

**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

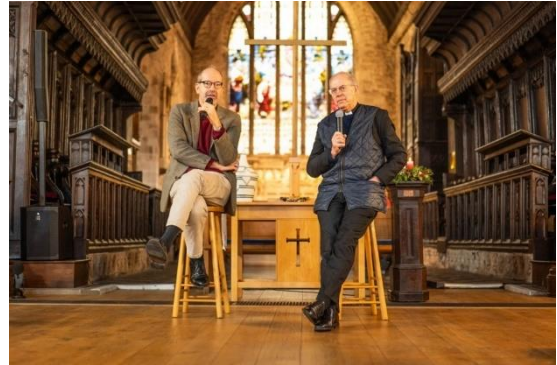
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## 1. Foreword by the Bishop of Hereford

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

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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*

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## 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

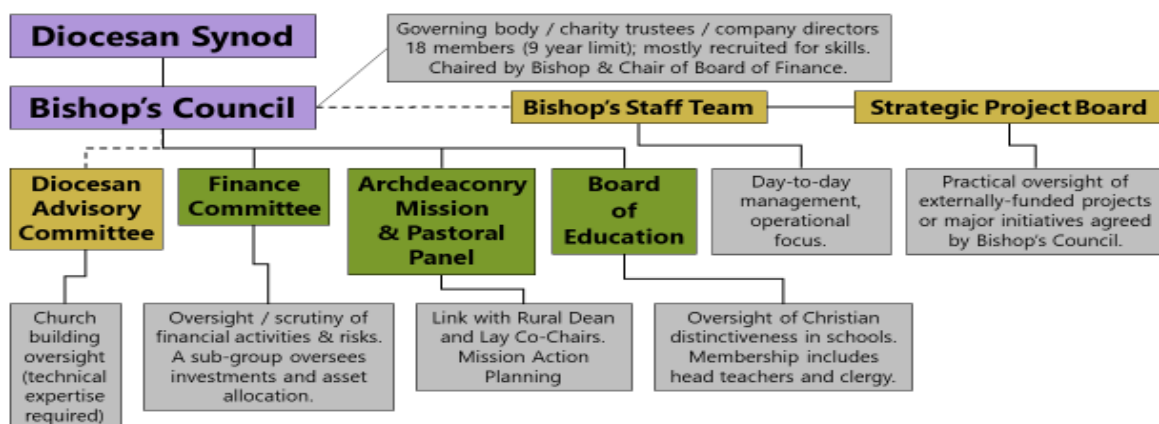
The main role of the HDBF is to manage and develop finances and assets to further its charitable objectives, promoting the mission and ministry of the Church of England across the Diocese of Hereford.

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.



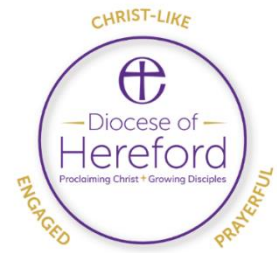
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## 4. Strategic aims

### 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

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## 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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- ❖ 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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## 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 CO<sub>2</sub> 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*

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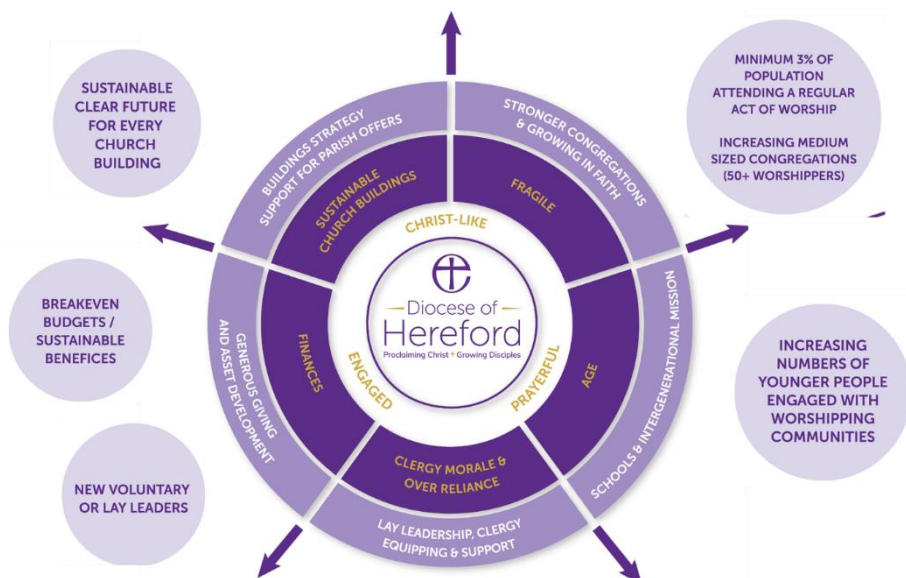
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## 6. Plans for future periods

