m.

5.5 Review of the Statement of Financial Activities by fund

Unrestricted general fund

The unrestricted general fund is summarised in the following table. This excludes year-end adjustments made for the clergy pension liability creditor. Favourable variances are shown as positive and unfavourable shown in brackets.

	2020	2019	Variance
	£'000	£'000	£'000
Income			
Parish Offer contributions	3,498	3,832	(334)
All other sources of income	1,341	1,372	(31)
Total income	4,839	5,204	(365)
Expenditure			
Raising funds & charitable activities before pension adjustments	5,822	5,985	163
Net gains on investments and disposals of fixed assets	122	602	(480)
Transfers between funds (excluding pension movements):			
From the DSF ¹ for all investment income arising	424	561	(137)
From the HDBF Uniform Statutory Trust	60	50	10
Other	5	-	5
Total transfers between funds (excluding pension movements)	489	611	(122)
Net movement in funds as per the SOFA	(372)	432	(804)
General funds brought forward as at 1 January 2020	4,409	3,977	432
General funds carried forward as at 31 December 2020	4,037	4,409	(372)

¹DSF: Diocesan Stipend Fund

The £365k reduction in income is due largely to the decline in Parish Offer contributions. Operational savings drove the £163k reduction in expenditure, mostly arising from reduced activity levels due to COVID-19.

Designated funds

In order to encourage mission within the Diocese, the Trustees have agreed to set aside £250k annually into a designated 'Total Return Mission Fund'. During 2020 £95k was applied to mission projects with the balance at the year-end standing at £314k (2019: £159k). As at 31 December 2020, commitments for approved projects totalled £1.3m, with future payments expected in the period 1 January 2021 to 31 December 2025.

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Restricted funds

As set out in note 24, the HDBF administers a number of restricted funds. As at 31 December 2020, restricted funds totalled £57.6m (2019: £54.8m). These funds are not available for the general purposes of the HDBF with the exception of surpluses arising on the pastoral fund as set out in note 33. As at 31 December 2020, these surpluses, as represented by cash and net current assets, amounted to £4.8m (2019: £4.4m).

Endowment (diocesan stipends) fund

The endowment fund recorded net income of £318k (2019: 814k) before investment gains as shown in note 26. The fund is made up of two components: The Trust for Investment and the Unapplied Total Return. As at 31 December 2020, the balance on The Trust for Investment amounted to £7.5m (2019: £7.4m) and is not available for the general purposes of the HDBF. The balance on the Unapplied Total Return fund at the year-end was £13.6m (2019: £12.7m). The Unapplied Total Return fund is available to support clergy stipends.

5.6 Investment performance

Overall performance

The total value of all investments (including DSF endowment fund net current assets) at 31 December 2020 was £31.5m (2019: £29.7m) and the total return on investment was 5.9% (2019: 18.5%).

Listed investments for each fund are held with Rathbone Investment Management Ltd, with an investment mandate to generate a return from each portfolio of RPI+4%, with a balance between capital growth and income, managed with a medium risk profile. From 1 January 2019, the Main, Pastoral and Diocesan Stipends Fund portfolios were managed on a total return basis. In the year to 31 December 2020, the combined portfolios achieved a total return of 5.6% (2019: 19.2%) compared to the composite benchmark of 1.7% (2019: 17.7%), and slightly ahead of the absolute level of return required under the core investment mandate of RPI+4% (RPI Dec 2020: 1.2%).

Agricultural, commercial and industrial land and buildings (excluding school land) were valued at £6.8m at 31 December 2019 (2019: £8.1m). Rents receivable from glebe amounted to £141k (2019: £224k) – an income yield of 2.1% (2019: 2.8%). The decline in yield is due to the decision by the Board of Trustees to move away from high yielding but higher risk commercial property into equities.

5.7 Reserves policy

5.7.1 General unrestricted fund

HDBF's core responsibilities include the payment of stipends and pension contributions for parochial clergy, the provision and maintenance of clergy housing, and the selection and training of future clergy. HDBF also employs diocesan support ministers and staff who provide guidance and expertise to parishes in a variety of ways, as well as enabling the company to meet its legal and charitable obligations. A reserves policy is necessary to ensure that, in the event of significant reduction in income, or capital losses during periods of geopolitical or economic uncertainty, HDBF will be able to meet these financial commitments as they fall due whilst avoiding the need to resort to external borrowings.

In formulating a minimum reserve policy, consideration has been given to the following:

- Economic instability giving rise to a significant fall in Parish Offer;
- Inflationary pressures above expectation;
- Unavoidable increases in expenditure.

In the light of the above, the Directors' reserves policy is to maintain the equivalent of at least four months' operating expenditure in cash and readily liquid assets in the general unrestricted fund.

Based on 2020 budgeted expenditure, the amount required under this policy totals £2.0m. As at 31 December 2020, the unrestricted reserves (excluding property) stood at £3.7m, which included

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approximately £0.6m of Parish Offer monies received in December. Although above the minimum reserve level indicated by the policy, the Directors consider this amount to be appropriate in view of future projected operating deficits. Reserve levels are monitored throughout the year and remedial action taken as and when required.

5.8 Grant making policy

The Memorandum of Association of the HDBF permits the company to make grants in pursuance of its objects, and the nature of grants made in 2020 is indicated in note 14 to the financial statements.

5.9 Going concern

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. While it remains difficult to estimate with a high degree of confidence the long-term impact of the COVID-19 pandemic on the organisation, the trustees consider that there are no material uncertainties over the charity's financial viability in the short to medium term. Accordingly, they are satisfied it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

5.10 Investment policy

The HDBF is empowered by its Memorandum of Association to invest monies not immediately required for its purposes.

The HDBF's policy is to review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles.

HDBF's investment policies are based on two key policies:

- ethical investment – this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders;
- long-term responsibilities – Directors are aware of their long-term responsibilities in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions.

Investment policy for long-term funds is aimed primarily at generating a sustainable income with due regard to the need for the preservation of capital value and the possible need to realise investments to meet operational needs. The glebe investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

Glebe investments are held in agricultural land, commercial and industrial land and buildings, equities and fixed interest securities.

Funds which may be needed for working capital in the short term are held as deposits with the Central Board of Finance administered by CCLA Investment Management Limited.

5.11 Total Return accounting

The law governing the use of Diocesan Endowment funds changed in 2016. Traditionally, permanent endowment funds draw income only, maintaining capital in perpetuity for the benefit of future generations. A Total Return investment approach allows the release of both income and capital gains for use by current beneficiaries. The Directors adopted Total Return accounting for the Diocesan Stipends Fund (DSF) with effect from 1 January 2019 by reference to the following:

- The date used for the initial value of the trust for investment was 31 December 1986.
- The initial value of the trust for investment was determined by reference to the cash, land (by acreage) and properties as detailed in the 1986 statutory accounts. Reasonable estimates for the

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land and properties were ascertained using valuations provided in the 1995 statutory accounts discounted to 1986 by appropriate indexes.

- CPIH was used to uplift the trust for investment giving rise to a valuation as at 1 January 2019 of £7.3m. The Unapplied Total Return fund as at 1 January 2019 amounted to £9.6m.

The Directors have adopted the following policy in determining the amount to be allocated from the unapplied total return fund (UTR) each year to the general fund to be used for clergy stipends, as detailed in note 26 to the accounts:

- All income that would have been credited to the general fund had a Total Return accounting policy not been implemented. To include dividend income, land rental income, special dividends and any other income such as dilapidations (where appropriate); *plus*
- An additional amount to be calculated as 0.5% of the DSF Rathbone's investment portfolio valued as at 1 January of each respective year; *plus*
- An additional £250k to be released annually to the general fund. An equivalent amount to be transferred from the general fund to the 'Total Return Mission Fund' to fund mission projects in the Diocese.
- CPIH is to be used as the inflationary measure to uplift the value of the trust for investment on an annual basis.

5.12 Linked charities: HDBE and UST

The Hereford Diocesan Board of Education (HDBE) is a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2019. The HDBE is accounted for as a 'branch' of HDBF and included within restricted funds. The HDBE has no income/expenditure and the value of the net assets at 31 December 2020 was £nil.

On 2 December 2020 the Charity Commission granted a linking directive to link the Hereford Diocesan Board of Finance Educational Uniform Statutory Trusts Account (UST) to the Hereford Diocesan Board of Finance. The UST had formerly been accounted for as a subsidiary of the HDBF and as such group consolidated accounts were prepared for the year ended 31 December 2019. The UST is now accounted for as a 'branch' of HDBF and included within restricted funds. None of the assets of the UST are available for the general purposes of the HDBF.

Income arising on the UST during 2020 amounted to £55k (2019: £74k) and was attributable to investment income. Expenditure amounted to £13k (2019: £9k) and was attributable to investment management costs. The trustees of the Hereford Diocese Board of Education have the discretionary authority to make grants from UST capital to support school building projects. Grant requests arise on an infrequent basis, and no such grants were made during 2020. However, a loan of £156k was made to the Stottesdon School Trust which in turn made a grant to Stottesdon C of E Primary School as detailed in note 23. This loan has been eliminated on consolidation of HDBF branches and instead appears as a transfer between funds, net of repayments of £4k. A further transfer of £60k (2019: £50k) was made from the UST to the HDBF general fund to support the educational work of the Diocese.

The UST receives School Condition Allocations (SCA) funds annually from the Department of Education to fund school capital projects. These funds are not income of UST but rather the UST acts as agent to facilitate the projects. The funds are ring-fenced and shown as a creditor of the UST. At the year-end, the SCA creditor amounted to £647k (2019: £95k).

The summary of the assets of the UST and the analysis of the movement in UST funds are shown in notes 24 and 25 respectively.

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6. Principal risks & uncertainties

The Directors are responsible for the identification, mitigation and/or management of risk. To achieve this, the Board has compiled a register of all material risks together with mitigation plans and management controls to address these risks. This is subject to review by the Directors periodically with the responsibility for delivery of the mitigation strategies identified being delegated to the Diocesan Secretary.

The risk register identifies several areas where the risk of either failure to act or the impact of the events is considered 'high'. These areas and the associated mitigation strategies are:

6.1 *Decline in church attendance*

- Parishes, benefices and deaneries are being encouraged to consider a Mission Action Plan with a specific remit to consider how to achieve spiritual and numerical growth;
- To monitor the success and explore the expansion of the inter-generational missionaries who have a specific remit to increase worshipping congregations, achieve growth and increase the number of younger people involved in church.
- Develop Messy / Forest Church initiatives, youth church projects, and support new church communities.

6.2 *Availability of stipendiary ministers* Recognising that the Diocese faces a reduction in the number of ordained ministers over the next few years simply due to the age profile of existing clergy and the difficulties in recruiting to rural ministry, the Diocese is exploring innovative approaches to deployment and:

- Continuing to invest in a full-time director of vocations and ordinands to focus on helping (young) people to explore their call to stipendiary ministry, and encouraging all-age vocations in daily life and in church ministries;
- Maintaining focus of supporting lay leaders, self-supporting ministers, voluntary ministers, supporting retired clergy to stay connected and growing local worship leaders as well as encouraging and recognising the vital ministry of Readers;
- Promoting the diocesan School for Ministry, which offers flexible courses for initial and continuing training for a widening variety of ministries.

6.3 *Parish Offer and cash flow*

- Invest in intergenerational missionaries to drive church growth, especially in market towns;
- Employ two full-time equivalent Parish Giving Advisers on a permanent basis;
- Encourage open conversations about generous giving, stewardship and Parish Offer;
- Nurture the growth of giving and fundraising forums in deaneries;
- Continue to promote the national Parish Giving Scheme and legacy giving.

6.4 *Church buildings* The Diocese recognises that caring for historic church buildings can impose a burden on small parishes, or become a distraction from the core mission of the church, and that church closures can reduce parish income and add to diocesan costs. Hence the Diocese is:

- Pursuing its church building strategy, which includes the roll-out of 'Crossing the Threshold' and 'Mission and Mortar' toolkits to help parishes optimise the use of their church buildings or explore Festival Church status;
- Providing expert advice and guidance to parishes through the Diocesan Advisory Committee, Church Buildings Officer, and Community Partnership and Funding Officer;
- Encouraging PCCs to reduce running costs through 'smart purchasing' via the Parish Buying service;
- Motivating PCCs to view and use their church buildings as community assets.

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6.5 *Coronavirus pandemic* There remains considerable uncertainty about the long-term effects of the COVID-19 pandemic, how it may affect general economic activity, income generation in parishes, depress investment returns, and change patterns of regular worship in church buildings. The Directors continue to monitor this situation carefully but consider that the HDBF will be able to weather any short to medium-term disruption.

7. **Legal objects and responsibilities**

The Diocese of Hereford covers the county of Herefordshire, the southern part of Shropshire and a few parishes in the counties of Worcestershire, Powys and Monmouthshire. The objects of the Diocese apply across this geographic area.

The HDBF's objects are to promote, aid, and further the religious and other charitable work of the Church of England in the Diocese of Hereford and, at the discretion of the trustees, elsewhere in the world including through:

- Supporting financially or otherwise training for ministry, clerical and lay;
- The maintenance and support of clergy and other persons connected with ministry or the work of the Church;
- the provision of pensions for ministers and their dependants in accordance with and subject to the Clergy Pensions Measure 1961.

The HDBF has the following statutory responsibilities: -

- the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976;
- the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- the management of investments and the custodian of assets relating to church schools under the Diocesan Board of Education Measure 1991;
- the custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

The strategic priorities of the company are established by the Diocesan Synod in communication with Deanery Synods, PCCs, and the Bishop of Hereford (in respect of his responsibility for the provision of the cure of souls). To this end, significant time and effort is committed to communication between and with these bodies, as well as with the church nationally; including an annual series of consultations on specific matters relating to the priorities for the forthcoming year, taking forward the commitments arising from synodical discussions including the diocesan budget.

8. **Structure, governance and management**

Information on the structure of the Church of England and National Church Institutions may be found on the Church of England's website.

Hereford Cathedral is the mother church of the Diocese and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its trustees' report and financial statements may be obtained from Hereford Cathedral, 5 College Cloisters, Cathedral Close, Hereford HR1 2NG. Tel: 01432 374200.

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8.1 Organisational structure of the Diocese

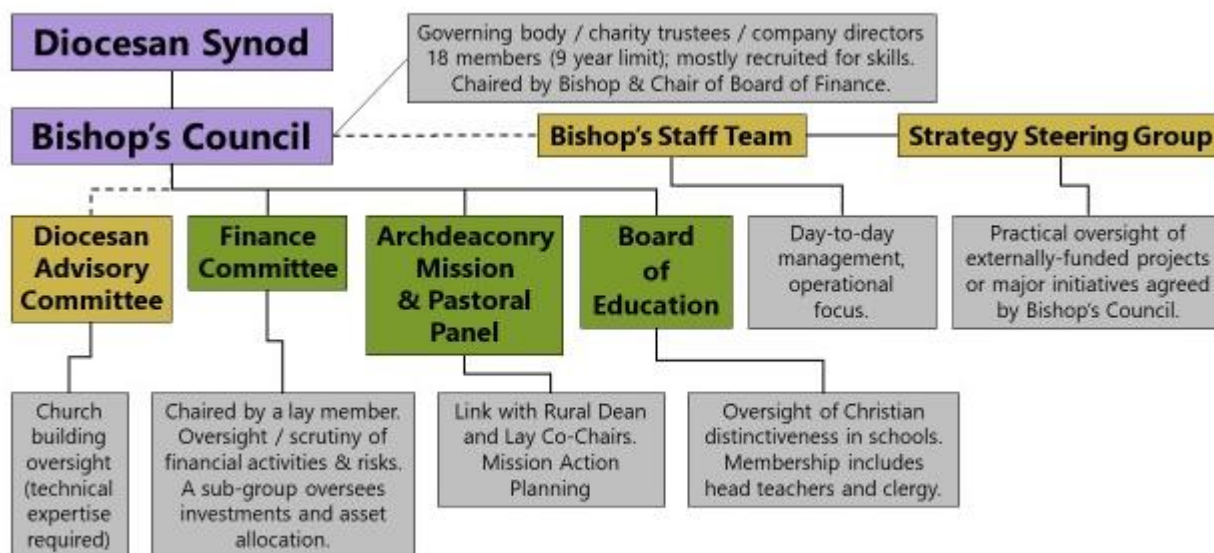
8.1.1 Geography

The Diocese of Hereford was created in c.676 and covers an area of 1,660 square miles encompassing all of Herefordshire, the southern half of Shropshire and small parts of Worcestershire, Powys and Monmouthshire. The overall population is approximately 325,000, a large proportion of which live in small, scattered communities of less than 500.

8.1.2 Overview of Board and Committee structure

The HDBF has delegated to the Bishop's Council all statutory functions under the Diocesan Boards of Finance Measure 1925, the Companies Acts and the Charities Acts as amended. Bishop's Council has responsibility for the day-to-day business of the company which it exercises by delegation to the Diocesan Secretary, who is supported by a number of heads of departments and their staff.

Some employed staff have job titles incorporating the title 'Director' but they are not directors of the company for the purposes of company law.



8.2 Company status

The Hereford Diocesan Board of Finance (HDBF) is a Company set up under the Diocesan Boards of Finance Measure 1925, as amended. It was incorporated on 27 July 1916 as a charitable company (No. 144467) limited by membership guarantees and is registered with the Charity Commission (No. 249685). Its governing documents are the Memorandum and Articles of Association, as amended 22 May 1953, 11 April 1962, 21 March 1986, 23 May 1994, 25 May 2010 and 2 March 2019.

Every member of Diocesan Synod is a member of HDBF for company law purposes and has a personal liability limited to £1 under their guarantee as company members in the event of its being wound up. The Company Directors of the HDBF form the Bishop's Council.

8.3 Trustee training

Trustees are appointed in line with the Hereford Synod / Diocesan Board of Finance Articles of Association and Standing Orders. Trustees are drawn from the membership of the Synod / Diocesan Board of Finance on a three-yearly cycle. Some trustees are appointed by virtue of their office while others are elected in line with standing orders. On appointment all trustees complete an induction

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For the year ended 31 December 2020

day (held every three years) and are provided with two Charity Commission publications ('Trustee Handbook' and 'The Essential Trustee - What you need to know') together with copies of the previous year's accounts and the current year budget. New trustees are given a one-to-one briefing on the structure and organisation of the Church of England nationally, regionally and locally and given access to company policies, past papers and minutes to previous meetings. Meetings are designed to include space for trustees to be informed about key areas of business prior to decisions being made. Some ad hoc training for trustees is provided throughout the year and last year included safeguarding and the new mission and pastoral measure.

8.4 Remuneration of key management personnel

Emoluments of higher-paid employees are determined by a remuneration group consisting of four members of the Finance Committee. The terms of reference for this group was established by the Bishop's Council and includes regular appraisals, remuneration and salary benchmarking and consequent recommendation of changes.

8.5 Directors' insurance

Trustees' liability insurance (for trustees in their capacity as directors) has been maintained throughout the year for the benefit of the charitable company and its trustees.

8.6 Funds held as custodian trustee

The HDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements as the HDBF does not control them, and they are segregated from the HDBF's own assets by means of a separate accounting system. Further details of financial trust assets, whose market value amounted to £5.1m at 31 December 2020 (2019: £4.6m), are available from the HDBF on request.

8.7 Related parties

8.7.1 General Synod, Church Commissioners and Archbishops' Council

HDBF has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council based on an apportionment system to fund national training of ordinands and the activities of various national boards and councils. The stipends of the diocesan and suffragan bishops are borne by the Church Commissioners and are not reflected in the financial statements.

8.7.2 Diocese of Hereford Multi-Academy Trust (DHMAT)

HDBF works closely with this multi-academy trust (formerly known as the Bishop Anthony Education trust, created in 2013) as it seeks to foster, maintain and celebrate the Christian distinctiveness of church schools within the Diocese of Hereford.

8.7.3 Parochial Church Councils (PCCs)

HDBF is required by Parochial Church Councils (Powers) Measure 1956 to be custodian trustee in relation to PCC property, but the Company has no control over PCCs, which are independent charities. The accounts of PCCs do not form part of these financial statements. PCCs are able to influence the decision-making within HDBF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

Annual report

For the year ended 31 December 2020

8.7.4 Pension schemes

A money purchase scheme is available to all employees. HDBF contributes above the minimum employer contribution level required under the Pensions Act 2008. Since August 2015 all new employees have been automatically enrolled in the 'Pension Builder 2014' section of the Church Workers Pension Fund. The Pension Builder 2014 scheme is a hybrid scheme with a guarantee such that on reaching normal retirement age, the employee will receive, as a minimum, the contributions paid into the scheme on their behalf.

Ordained clergy are within the Church of England Funded Pensions Scheme (CEFPS).