### 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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- 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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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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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*

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## 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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## 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
<b>Income</b>			
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
<b>Expenditure</b>			
Raising funds and charitable activities before pension adjustments	(5,432)	(5,642)	210
<b>Net gains on investments and disposals of fixed assets</b>	94	(482)	576
<b>Gains on revaluations of fixed assets</b>	-	499	(499)
<b>Transfers between funds (excluding pension movements):</b>			
(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
<b>Net movements in funds as per SoFA</b>	(642)	(462)	(180)
General funds brought forward as at 1 January 2022	3,168	3,630	(462)
<b>General funds carried forward as at 31 December 2023</b>	2,526	3,168	(642)

<sup>1</sup>DSF: 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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For the year ended 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 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

# Annual report

For the year ended 31 December 2023

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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%).

# Annual report

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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:

# Annual report

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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](mailto:diooffice@hereford.anglican.org)

Website: [www.hereford.anglican.org](http://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

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## 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

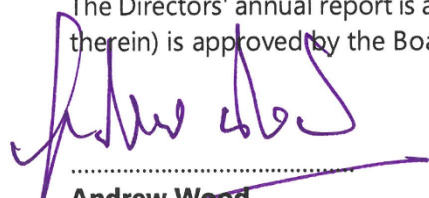
### **Glebe agents – agricultural**

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

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### 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

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### 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

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

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

	<b>2023</b>	2022
	<b>£'000</b>	£'000
<b>Total income</b>	5,445	5,699
<b>Total expenditure</b>	(7,137)	(6,812)
<b>Operating deficit for the year</b>	(1,692)	(1,113)
Net gains on investments	398	(1,696)
<b>Net expenditure for the year</b>	(1,294)	(2,809)
<b>Other comprehensive income:</b>		
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
<b>Total comprehensive income</b>	<b>(2,244)</b>	<b>1,616</b>

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.

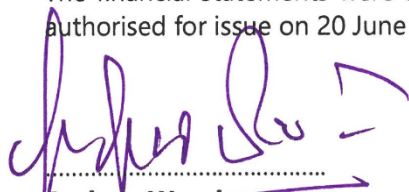
**Balance sheet**

For the year ended 31 December 2023

Company Number: 144467

		Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2023</b>	Total 2022
	<b>Note</b>	General £'000	Designated £'000	£'000	£'000	<b>£'000</b>	£'000
<b>Fixed assets</b>							
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	<b>89,884</b>	90,399
<b>Current assets</b>							
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	<b>1,812</b>	3,716
<b>Creditors: amounts falling due within one year</b>	21	(241)	-	(279)	(47)	(567)	(889)
<b>Net current assets/(liabilities)</b>		698	276	(1,119)	1,390	<b>1,245</b>	2,827
<b>Total assets less current liabilities</b>		2,526	346	63,755	24,502	<b>91,129</b>	93,226
<b>Creditors: amounts falling due after more than one year</b>	22	-	-	-	-	-	-
<b>Net Assets</b>		2,526	346	63,755	24,502	<b>91,129</b>	93,226
<b>Funds</b>							
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
<b>Total funds</b>		2,526	346	63,755	24,502	<b>91,129</b>	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
<b>Net cash outflow from operating activities</b>		<b>(1,611)</b>
<b>Cash flows from investing activities</b>		
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)	
<b>Net cash provided by investing activities</b>		<b>(293)</b>
<b>Cash flows from financing activities</b>		
Loan repaid to HDBF		4
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(1,129)</b>
Net cash funds as at 1 January		2,503
<b>Net cash funds as at 31 December</b>		<b>1,374</b>
<b>Notes to the cash flow statement</b>		
<b><i>Reconciliation of net movements in funds to net cash flow from operating activities</i></b>		
<b>Net movement in funds for the year ended 31 December</b>		<b>(1,297)</b>
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)
<b>Net cash used in operating activities</b>		<b>(1,611)</b>