9. Directors' responsibilities

The Trustees (Directors) 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 Directors to prepare financial statements for each financial year. Under that law the Directors 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 Directors 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 Directors are required to:

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the HDBF website. Legislation in England & Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

10. Statement of disclosure to the auditor

So far as the Directors are aware:

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

Annual report

For the year ended 31 December 2020

11. Reference and administrative details

11.1 Administrative details

Company limited by guarantee, registration number 144467

Charity registration number 249685

Registered office: The Diocesan Office, The Palace, Palace Yard, Hereford HR4 9BL

Telephone: 01432 373300

Email: diooffice@hereford.anglican.org

Website: www.hereford.anglican.org

11.2 Directors

The following served as Directors and Trustees from 1 January 2020 to the date this report was approved (unless shown otherwise):

Ex officio Directors:

The Rt Revd R C Jackson, Bishop of Hereford (from 7 January 2020) – President

The Rt Revd R M C Frith, Bishop of Hereford (until 1 January 2020) – President

The Rt Revd A Magowan, Bishop of Ludlow (until 30 April 2020)

The Ven D C Chedzey

The Ven F R Gibson (from 25 April 2021)

The Very Revd Michael Tavinor (until 28 February 2021)

Revd Preb Simon Cawdell

RAdm Philip Wilcocks

Mr Stephen Borthwick (until 15 December 2020)

Revd J Rogers – Chair

Elected Directors:

Revd Preb W A Buck

Revd R Hulse (until 21 July 2020)

Revd A P Morgan

Mrs J C Beavan

Major P J A Darling

Mr C H E Smith – Vice-Chair

Revd Preb J Davies (from 5 November 2020)

Nominated Directors:

Mr M J C Simmons (until 31 October 2020)

Mrs K Askew (until 20 March 2020)

Mr T N Hone

Mr N A Sellar

The Dowager Countess of Darnley (until 1 January 2020)

Mrs S R Gittins (from 5 November 2020)

Ms S J Smith (from 5 November 2020)

11.3 Principal officers

Diocesan Secretary: Mr S R Pratley

Director of Finance: Mr S G P Herbert

11.4 Members of the Board

Since July 2010 membership of the Hereford Diocesan Board of Finance has, in common with many other dioceses, become co-terminus with membership of the Diocesan Synod.

Annual report

For the year ended 31 December 2020

11.5 Agents

Solicitors / Registrar

Lee Bolton Monier-Williams (until 31 July 2020)
1 The Sanctuary
Westminster
London
SW1P 3JT

Gabbs Solicitors (from 1 August 2020)
14 Broad Street
Hereford
HR4 9AP

Bankers

Lloyds Bank PLC
8 High Town
Hereford
HR1 2AE

Glebe agents – agricultural

Carter Jonas
Canon Court North
Abbey Lawn
Shrewsbury
SY2 5DE

Independent auditor

Haysmacintyre LLP
10 Queen Street Place
London
EC4R 1AG

Investment managers

Rathbone Brothers PLC
8 Finsbury Circus
London
EC2M 7AZ

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

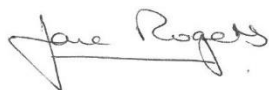
Insurance agents

Ecclesiastical Insurance Office PLC
Beaufort House, Brunswick Road
Gloucester
GL1 1JZ

Glebe agents – commercial & industrial

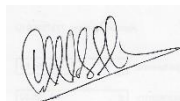
Godfrey-Payton
Old Bablake
Hill Street
Coventry
CV1 4AN

The Directors' annual report is approved on behalf of the Board of Directors and the Strategic Report (included therein) is approved by the Board of Directors on 10 June 2021 and signed on its behalf by:



.....
Revd Jane Rogers

Chair
10 June 2021



.....
Mr C H E Smith

Director
10 June 2021

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

Opinion

We have audited the financial statements of The Hereford Diocesan Board of Finance for the year ended 31 December 2020, which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes, 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 twelve 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 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.

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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.

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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 that significantly impact on the result for the year, posting in areas subject to significant judgements or estimates, postings in accounts that are considered higher risk; 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.



.....
Lee Stokes (Senior Statutory Auditor)

For and on behalf of Haysmacintyre LLP, Statutory Auditor

10 Queen Street Place, London EC4R 1AG

10 June 2021

Statement of financial activities

For the year ended 31 December 2020

		Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	funds	funds	2020	2019
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:							
Donations							
Parish Offer contributions	3	3,498	-	-	-	3,498	3,832
Archbishops' Council	4	423	-	285	-	708	713
Other donations	5	194	2	77	-	273	271
Charitable activities	6	321	-	-	-	321	384
Other trading income	7	325	-	11	-	336	329
Investment income	8	78	-	154	368	600	814
Other income	9	-	-	3	-	3	526
Total income and endowments		4,839	2	530	368	5,739	6,869
Expenditure on:							
Raising funds	10	94	-	40	50	184	185
Charitable activities: excl. pension deficit	11	5,485	76	729	-	6,290	6,340
Charitable activities: remeasurement of pension deficit liability	32	1	-	-	-	1	(830)
Total expenditure		5,580	76	769	50	6,475	5,695
Net (expenditure)/income before investment gains		(741)	(74)	(239)	318	(736)	1,174
Net gains/(losses) on investments		122	-	248	1,064	1,434	3,412
Net (expenditure)/income		(619)	(74)	9	1,382	698	4,586
Transfers between funds	23	247	183	2	(432)	-	-
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets	15	-	-	2,825	95	2,920	(3,722)
Net movement in funds		(372)	109	2,836	1,045	3,618	864
Funds brought forward at 1 January		4,409	202	54,767	20,072	79,450	78,586
Funds carried forward at 31 December		4,037	311	57,603	21,117	83,068	79,450

All activities derive from continuing activities. The Notes on pages 27 to 59 form part of the financial statements.

Income and expenditure account

For the year ended 31 December 2020

	2020	2019
	£'000	£'000
Total income	5,371	6,005
Total expenditure	(6,425)	(5,645)
Operating (deficit)/surplus for the year	(1,054)	360
Net gains on investments	370	1,241
Net (expenditure)/income for the year	(684)	1,601
Other comprehensive income:		
Revaluation of fixed assets	2,825	(3,657)
Net assets transferred to endowments	432	(259)
Total comprehensive income	2,573	(2,315)

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

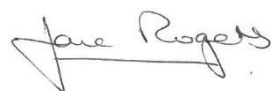
Balance sheet

For the year ended 31 December 2020

Company Number: 144467

		Unrestricted funds		Restricted funds	Endowment funds	Total 2020	Total 2019
	Note	General £'000	Designated £'000	£'000	£'000	£'000	£'000
Fixed assets							
Tangible assets	15	382	-	49,399	1,770	51,551	49,022
Investment property	17	-	-	481	6,832	7,313	8,585
Other investments	18	3,636	74	7,032	12,073	22,815	21,127
		4,018	74	56,912	20,675	81,679	78,734
Current assets							
Stocks		2	-	-	-	2	3
Debtors: amounts falling due within one year	19	172	-	52	763	987	274
Debtors: amounts falling after one year	20	-	-	12	-	12	16
Cash at bank & in hand		69	237	1,311	-	1,617	1,494
		243	237	1,375	763	2,618	1,787
Creditors: amounts falling due within one year	21	(224)	-	(684)	(265)	(1,173)	(773)
Net current assets/(liabilities)		19	237	691	498	1,445	1,014
Total assets less current liabilities		4,037	311	57,603	21,173	83,124	79,748
Creditors: amounts falling due after more than one year							
Pension deficit payments liability	22	-	-	-	(56)	(56)	(298)
Net Assets		4,037	311	57,603	21,117	83,068	79,450
Funds							
Unrestricted income fund	24	4,037	-	-	-	4,037	4,409
Designated funds	24	-	311	-	-	311	202
Restricted income funds	24	-	-	57,603	-	57,603	54,767
Endowment funds	24	-	-	-	21,117	21,117	20,072
Total funds		4,037	311	57,603	21,117	83,068	79,450

The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 10 June 2021 and signed on their behalf by:


Revd Jane Rogers

Chair

10 June 2021

Cash flow statement

For the year ended 31 December 2020

	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Net cash outflow from operating activities		(1,770)		(550)
Cash flows from investing activities				
Dividends, interest and rent from investments		600		814
Proceeds from the sale of:				
Tangible fixed assets for the use of the HDBF	284		375	
Fixed asset investments	7,017		2,866	
Purchase of:				
Tangible fixed assets for the use of the HDBF	(10)		(293)	
Fixed asset investments	(5,998)		(3,914)	
		1,293		(966)
Net cash provided by/(used in) investing activities		123		(702)
Change in cash and cash equivalents in the reporting period		123		(702)
Net cash funds as at 1 January		1,494		2,196
Net cash funds as at 31 December		1,617		1,494
Notes to the cash flow statement				
<i>Reconciliation of net movements in funds to net cash flow from operating activities</i>				
Net movement in funds for the year ended 31 December		(736)		1,174
Add: depreciation & amortisation charges		10		8
Less: dividends, interest and rent from investments		(600)		(814)
(Loss)/profit on sale of functional assets		107		(39)
Decrease in stocks		1		-
(Increase)/decrease in debtors		(709)		41
Increase/(decrease) in creditors		157		(920)
Net cash used in operating activities		(1,770)		(550)

No analysis of changes in net debt is presented as the charitable company has no borrowings.

Notes to the accounts

For the year ended 31 December 2020

1. Accounting policies

1.1 General information

Hereford Diocesan Board of Finance ("HDBF") is a charitable company limited by guarantee, incorporated in England and Wales (company registration number 144467) and registered with the Charity Commission (charity registration number 249685). The registered office address is The Diocesan Office, The Palace, Palace Yard, Hereford, HR4 9BL.

1.2 Accounting convention and basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in note 1.6, and fixed asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP (FRS 102), second edition effective 1 January 2019), the Companies Act 2006 and applicable accounting standards (FRS 102).

The HDBF meets the definition of a public benefit entity under FRS 102.

During the year the HDBF received direction from the Charity Commission that the Hereford Diocesan Board of Finance Educational Uniform Statutory Trusts Account ("the UST") has been linked with the DBF. As set out in Note 1.15 this means that the UST is treated as a branch of HDBF and its income, expenditure, assets and liabilities are aggregated with those of HDBF and its other linked charities. The funds of the UST are presented separately within the HDBF's restricted funds. In the prior year the HDBF presented consolidated accounts but, following the issue of the linking direction, there is no longer any requirement to prepare consolidated financial statements. The comparative figures presented in these financial statements are prepared as if the linking direction has always been in place and in effect are those from the 2019 consolidated financial statements.

1.3 Income

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

- **Parish Offer** is recognised as income in the year in which it is receivable. Parish Offer relating to the year but received between 1 January and 31 January after the year end is included within other debtors.
- **Land rent** is recognised as income when receivable.
- **Property rental income** is recognised as income in the period to which it relates.
- **Interest and dividends** are recognised as income when receivable.
- **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- **Parochial fees** are recognised as income of the year to which they relate.
- **Donations** other than grants are recognised when receivable.
- **Gains on disposal of fixed assets for the HDBF's own use** (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.

Notes to the accounts

For the year ended 31 December 2020

- **Diocesan Stipends Fund** (endowment fund). The endowment fund is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends.

1.4 Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

- **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages, investment management costs of glebe and any other investments.
- **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure on education and Church of England schools in the Diocese and direct support for parishes and clergy.
- **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the HDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- **Support costs** consist of central management, administration and governance costs. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on a relevant basis as set out in notes 12 and 13.
- **Pension contributions.** The HDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 32). The pension costs charged as resources expended represent the HDBF's contributions payable in respect of the accounting period, in accordance with FRS 102. Deficit funding for the pension schemes to which HDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

1.5 Employee termination payments. All costs involved in terminating employee contracts are accounted for in the period to which they relate and are disclosed in aggregate in note 30.

1.6 Tangible fixed assets and depreciation

Freehold properties

Freehold properties are recognised at cost and subsequently measured at fair value. Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The HDBF 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. The Trustees perform annual impairment reviews in accordance with the requirements of FRS 102 to ensure that the carrying value is not more than the recoverable amount.

Investment properties

Glebe properties which are held for investment purposes and rented out are initially recognised at cost and subsequently measured at fair value at each reporting date.

Notes to the accounts

For the year ended 31 December 2020

Parsonage houses

The HDBF has followed the requirements of FRS 102 in its accounting treatment for benefice houses (parsonages). FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The HDBF 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 therefore consider the most suitable accounting policy is to capitalise such properties as restricted fund assets and to carry them at their estimated current market value. Revaluation gains or losses arising are reported within other recognised gains and Activities.

Other tangible fixed assets

All capital expenditure over £500 is capitalised and depreciated. Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of fixed assets over their currently expected useful economic lives on a straight line basis as follows:

Improvements to leasehold property	8 years
Plant & equipment:	
Office Fixtures and fittings	7-10 years
Computer equipment	5 years
Solar panels	20 years

Fixed asset investments

Fixed asset investments are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.

Glebe land with the potential for development is valued according to its agricultural value until such a time as either outline planning permission is received or a development agreement is in place, at which point it is revalued to reflect the development value, provided this can be determined with reasonable accuracy. The costs of reports and investigations incurred with the aim of obtaining outline planning permission for housing developments on specific glebe land is initially capitalised. The accumulated costs are scrutinised by the Directors at the end of each accounting year. In cases where the Directors believe that planning permission is unlikely to be obtained, the accumulated planning costs are treated as an investment loss and taken to the Statement of Financial Activities in the year in which the decision is made.

1.7 Financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost with the exception of investments which are held at fair value. Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. A specific provision is made for debts for which recoverability is in doubt. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

1.8 Debtors

Trade and other debtors are recognised at the settlement amount due.

Notes to the accounts

For the year ended 31 December 2020

1.9 Creditors and provisions

Creditors and provisions are recognised where the charity 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.

1.10 Equity share loan

The HDBF Educational Uniform Statutory Trust has one loan for which the settlement proceeds are based on the value of the equity in a property. As this constitutes a non-basic financial instrument under FRS 102 this loan has been recognised at fair value and is revalued at each reporting date. Any gains and losses arising at each year end are recognised within investment gains and losses in the SOFA.

1.11 Leases

The HDBF has entered into operating lease arrangements only for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or break clause where there is an expectation that this will be utilised.

1.12 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

1.13 Fund balances

Fund balances are split between unrestricted, restricted and endowment funds.

1.13.1 Unrestricted funds are the HDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the HDBF. There are two types of unrestricted funds:

- **General fund** which HDBF intends to use for the general purposes of the company; and
- **Designated funds** set aside out of unrestricted funds by the HDBF for a purpose specified by the Trustees. Such designations may be set aside from time to time according to policy decisions.

1.13.2 Restricted funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

As a matter of policy the Board has agreed that it should aim to achieve a capital base on the restricted pastoral fund sufficient to generate dividends and interest to meet average annual expenditure on essential property improvements.

1.13.3 Endowment funds are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment fund administered by the HDBF (Diocesan Stipends Fund), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment.

Notes to the accounts

For the year ended 31 December 2020

1.14 Trust funds

"Special trusts" (as defined by the Charities Act 2011), being any other trusts where the HDBF acts as trustee and controls the management and use of the funds, are included in the HDBF's own financial statements as charity branches. Trusts where the HDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the relevant note to the financial statements.

1.15 Linked charities

The HDBF's accounts aggregate the following charities linked by the Charity Commission to the HDBF. These charities are treated as a branches of the HDBF and held within restricted funds.

- The Hereford Diocesan Board of Education (DBE) (linked charity number: 249685-1).
- The HDBF Educational Uniform Statutory Trust (UST) (linked charity number: 249685-2)

1.16 Going concern

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. There is a high degree of uncertainty around the impact of the COVID-19 pandemic and the trustees have reflected this in the cash flow forecasts and consider that there are no material uncertainties over the charity's financial viability. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.17 Accounting for open schools and related Trust property

While a Church School continues to operate as such or is leased to a Local Authority or Academy for the purposes of a County School, it and any property attached thereto is not considered to have any current value to HDBF (as part of the Hereford Diocesan Board of Finance Educational Uniform Statutory Trust).

1.18 Accounting for closed schools and related Trust property

In 1953 a Scheme was made under Section 86 of the Education Act 1944. Under the Scheme the HDBF was made the governing body of the education foundations listed in the Scheme. Until closure, the governing body was required to administer a school in accordance with the trusts subsisting when the Scheme was made. In relation to the letting of premises included in the Scheme, the Board, as governing body, is bound by the general law applicable to trustees of charitable foundations. The application of the income and capital formerly laid down by the 1953 Scheme is now governed by the Uniform Statutory Trusts.

A Section 554 Order is usually made in respect of a closed school not included in the Section 86 Scheme. This allows the Department for Education to make an Order directing the sale of closed school premises where this has not already taken place and specifies the destination of the proceeds of sale and of the assets of trusts associated with the school. Such Orders may be made in respect of a school included in the Section 86 Scheme referred to above to allow part of the assets to be used other than as originally laid down in the Scheme, such as for the setting up of a local religious education fund. In making a Section 554 Order, the Department may take into account moral as well as legal claims and it is for the Department to decide what proportion, if any, comes to the Uniform Statutory Trusts. Once an Order is made and the Trustee is able to estimate the proceeds of the sale, based on professional advice, this amount is brought into the capital fund of the UST. If the school is redundant but a Section 554 Order has not yet been made or the net realisable value is so uncertain that any quantification might be misleading, this information is shown in a note to the accounts.

Notes to the accounts

For the year ended 31 December 2020

On the occurrence of a sale under Section 86 of the Act, the property on its closure immediately becomes an asset of the trust. If the Trustee owns the property, the estimated value will be brought into the capital fund of the UST. In all other cases if the Board considers an estimate of the capital value so uncertain that any quantification might be misleading, this information is shown in a note to the accounts.

Trustees of closed schools falling within the 'Reverter of Sites Act' have the duty to dispose of the asset at 'best value' and return the proceeds to the benefactor.

2. Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

2.1 Critical judgements

When a Church of England school closes, the site may revert back to the original owner, otherwise it will revert to the linked charity, the HDBF Educational Uniform Statutory Trust ("HDBF UST"). If it is to revert to the HDBF UST, there is a judgement as to the point at which the property is recognised. The policy adopted by the trustees is detailed in note 1.18.

Glebe land with the potential for development is valued according to its agricultural value until such a time as either outline planning permission is received or a development agreement is in place, at which point it is revalued to reflect the development value, provided this can be determined with reasonable accuracy.

2.2 Estimation uncertainty

Houses held as tangible fixed assets and houses held for investment are valued by the in-house Diocesan surveyor. The valuation is made using professional experience, relevant indices and by reference to the sale prices of similar properties in the same area.

Land is valued by the Directors by reference to a variety of land market surveys as detailed in note 17.

The HDBF Educational Uniform Statutory Trust, a linked charity, has one loan for which the settlement proceeds are based on the value of the equity in a property. As required by FRS 102 this loan has been stated in accordance with an estimate of fair value. The HDBF makes use of the in-house Diocesan surveyor in arriving at this fair value. The loan is repayable on the earlier of the death of the borrowers or the vacation of the related property. The property was vacated during 2020 and is currently being marketed therefore this equity share loan is measured as a proportion of the fair value at the reporting date and has not been discounted.

Notes to the accounts

For the year ended 31 December 2020

3. Parish Offer contributions

	Unrestricted funds		Restricted funds	Endowment funds	Total 2020 £'000	Total 2019 £'000
	General £'000	Designated £'000	£'000	£'000		
Current year Parish Offer committed	3,854	-	-	-	3,854	3,857
Shortfall in commitments	(356)	-	-	-	(356)	(29)
	3,498	-	-	-	3,498	3,828
Received for previous years	-	-	-	-	-	4
	3,498	-	-	-	3,498	3,832

The Parish Offer system is based on annual commitments made by PCCs to contribute to the 'Common Fund' of the Diocese. Parish Offer receipts in 2020 represented 90.8% (2019: 99.3%) of the total commitments made. All Parish Offer receipts in 2019 related to the general fund.

4. Archbishops' Council

	Unrestricted funds		Restricted funds	Endowment funds	Total 2020 £'000	Total 2019 £'000
	General £'000	Designated £'000	£'000	£'000		
Lowest Income Communities funding (LiNC)	288	-	-	-	288	284
Transitional support funding	114	-	-	-	114	132
Ordinands in training	-	-	146	-	146	141
Other grant funding	21	-	139	-	160	156
	423	-	285	-	708	713

The Lowest Income Communities (LiNC) funding supports stipendiary ministry in the most deprived areas of the Diocese. The transitional funding is currently used to fund clergy stipends across the Diocese. In 2019 the LiNC income and Transitional support funding was attributable to the general fund, the ordinands in training income was attributable to restricted funds, and other grant funding was attributable £3k to the general fund and £153k to restricted funds.