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

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## 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

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- **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

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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

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### 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

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### **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 £'000	Total 2022 £'000
	General £'000	Designated £'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 £'000	Total 2022 £'000
	General £'000	Designated £'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				
	£'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				
	£'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				
	£'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				
	£'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	<b>Total 2023</b>	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	-	<b>22</b>	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	<b>Total 2023</b>
	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	<b>218</b>

**10.2 Fund raising costs 2022**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2022</b>
	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	<b>217</b>

# 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
<b>Total expenditure on charitable activities excluding remeasurement of pension deficit liability</b>	<b>5,310</b>	<b>341</b>	<b>1,327</b>	<b>-</b>	<b>6,978</b>

### 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
<b>Total expenditure on charitable activities excluding remeasurement of pension deficit liability</b>	<b>5,598</b>	<b>208</b>	<b>910</b>	<b>-</b>	<b>6,716</b>

# 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>	<b>Total 2023 £'000</b>
<b>From unrestricted funds - general fund:</b>				
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
<b>From unrestricted funds - designated funds:</b>				
To support mission and ministry	25	-	92	92
<b>From restricted funds:</b>				
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>	<b>Total 2022 £'000</b>
<b>From unrestricted funds:</b>				
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
<b>From unrestricted funds - designated funds:</b>				
To support mission and ministry	11	-	35	35
<b>From restricted funds:</b>				
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	<b>Total £'000</b>
<b>Cost or valuation</b>				
At 1 January 2023	58,965	53	106	59,124
Additions	854	-	10	864
Disposals	(308)	-	-	(308)
Transfers	-	-	-	-
Revaluation	(1,768)	-	-	(1,768)
<b>At 31 December 2023</b>	<b>57,743</b>	<b>53</b>	<b>116</b>	<b>57,912</b>
<b>Accumulated depreciation</b>				
At 1 January 2023	-	53	81	134
Charge for the year	-	-	10	10
Disposals	-	-	-	-
<b>At 31 December 2023</b>	<b>-</b>	<b>53</b>	<b>91</b>	<b>144</b>
<b>Net book value</b>				
At 1 January 2023	58,965	-	25	58,990
<b>At 31 December 2023</b>	<b>57,743</b>	<b>-</b>	<b>25</b>	<b>57,768</b>

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
<b>Endowment funds</b>						
Land	7,338	33	-	-	(15)	7,356
Buildings	443	-	-	-	-	443
	7,781	33	-	-	(15)	7,799
<b>Restricted funds</b>						
Buildings	518	-	-	-	(39)	479
<b>Total</b>	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
<b>Listed investments</b>						
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
<b>Equity share loan</b>						
Restricted fund - UST	-	-	-	-	-	-
<b>Total</b>	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 <sup>2</sup>	-	4
Loan to Stottesdon PCC <sup>1</sup>	16	16
	<b>425</b>	<b>1,198</b>

## 20. Debtors: due after one year

	2023 £'000	2022 £'000
Loan to Stottesdon PCC <sup>1</sup>	11	9
Loan to Ludlow Mascall Centre <sup>2</sup>	-	4
	<b>11</b>	<b>13</b>

<sup>1</sup> 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.