5. Other donations

	Unrestricted funds		Restricted funds	Endowment funds	Total 2020 £'000	Total 2019 £'000
	General £'000	Designated £'000	£'000	£'000		
Trust income and grants	89	2	77	-	168	151
Ecclesiastical insurance office - share of profits	84	-	-	-	84	88
Donations & sundry income	21	-	-	-	21	32
	194	2	77	-	273	271

In 2019, £22k of Trust income and grants was attributable to the general fund, £20k to designated funds and £109k to restricted funds. All other donations in 2019 were attributable to the general fund.

Notes to the accounts

For the year ended 31 December 2020

6. Charitable activities

	Unrestricted funds		Restricted funds	Endowment funds	Total 2020 £'000	Total 2019 £'000
	General £'000	Designated £'000	£'000	£'000		
Fees for occasional offices	288	-	-	-	288	339
Income from educational activities	33	-	-	-	33	45
	321	-	-	-	321	384

All charitable activities related entirely to unrestricted funds in both the current and prior year.

7. Other trading income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2020 £'000	Total 2019 £'000
	General £'000	Designated £'000	£'000	£'000		
Rental income	325	-	10	-	335	327
Other trading income	-	-	1	-	1	2
	325	-	11	-	336	329

In 2019, £317k of the rental income was attributable to the general fund and £10k to restricted funds. All of the Other trading income in 2019 was attributable to restricted funds.

8. Investment income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2020 £'000	Total 2019 £'000
	General £'000	Designated £'000	£'000	£'000		
Rents receivable	-	-	11	141	152	227
Interest & dividends receivable	78	-	143	227	448	587
	78	-	154	368	600	814

£3k of the rents receivable in 2019 were attributable to restricted funds, with the remainder attributable to endowment funds. £110k of the interest & dividends receivable in 2019 were attributable to the general fund, £183k to restricted funds and £294k to endowment funds.

9. Other income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2020 £'000	Total 2019 £'000
	General £'000	Designated £'000	£'000	£'000		
HDBF UST:						
assets receivable: school houses	-	-	-	-	-	(292)
Redundant church costs recovered	-	-	3	-	3	6
Gain on disposal of fixed assets	-	-	-	-	-	39
Funds recognised from linked charity	-	-	-	-	-	427
Liquidated damages for dilapidations	-	-	-	-	-	346
	-	-	3	-	3	526

Notes to the accounts

For the year ended 31 December 2020

In 2018, £292k of assets relating to Westbury School House were brought onto the balance sheet as Other Income. It subsequently transpired that a S.554 Order is required by the Secretary of State for Education and the assets should not be recognised by the HDBF UST until such a time as the S.554 Order has been granted. The assets, valued at £292k, were therefore reversed out of Other income in 2019. All other income in 2019 was attributable to restricted funds, with the exception of £346k of liquidated damages for dilapidations which was attributable to endowment funds.

10. Fund raising costs

10.1 Fund raising costs 2020

	Unrestricted funds		Restricted funds	Endowment funds	Total 2020 £'000
	General £'000	Designated £'000	£'000	£'000	
Land & property agents' fees	55	-	1	-	56
Glebe land maintenance & development	5	-	-	-	5
Property rental & other trading costs	1	-	10	-	11
Investment portfolio mgt fees	15	-	29	50	94
	76		40	50	166
Support costs (see note 12)	18	-	-	-	18
	94	-	40	50	184

10.2 Fund raising costs 2019

	Unrestricted funds		Restricted funds	Endowment funds	Total 2019 £'000
	General £'000	Designated £'000	£'000	£'000	
Land & property agents' fees	55	-	1	-	56
Glebe land maintenance & development	4	-	-	-	4
Property rental & other trading costs	8	-	8	-	16
Investment portfolio mgt fees	14	-	28	50	92
	81	-	37	50	168
Support costs	17	-	-	-	17
	98	-	37	50	185

Notes to the accounts

For the year ended 31 December 2020

11. Charitable activities

11.1 Charitable activities excluding remeasurement of pension deficit liability 2020

	Unrestricted funds		Restricted funds	Endowment funds	Total 2020 £'000
	General £'000	Designated £'000	£'000	£'000	
Resourcing ministry and mission:					
Stipends and national insurance	2,398	-	-	-	2,398
Clergy pension contributions	536	-	-	-	536
Clergy Housing	610	-	156	-	766
Clergy moves & interregnums	69	-	-	-	69
Support for ministry	620	76	393	-	1,089
Allocated support costs	390	-	1	-	391
	4,623	76	550	-	5,249
Contributions to Archbishop's Council	405	-	-	-	405
Education	273	-	156	-	429
Parochial support	177	-	23	-	200
Grants and donations	7	-	-	-	7
Total expenditure on charitable activities excluding remeasurement of pension deficit liability	5,485	76	729	-	6,290

11.2 Charitable activities excluding remeasurement of pension deficit liability 2019

	Unrestricted funds		Restricted funds	Endowment funds	Total 2019 £'000
	General £'000	Designated £'000	£'000	£'000	
Resourcing ministry and mission:					
Stipends and national insurance	2,337	-	-	-	2,337
Clergy pension contributions	537	-	-	-	537
Clergy Housing	599	-	87	-	686
Clergy moves & interregnums	116	-	-	-	116
Support for ministry	846	1	587	-	1,434
Allocated support costs	361	-	1	-	362
	4,796	1	675	-	5,472
Contributions to Archbishop's Council	396	-	-	-	396
Education	248	-	(2)	-	246
Parochial support	200	-	17	-	217
Grants and donations	7	-	2	-	9
Total expenditure on charitable activities excluding remeasurement of pension deficit liability	5,647	1	692	-	6,340

Notes to the accounts

For the year ended 31 December 2020

12. Analysis of support costs

	Unrestricted funds		Restricted funds	Endowment funds	Total 2020	Total 2019
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Salary and employment costs	350	-	-	-	350	339
Property costs	42	-	-	-	42	46
Office costs	64	-	1	-	65	54
Legal and professional fees	86	-	-	-	86	64
General Synod representation	3	-	-	-	3	9
Governance costs	20	-	-	-	20	21
	565	-	1	-	566	533

All support costs in 2019 were attributable to the general fund except for £1k of office costs attributable to restricted funds.

13. Analysis of expenditure including allocation of support costs

13.1 Analysis 2020

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total 2020
	£'000	£'000	£'000	£'000
Raising funds:	166	-	18	184
Charitable activities: excl. pension deficit:				
Contributions to Archbishops' Council	(9)	410	4	405
Resourcing ministry and mission	4,757	101	391	5,249
Education	192	156	81	429
Parochial support	107	21	72	200
Other grants and donations	-	7	-	7
Charitable activities: pension deficit	1	-	-	1
	5,214	695	566	6,475

13.2 Analysis 2019

	Activities Undertaken Directly	Grant Funding of Activities	Support Costs	Total 2019
	£'000	£'000	£'000	£'000
Raising funds:	168	-	17	185
Charitable activities:				
Contributions to Archbishops' Council	-	391	5	396
Resourcing ministry and mission	4,961	149	362	5,472
Education	160	7	79	246
Parochial support	116	31	70	217
Other grants and donations	2	7	-	9
Charitable activities: pension deficit	(830)	-	-	(830)
	4,577	585	533	5,695

Notes to the accounts

For the year ended 31 December 2020

14. Analysis of grants made

14.1 Analysis 2020

	<i>Number</i>	<i>Individuals</i> £'000	<i>Institutions</i> £'000	Total 2020 £'000
From unrestricted funds - general fund:				
National church responsibilities:				
Contributions to Archbishop's Council	5	-	410	410
Grants to clergy	23	44	-	44
Ministry experience scheme	5	12	-	12
Support for Ordinands in training	6	36	-	36
PCCs for church inspection fees	52	-	21	21
Other grants	2	-	7	7
	93	92	438	530
From unrestricted funds - designated funds:				
To support mission and ministry	2	7	2	9
From restricted funds:				
To support mission and ministry	1	-	156	156
To support school building projects	1	-	-	-
	97	99	596	695

14.2 Analysis 2019

	<i>Number</i>	<i>Individuals</i> £'000	<i>Institutions</i> £'000	Total 2019 £'000
From unrestricted funds:				
National church responsibilities:				
Contributions to Archbishop's Council	5	-	391	391
Grants to clergy	65	61	-	61
Ministry experience scheme	7	14	-	14
Cleobury Mortimer youth project	1	-	14	14
Support for Ordinands in training	8	48	-	48
PCCs for church inspection fees	82	-	31	31
Other grants	2	-	7	7
	170	123	443	566
From restricted funds:				
To support mission and ministry	13	-	12	12
To support school building projects	3	-	7	7
	186	123	462	585

Notes to the accounts

For the year ended 31 December 2020

15. Tangible fixed assets

	Freehold properties £'000	Leasehold property improvements £'000	Plant & equipment £'000	Total £'000
Cost or valuation				
At 1 January 2020	48,990	53	184	49,227
Additions	-	-	10	10
Disposals	(390)	-	(101)	(491)
Revaluation	2,920	-	-	2,920
At 31 December 2020	51,520	53	93	51,666
Accumulated depreciation				
At 1 January 2020	-	53	152	205
Charge for the year	-	-	10	10
Disposals	-	-	(100)	(100)
At 31 December 2020	-	53	62	115
Net book value				
At 1 January 2020	48,990	-	32	49,022
At 31 December 2020	51,520	-	31	51,551

The leasehold property held at nil book value relates to the diocesan office in Hereford, the landlord being the Church Commissioners.

As at 31 December 2020, the Board was responsible for six redundant churches. The value of these churches at this date is considered uncertain and not material and accordingly no value related to them has been included in these accounts.

The Board and benefice houses were valued by the Board as at 31 December 2020 by taking advice from the employed Diocesan Property Surveyor (MCIOB). On 31 December 2020 there was a housing stock of 121 properties (2019: 122).

Due to the length of time properties have been held by the Board and the unavailability of historical accounting records it is not possible to provide a historical cost valuation for Board and benefice houses.

16. Capital commitments

There were no capital commitments as at 31 December 2020 (2019: £nil).

Notes to the accounts

For the year ended 31 December 2020

17. Investments held as Fixed Assets – Investment property

	As at 1 January 2020 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2020 £'000
Endowment funds						
Land	6,432	10	(62)	-	(8)	6,372
Buildings	1,706	-	(1,246)	-	-	460
	8,138	10	(1,308)	-	(8)	6,832
Restricted funds						
Buildings	447	-	-	-	34	481
Total	8,585	10	(1,308)	-	26	7,313

Endowment fund buildings at the year-end consists of one commercial property, two having been sold during the year. The remaining property has been valued informally by a local commercial property agent.

Restricted fund buildings consist of houses held as investment properties. These have been valued by the Diocesan Surveyor (MCIOB) as at 31 December 2020.

The value of rural land was determined by the Directors. Due to the multiplicity of holdings and varying sizes and terms of occupation the cost of a professional valuation is deemed to be an imprudent use of charitable funds. The Directors used a variety of land market surveys to determine average land values at 31 December 2020. A discount was applied to 1986 Agricultural Holdings Act tenancies of 36% and Farm Business Tenancies of 23%. This constitutes an average yield of 1.55%. Other amenity tenancies/licences were discounted at 12.5% and vacant land was discounted at 5% to reflect the time taken to realise a value and reflect any restrictions on sale. Land for which planning permission has been received is valued according to its market value as determined by the Directors.

All glebe land is vested in and managed by the Board for the benefit of the endowment (diocesan stipends) fund in accordance with the terms of the Endowments and Glebe Measure 1976.

The historical cost of Investment property land and buildings is unknown.

18. Investments held as Fixed Assets – Other investments

	As at 1 January 2020 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2020 £'000
Listed investments						
Unrestricted general fund	3,491	826	(803)	-	122	3,636
Designated funds	-	-	-	74	-	74
Restricted funds	6,703	1,545	(1,572)	-	226	6,902
Endowment funds	10,792	3,617	(2,660)	(74)	398	12,073
	20,986	5,988	(5,035)	-	746	22,685
Equity share loan						
Restricted fund - UST	141	-	-	-	(11)	130
Total	21,127	5,988	(5,035)	-	735	22,815

Listed investments are traded on London or comparable international stock exchanges.

Notes to the accounts

For the year ended 31 December 2020

The historical cost of listed investments held as at 31 December 2020 was £18.9m (2019: £16.9m). The historical cost of the equity share loan as at 31 December 2020 was £13,400 (2019: £13,400).

19. Debtors: due within one year

	2020	2019
	£'000	£'000
Other debtors	817	172
Prepayments & accrued income	166	98
Loan to Bishop Mascall Centre ¹	4	4
	987	274

20. Debtors: due after one year

	2020	2019
	£'000	£'000
Loan to Bishop Mascall Centre ¹	12	16

¹The loan to the Bishop Mascall Centre of £15,980 (2019: £19,980) is being repaid at £4,000 per annum, with interest chargeable at the Church of England's Central Board of Finance (CBF) rates.

21. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Other creditors and accruals	896	370
Taxation & Social Security	37	163
Pension deficit payments liability	240	240
	1,173	773

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

	2020	2019
	£'000	£'000
Pension deficit payments liability	56	298

Notes to the accounts

For the year ended 31 December 2020

23. Analysis of transfers between funds

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated	funds	funds	funds
	£'000	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	60	-	(60)	-	-
From General fund to Endowment fund for reduction in pension deficit liability	(242)	-	-	242	-
From Endowment fund to General fund for stipends under Total Return (see note 26)	674	-	-	(674)	-
From General fund to the Total Return Mission Fund to support mission projects	(250)	250	-	-	-
From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements	-	(61)	61	-	-
From Mission innovation Fund to support the Abbeydore Mission Co-ordinator Fund	-	(5)	5	-	-
From the Mission & ministry fund to the Mission innovation fund to support Ecumenical ministry in Ledbury	-	4	(4)	-	-
From the Holmer Church Plant fund to the General fund for manse costs	4	(4)	-	-	-
From the St Peters St James hub fund to the General fund for manse costs	1	(1)	-	-	-
From UST to Stottesdon School House trust in respect of loan ¹			(152)	152	
	247	183	2	(432)	-

Comparatives for 2019 can be found in note 39 to these accounts.

¹On 28 February, the UST made an interest free loan to the Stottesdon School House trust of £156,000 to enable the trust to make a grant to Stottesdon C of E Primary School for the building of a school hall to provide a new worship space. The loan is repayable from income arising on capital held by the trust and is expected to repaid in full within 40 years. The UST and the Stottesdon School House trust are treated as branches of HDBF and therefore inter-fund loans are eliminated. The loan of £156,000, less repayments of £4,012 has been treated as a transfer between funds.

Notes to the accounts

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24. Summary of assets by fund

	Tangible Fixed assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General fund	382	3,636	243	(224)	4,037
Designated funds:					
Total Return Mission funds	-	74	237	-	311
	382	3,710	480	(224)	4,348
Restricted funds					
Pastoral fund	49,399	4,379	483	(33)	54,228
Mission and Ministry fund	-	-	15	-	15
Ordinands in training fund	-	-	24	-	24
Restructuring fund	-	-	-	-	-
Strategic development funds	-	-	32	-	32
Strategic capacity fund	-	-	23	-	23
Building strategy fund	-	-	(1)	-	(1)
Uniform Statutory Trust	-	2,703	737	(651)	2,789
Grant funds	-	-	31	-	31
Education Trusts	-	431	31	-	462
	49,399	7,513	1,375	(684)	57,603
Endowment funds					
Diocesan stipends fund	1,770	18,905	763	(321)	21,117
Total funds	51,551	30,128	2,618	(1,229)	83,068

Comparatives for 2019 can be found in note 38 to these accounts.

Notes to the accounts

For the year ended 31 December 2020

25. Analysis of movements in funds

	Balance at 1 Jan 2020 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	Balance at 31 Dec 2020 £'000
Unrestricted funds						
General reserve	4,409	4,839	(5,580)	247	122	4,037
Designated reserves:						
Total Return Mission funds	202	2	(76)	183	-	311
Total unrestricted funds	4,611	4,841	(5,656)	430	122	4,348
Restricted funds						
Pastoral reserve	51,366	102	(203)	-	2,963	54,228
Mission and Ministry reserve	19	-	-	(4)	-	15
Ordinands in training fund	8	146	(130)	-	-	24
Restructuring fund	5	3	(8)	-	-	-
Strategic development fund	38	123	(190)	61	-	32
Strategic capacity fund	14	53	(44)	-	-	23
Building strategy fund	2	-	(3)	-	-	(1)
Grant funds	8	38	(20)	5	-	31
Education trusts	427	10	(158)	152	31	462
Uniform Statutory Trust	2,880	55	(13)	(212)	79	2,789
Total restricted funds	54,767	530	(769)	2	3,073	57,603
Endowment funds						
Diocesan stipends fund						
- Investment fund	7,414	-	-	59	-	7,473
- Unapplied Total Return	12,658	368	(50)	(491)	1,159	13,644
Total endowment funds	20,072	368	(50)	(432)	1,159	21,117
Total movement in funds	79,450	5,739	(6,475)	-	4,354	83,068

Comparatives for 2019 can be found in note 40 to these accounts.

Notes to the accounts

For the year ended 31 December 2020

26. Endowment Fund – Total Return

	Trust for Investment £'000	Unapplied Total Return £'000	Total Endowment £'000
At 1 January 2020	7,414	12,658	20,072
Movements in the reporting period:			
Dividends and interest		227	227
Glebe land rent		107	107
Glebe commercial property rental income		34	34
Realised and unrealised gains and (losses)		1,159	1159
Transfer from general fund for reduction in clergy pension deficit payments liability		242	242
Less:			
Investment management costs		(50)	(50)
Glebe land development costs			
Indexation using CPIH: 0.8%	59	(59)	-
	59	1,660	1,719
Unapplied Total Return allocated to income to be used for stipends:			
- Equating to dividend, interest and rents		(369)	(369)
- Equating to 0.5% of equity investments		(55)	(55)
- Additional annual transfer		(250)	(250)
	-	(674)	(674)
Net movements in report period:	59	986	1,045
At 31 December 2020	7,473	13,644	21,117

The trustees adopted a Total Return accounting approach under the Diocesan Stipend Funds (Amendment) Measure 2016 with effect from 1 January 2019.

27. Net income for the year

Net income for the year is stated after charging:

	2020 £'000	2019 £'000
Depreciation of tangible fixed assets	10	8
Rentals charged under operating leases	17	17
Amounts payable to external auditors for:		
- statutory audit	20	21
- tax advisory services	1	2

Notes to the accounts

For the year ended 31 December 2020

28. Financial commitments – operating leases

Total future minimum lease payments under non-cancellable operating leases were as follows:

	2020	2019
	£'000	£'000
Minimum lease payments payable:		
Within one year of the balance sheet date	1	2

Total future minimum lease payments receivable under non-cancellable operating leases were as follows:

	2020	2019
	£'000	£'000
Minimum lease payments receivable		
Within one year of the balance sheet date	-	92
Within two to five years of the balance sheet date	-	59

29. Post balance sheet events and contingent liabilities

There were no post balance sheet events or contingent liabilities as at 31 December 2020.

30. Staff costs

Staff costs were as follows:

	2020	2019
	£'000	£'000
Gross salaries and wages	1,166	1,169
Social Security costs	109	107
Pension contributions	117	126
	1,392	1,402

Included in staff costs is an amount of £11,000 relating to voluntary redundancy payments (2019: £21,000).

The above figures include the Diocesan Director of Education (DDE), employed jointly by HDBF and DHMAT, a related party. Employment costs of the DDE are administered by DHMAT and recharged to HDBF.

Notes to the accounts

For the year ended 31 December 2020

The monthly average number of persons employed during the year by head count:

	2020		2019	
	Number Full-time	Number Part-time	Number Full-time	Number Part-time
Support ministers / staff	11.2	6.2	11.5	7.6
Education	2.0	2.0	1.6	0.8
Diocesan officers	3.0	1.0	3.0	1.0
Diocesan administration staff	3.0	5.0	2.0	6.0
Grant funded Intergenerational Missioners	5.0	2.0	5.0	2.2
Grant funded support staff	1.0	0.2	1.0	1.0
Grant funded deanery staff	-	1.0	-	1.0
	25.2	17.4	24.1	19.6

The average number of persons employed during the year based on full-time equivalents:

	2020 Number	2019 Number
Support ministers / staff	15.0	15.8
Education	3.2	2.2
Diocesan officers	3.8	3.8
Diocesan administration staff	5.7	5.7
Grant supported Intergenerational Missioners	6.0	6.1
Grant funded support staff	1.1	1.6
Grant funded deanery staff	0.7	0.7
	35.5	35.9

These staff numbers do not include the Archdeacon of Hereford, who is paid through the Church Commissioners.

The number of employees whose emoluments for the year exceeded £60,000 (including benefits in kind but excluding pension contributions) was as follows:

	2020 Number	2019 Number
£70,000 - £80,000	1	1

30.1 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	Mr S R Pratley
Director of Education	Mr A Teale
Director of Finance	Mr S G P Herbert

Remuneration (including employer's National Insurance) and pensions for these employees amounted to £211,500 (2019: £202,300).

Notes to the accounts

For the year ended 31 December 2020

30.2 Trustees' emoluments

No Trustee received any remuneration for services as Trustee. Four Trustees received travelling and out-of-pocket expenses totalling £2,491 (2019: £4,698 5 trustees) in respect of General Synod duties, duties as Archdeacon or Rural Dean, and other duties as Trustees.

The Church Commissioners are responsible for the stipends and housing of the diocesan and suffragan bishops (ex officio trustees). Archdeacons, parochial clergy and support ministers who are trustees of the HDBF, whether ex officio, elected, appointed or co-opted, are in receipt of a stipend, housing and training/sabbatical grants paid via the Board by virtue of their office. One trustee received a clergy study grant of £45 (2019: 2 trustees received clergy study or ministerial development grants totalling £1,100).

The following table gives details of Trustees who were in receipt of a stipend and housing provided by the HDBF during the year:

	Stipend	Housing/ housing allowance
The Ven D Chedzey	Yes	Yes
The Rt Revd A Magowan	No	Yes
Revd Preb S Cawdell	Yes	Yes
Revd Preb W A Buck	Yes	Yes
Revd R Hulse	Yes	Yes
Revd S Fountain	Yes	Yes
Revd A P Morgan	Yes	Yes
Preb J Davies	Yes	Yes

The Board also met the stipends, pensions and social security costs of an average of 81 (2019: 82) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2020 £'000	2019 £'000
Stipends	2,211	2,186
National insurance contributions including Apprenticeship levy	185	171
Pension costs - current year	553	549
- deficit reduction	243	240
	3,192	3,146

The stipends of the two Bishops were paid and funded by the Church Commissioners.

31. Related parties

Herefordshire Vennture, a charitable organisation of which Revd J Rogers (HDBF Chair of Trustees), Mr S Pratley (Diocesan Secretary) and Revd A Morgan (HDBF trustee) are trustees, leased office space within the HDBF St Barnabas Church property at £6,790 for the year (2019: £7,276).

The Diocese of Hereford Multi-Academy Trust (DHMAT) is a related party to HDBF by virtue of the following:

- Mr A Teale (Diocesan Director of Education) and Mr M Simmons (HDBF trustee during the year) are also directors of DHMAT.

Notes to the accounts

For the year ended 31 December 2020

- Mr S Pratley (Diocesan Secretary) and Mr S Borthwick (HDBF trustee during the year) are/were also members of DHMAT with the power, among other things, to appoint and remove trustees.

During the year, invoices net of VAT totalling £6,375 (2019: £30,717) for partnership costs were raised from HDBF to DHMAT. The balance outstanding at the end of the year was £nil (2019: £nil).

During the year, invoices net of VAT totalling £52,560 were raised from DHMAT to HDBF for salary and administration costs (2019: £nil). The balance outstanding at the year-end was £nil.

The Diocese of Hereford Educational Trust (DHET) is a related party of HDBF as detailed below. During the year there were no transactions between HDBF and DHET:

- Mr A Teale (Diocesan Director of Education) and Mr S Pratley (Diocesan Secretary) are also directors of DHET.
- Mr S Borthwick (HDBF trustee during the year) was also a director of DHET.

Hereford Cathedral is a related party of HDBF. Bishop's Council select two members to sit on the Cathedral Council for a period of 5 years and The Very Revd M Tavinor, trustee of HDBF was also the Dean of Hereford Cathedral. During the year, invoices net of VAT totalling £4,500 were raised from HDBF to the Cathedral for safeguarding costs (2019: £nil). The balance outstanding at the year end was £3,485 (2019: £nil). During the year, invoices net of VAT totalling £1,474 (2019: £nil) were raised from the Cathedral to HDBF for salary and administration costs. The balance at the year end was £nil (2019: £nil).

The Ven D Chedzey, a trustee of HDBF is also Vice Chair of Trustees of the Hereford Historic Churches Trust. During the year, HDBF received a grant from the Hereford Historic Churches Trust amounting to £5,000 (2019: £5,000).

The Dowager Countess of Darnley was a director of HDBF from 1 January 2019 to 31 December 2019. The Dowager Countess of Darnley's son, Lord Darnley, is an external director of Rathbones Brothers PLC, the investment managers for HDBF.

The Rt Revd A Magowan, a trustee during the year of HDBF, is also a trustee of CPAS, the Church Pastoral Aid Society, a mission enabling society. Total services invoiced from CPAS during 2020 amounted to £1,350 (2019: £2,424). The balance at the end of the year was £nil (2019: £nil).

Rev'd Preb W A Buck, a trustee of HDBF is also a trustee of St Mary's Youth Project, a CIO charity. During 2019, a grant of £14,467 was made to the Youth Project. No grants were paid during 2020.

32. Pension commitments

32.1 Church of England Funded Pension Scheme (CEFPS)

The Hereford Diocesan Board of Finance participates in the Church of England Funded Pension Scheme for stipendiary clergy, a defined benefit pension scheme, and as at 31 December 2020 had 85 members in the scheme (2019: 86). This scheme is administered by the Church of England Pensions Board, which holds the assets of the Scheme 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 this means 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: £555k, 2019 £549k), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £556k for 2020 (2019: credit of £281k).

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For the year ended 31 December 2020

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out as 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% p.a.;
- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a.;
- Mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CMI2018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter of 7 and an initial addition to mortality improvements of 0.5% p.a.

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

	Jan 2018 to Dec 2020	Jan 2021 to Dec 2022
% 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 that time were 11.9% of pensionable stipends until December 2025.

As at December 2019 and 31 December 2020 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

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 balance sheet liability over 2019 and over 2020 is set out in the table below.

	2020 £'000	2019 £'000
Balance sheet liability as at 1 January	538	1,608
Deficit contribution paid	(243)	(240)
Interest cost (recognised in the SoFA)	5	31
Remaining change to balance sheet liability* (recognised in SoFA)	(4)	(861)
Balance sheet liability as at 31 December	296	538

* 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 2017
Discount rate	0.2% p.a.	1.1% p.a.	2.1% p.a.
Price inflation	3.1% p.a.	2.8% p.a.	3.1% p.a.
Increase to total pensionable payroll	1.6% p.a.	1.3% p.a.	1.6% p.a.

Notes to the accounts

For the year ended 31 December 2020

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

Church of England Pension Builder Scheme

Hereford Diocesan Board of Finance 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.

The Church Workers Pension Fund 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.

Pension Builder Scheme

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes. HDBF has no members in the Pension Builder Classic Scheme.

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 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 as it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and means 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 the contributions payable (2020: £67k, 2019: £66k).

A valuation of the Pension Builder scheme is carried out once every three years. The most recent was 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 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, Hereford Diocesan Board of Finance could become responsible for paying a share of that employer's pension liabilities. The directors have assessed this risk and consider it to be minimal.

At 31 December 2020, HDBF had 32 active members (2019: 30) in the Pension Builder 2014. Contributions outstanding at the year end amounted to £nil (2019: £nil).

Hereford Diocesan Board of Finance: other staff pension arrangements

The Hereford Diocesan Board of Finance contributes to individual money purchase policies operated by pension providers chosen by individual employees. The assets of these schemes are held separately from those of the Board, being invested with third party pension and insurance companies.

Contributions to the various schemes during the year totalled £22,079 (2019: £26,364) and were charged to the Income and Expenditure Account. Contributions outstanding at the year-end amounted to £1,298 (2019: £1,549).

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For the year ended 31 December 2020

33. Description of funds

General fund The General Fund is the HDBF's unrestricted undesignated fund available for any of the HDBF's purposes without restriction.

Designated funds

Total Return Mission Funds

This relates to monies transferred by the trustees on a fixed annual basis from the general fund to fund large mission projects that adhere to strict criteria. It is also used to provide match funding for strategic development bids. The funds are monitored by the Strategy steering group.

Designated funds can be undesignated and returned to the general fund by the trustees.

Endowment fund

Diocesan Stipends Fund

The expendable endowment (diocesan stipends) fund is an expendable endowment fund from which the Board draws income to meet part of the cost of clergy stipends. The fund was substantially affected by the provision of the Endowments and Glebe Measure 1976.

From 1 April 1978, incumbent clergy received from the Church Commissioners guaranteed annuities and personal grants equal in total to the net endowment income of their respective benefices prior to that date.

All other income previously attaching to a benefice including glebe income, along with income applicable to non-incumbent clergy, has been allocated to this expendable endowment (diocesan stipends) fund from that date.

From 1 January 2006, all stipendiary clergy were invited to relinquish their rights to guaranteed annuities and personal grants under a policy from the Church of England. All relevant HDBF clergy have relinquished those rights.

The income of the Diocesan Stipends Fund is used to support the cost of stipends. The capital is available to acquire, develop or improve glebe land & buildings at the request of the Bishop and the concurrence of the Board.

With effect from 1 January 2019 the HDBF trustees adopted a Total Return Accounting approach to the Diocesan Stipends fund. The fund is now split into two components:

- **The Trust for Investment:** This represents the original value of the endowment uplifted each year by an inflationary measure.
- **Unapplied Total Return:** This represents the amount of the Diocesan Stipends Fund over and above the value of the Trust for Investment.

Restricted funds:

Pastoral Fund

The Diocesan Pastoral Account is used to support activities within the remit of the Diocesan Mission and Pastoral Committee (DMPC) as set out in the *Mission and Pastoral Measure 2011 (No.3)*. This will include expenditure on any property vested by or under this Measure in the Church Commissioners or the DBF, and grants and loans for parsonage and church provision, restoration, improvement or repair.

Where the DBF is satisfied that any monies in the diocesan pastoral account are not (likely to be) required for meeting the expenses or expenditure referred to in this section it may:

Notes to the accounts

For the year ended 31 December 2020

1. apply those monies by way of grant or loan to the provision, restoration, improvement or repair of churches and parsonage houses in the diocese, including the repair of any building closed for regular public worship vested in the Board pending the coming into operation of arrangements under a pastoral (church buildings disposal) scheme, or to other purposes of the diocese or any benefice or parish in the diocese; or
2. apply those monies by way of grant or loan for the benefit of another diocese, either generally for those purposes or for such of those purposes as the Board may specify; or
3. transfer those monies to the capital or income account of the diocesan stipends fund; or
4. transfer those monies to one or more other accounts or funds held by the Board or apply or transfer them partly to such other accounts or funds and partly as provided in paragraphs (1) to (3). [Mission and Pastoral Measure 2011 section 94(4)].

Mission and Ministry Fund

Prior to 2018, the church commissioners made an annual grant to HDBF for the restricted purpose of Mission and ministry work within the Diocese. The grant income has now ceased and the fund is gradually being depleted as mission grants are awarded.

Ordinands in Training Fund

This restricted fund has arisen as a result of a change in the method of funding the training costs of ordinands. Prior to 2017, the training and residential costs were funded directly from the Central Church Ministry Division. From 1 January 2017, a block grant has been receivable by HDBF, out of which training and maintenance costs are met. Any unused funds at the end of each year can only be used to fund future training and maintenance costs.

Education Funds

These relate to two Educational trusts: St Mary's School Trust (Bucknell School House) and Stottesdon School Foundation. Both trusts are managed by the Diocesan Board of Education. They had previously been included within custodian trustee accounts, but under the charity commission directive linking the Hereford Diocese Board of Education and HDBF in 2019, these are now included as restricted funds under branch accounting.

Restructuring grant

Monies received from Archbishops' Council to help HDBF restructure its organisation so as to enable the transition from unrestricted funding by Archbishops' Council to targeted provision for lowest income communities.

Strategic Development Funds

This fund relates to projects which have received funds from the Archbishops' Council Strategic Development Fund together with any associated Parish funding and HDBF match funding. As at 31 December 2020 this fund related wholly to the 'Intergenerational Missioner' project employing seven intergenerational Missioners across six market towns in the Diocese. The Intergenerational Missioner project is funded 25% by local PCC contributions, 50% from Archbishops' Council (SDF), and 25% by HDBF.

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Strategic Capacity Fund

Monies received from the Archbishops' Council Strategic Capacity Fund to fund the employment of a Programme Manager for three years to facilitate the implementation of projects and growth initiatives throughout the Diocese.

Other Grant Funds

Other grant funds relate to grants received from third parties by HDBF to be administered as directed.

Uniform Statutory Trust Fund

The Hereford Diocesan Board of Finance Educational Uniform Statutory Trust (UST) is a registered charity linked by the Charity Commission to HDBF of which the HDBF is the sole trustee. The principal activity of the UST is the advancement of Christian education in the Diocese. Under SORP (FRS 102), the charity is accounted for as a branch of HDBF and shown within restricted funds. The capital and income may be applied as follows:

1. in or towards the purchase of a site for, or the erection, improvement or enlargement of, the premises of any relevant school in the area or a teacher's house for use in connection with any relevant school in the area;
2. for the maintenance of any relevant school in the area;
3. the maintenance of a teacher's house for use in connection with any relevant school in the area.

In addition, the income may be applied as follows:

4. for the provision of advice, guidance and resources in connection with any matter related to the management of, or education provided at any relevant school in the area;
5. the provision of services for the carrying out of any inspection of any relevant school in the area;
6. to defray the cost of employing staff in connection with points 1. and 2. above.

34. St. Barnabas Church, Hereford

This property is owned by the Hereford Diocesan Board of Finance, and was until 30 June 2006 made available on licence to the parish of All Saints, Hereford, for the conduct of divine worship. As of 30 June 2006, the parish of All Saints Hereford no longer required the building for their parish mission and the property was therefore passed back into the complete control of the HDBF. From July 2017, the property has been leased to two charitable organisations: Vennture and Oasis Church Hereford.

35. Corporation tax

The Company is a registered charity and as such its income and gains falling within Sections 471 to 489 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

36. Closed schools

36.1 Sarn School

Sarn School closed in August 2006 and was subject to the Reverter of Sites Act. An agreement was reached between the Trustee and the Reverter in February 2010, the net proceeds to be divided equally with any Capital Gains Tax to be met by the Trustee. A charitable scheme was established during 2017 to receive the proceeds and is held within the Custodian trustee accounts. When a S.554 Order is made the proceeds will be brought into the DBF as part of the UST fund.

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36.2 Westbury and Hope Primary Schools

Westbury and Hope Primary Schools were closed during 2017 with pupils transferred to Worthen Primary School. Westbury Primary School was sold in March 2020. The sale proceeds will ultimately flow to the DBF as part of the UST fund via a S.554 order. However, until such a time as the S.554 Order has been awarded, the proceeds of the sale are not available to use for other Diocesan schools. The S.554 Order was still in progress as at 31 December 2020 and therefore the proceeds are held within the Custodian trustee accounts. Hope Primary School will also be sold but, as the school was built and funded by the Local Authority, proceeds from the sale of the school will flow to the Local Authority.

37. Prior year comparative SoFA

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated			2019
	£'000	£'000	£'000	£'000	£'000
Income and endowments from:					
Donations					
Parish share contributions	3,832	-	-	-	3,832
Archbishops' Council	419	-	294	-	713
Other donations	142	20	109	-	271
Charitable activities	384	-	-	-	384
Other trading income	317	-	12	-	329
Investment income	110	-	186	518	814
Other income	-	-	180	346	526
Total income and endowments	5,204	20	781	864	6,869
Expenditure on:					
Raising funds	98	-	37	50	185
Charitable activities: excl. pension deficit	5,647	1	692	-	6,340
Charitable activities: pension deficit	(830)	-	-	-	(830)
Total resources expended	4,915	1	729	50	5,695
Net income/(expenditure) before investment gains	289	19	52	814	1,174
Net gains/(losses) on investments	477	-	764	2,171	3,412
Net income/(expenditure)	766	19	816	2,985	4,586
Transfers between funds	(459)	183	17	259	-
Other recognised gains (losses)					
Gains/(losses) on revaluation of fixed assets	125	-	(3,782)	(65)	(3,722)
Net movement in funds	432	202	(2,949)	3,179	864
Funds brought forward at 1 January 2019	3,977	-	57,716	16,893	78,586
Total funds at 31 December 2019	4,409	202	54,767	20,072	79,450

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38. Prior year: Summary of assets by fund

	Tangible Fixed assets £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Unrestricted funds					
General fund	382	3,491	736	(200)	4,409
Designated funds:					
Total Return Mission funds	-	-	203	(1)	202
	382	3,491	939	(201)	4,611
Restricted funds					
Pastoral fund	46,965	4,248	181	(28)	51,366
Mission and Ministry fund	-	-	19	-	19
Ordinands in training fund	-	-	8	-	8
Restructuring fund	-	-	5	-	5
Strategic development fund	-	-	41	(3)	38
Strategic capacity fund	-	-	14	-	14
Building strategy fund	-	-	2	-	2
Uniform Statutory Trust	-	2,644	382	(146)	2,880
Grant funds	-	-	8	-	8
Education Trusts	-	399	28	-	427
	46,965	7,291	688	(177)	54,767
Endowment funds					
Diocesan stipends fund	1,675	18,930	160	(693)	20,072
Total funds	49,022	29,712	1,787	(1,071)	79,450

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For the year ended 31 December 2020

39. Prior year: Analysis of transfers between funds

	Unrestricted funds		Restricted funds	Endowment funds	Total funds
	General	Designated	funds	funds	funds
	£'000	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	50	-	(50)	-	-
From General fund to Endowment fund for reduction in pension deficit liability	(1,070)	-	-	1,070	-
From Endowment fund to General fund for stipends under Total Return (see note 41)	811	-	-	(811)	-
From General fund to the Total Return Mission Fund to support mission projects	(250)	250	-	-	-
From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements	-	(62)	62	-	-
From Mission innovation Fund to support the Abbeydore Mission Co-ordinator Fund	-	(5)	5	-	-
	(459)	183	17	259	-

Notes to the accounts

For the year ended 31 December 2020

40. Prior year: Analysis of movements in funds

	Balance at 1 Jan 2019 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	Balance at 31 Dec 2019 £'000
Unrestricted funds						
General reserve	3,977	5,204	(4,915)	(459)	602	4,409
Designated reserves:						
Total Return Mission funds	-	20	(1)	183	-	202
	3,977	5,224	(4,916)	(276)	602	4,611
Restricted funds						
Pastoral reserve	54,575	183	(132)	(7)	(3,253)	51,366
Mission and Ministry reserve	21	-	(2)	-	-	19
Ordinands in training fund	(1)	141	(132)	-	-	8
Restructuring fund	13	-	(8)	-	-	5
Strategic development fund	24	144	(191)	61	-	38
Strategic capacity fund	11	52	(49)	-	-	14
Building strategy fund	11	16	(25)	-	-	2
Grant funds	139	40	(184)	13	-	8
Education trusts	-	427	-	-	-	427
Uniform statutory Trust	2,923	(222)	(6)	(50)	235	2,880
Total restricted funds	57,716	781	(729)	17	(3,018)	54,767
Endowment funds						
Diocesan stipends fund						
- Investment fund	7,312	-	-	102	-	7,414
- Unapplied Total Return	9,581	864	(50)	157	2,106	12,658
Total endowment funds	16,893	864	(50)	259	2,106	20,072
Total movement in funds	78,586	6,869	(5,695)	-	(310)	79,450

Notes to the accounts

For the year ended 31 December 2020

41. Prior year: Endowment Fund – Total Return

	Trust for Investment £'000	Unapplied Total Return £'000	Total Endowment £'000
At 1 January 2019	7,312	9,581	16,893
Movements in the reporting period:			
Dividends and interest		294	294
Glebe land rent		114	114
Glebe commercial property rental income		110	110
Receipts for dilapidations		347	347
Realised and unrealised gains and (losses)		2,105	2,105
Transfer from general fund for reduction in clergy pension deficit payments liability		1,070	1,070
Less:			
Investment management costs		(50)	(50)
Glebe land development costs			
Indexation using CPIH: 1.4%	102	(102)	-
	102	3,888	3,990
Unapplied Total Return allocated to income to be used for stipends:			
- Equating to dividend, interest and rents		(518)	(518)
- Equating to 0.5% of equity investments		(43)	(43)
- Additional annual transfer		(250)	(250)
	-	(811)	(811)
Net movements in report period:	102	3,077	3,179
At 31 December 2019	7,414	12,658	20,072