<sup>2</sup>The 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	-	-
	<b>567</b>	<b>889</b>

## 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
<b>Unrestricted funds</b>					
General Fund	999	829	939	(241)	2,526
<b>Designated funds:</b>					
Total Return Mission funds	-	70	276		346
	999	899	1,215	(241)	2,872
<b>Restricted funds</b>					
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
<b>Endowment funds</b>					
Diocesan Stipends Fund	2,010	21,102	1,437	(47)	24,502
<b>Total funds</b>	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
<b>Unrestricted funds</b>						
General reserve	3,168	4,951	(5,432)	(255)	94	2,526
Designated reserves:						
Total Return Mission funds	346	67	(341)	274	-	346
<b>Total unrestricted funds</b>	3,514	5,018	(5,773)	19	94	2,872
<b>Restricted funds</b>						
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
<b>Total restricted funds</b>	65,357	427	(1,364)	745	(1,410)	63,755
<b>Endowment funds</b>						
Diocesan Stipends Fund						
- Investment Fund	8,560	-	-	360	-	8,920
- Unapplied Total Return	15,795	454	(59)	(1,124)	516	15,582
<b>Total endowment funds</b>	24,355	454	(59)	(764)	516	24,502
<b>Total movement in funds</b>	93,226	5,899	(7,196)	-	(800)	<b>91,129</b>

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	<b>Total Endowment £'000</b>
<b>At 1 January 2023</b>	<b>8,560</b>	<b>15,795</b>	<b>24,355</b>
<b>Movements in the reporting period:</b>			
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
<b>Less:</b>			
Investment management costs	-	(59)	(59)
Indexation using CPIH: 4.2%	360	(360)	-
	<b>360</b>	<b>551</b>	<b>911</b>
<b>Unapplied Total Return allocated to income to be used for stipends:</b>			
- Equating to dividend, interest and rents	-	(454)	(454)
- Equating to 0.5% of equity investments	-	(60)	(60)
- Additional annual transfer	-	(250)	(250)
	<b>-</b>	<b>(764)</b>	<b>(764)</b>
<b>Net movements in report period:</b>	<b>360</b>	<b>(213)</b>	<b>147</b>
<b>At 31 December 2023</b>	<b>8,920</b>	<b>15,582</b>	<b>24,502</b>

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 £'000	2022 £'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 £'000	2022 £'000
<b>Minimum lease payments payable:</b>		
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 £'000	2022 £'000
<b>Minimum lease payments receivable</b>		
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 £'000	2022 £'000
Gross salaries and wages	1,201	1,160
Social Security costs	115	113
Pension contributions	126	114
	<b>1,442</b>	<b>1,387</b>

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
	<b>16.7</b>	<b>23.8</b>	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
	<b>32.5</b>	<b>34.7</b>

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).

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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
	<b>3,042</b>	<b>3,262</b>

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

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### 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)
<b>Balance sheet liability as at 31 December</b>	<b>-</b>	<b>-</b>

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

## Notes to the accounts

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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**).

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For the year ended 31 December 2023

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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

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### 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

## Notes to the accounts

For the year ended 31 December 2023

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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

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### **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

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### **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
<b>Income and endowments from:</b>					
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
<b>Total income and endowments</b>	<b>4,633</b>	<b>28</b>	<b>1,038</b>	<b>416</b>	<b>6,115</b>
<b>Expenditure on:</b>					
Raising funds	109	-	52	56	217
Charitable activities: excl. pension deficit	5,598	208	910	-	6,716
Charitable activities: pension deficit	(65)	-	-	-	(65)
<b>Total resources expended</b>	<b>5,642</b>	<b>208</b>	<b>962</b>	<b>56</b>	<b>6,868</b>
<b>Net income/(expenditure) before investment gains</b>	<b>(1,009)</b>	<b>(180)</b>	<b>76</b>	<b>360</b>	<b>(753)</b>
Net gains/(losses) on investments	(482)	-	(1,214)	(558)	(2,254)
<b>Net income/(expenditure)</b>	<b>(1,491)</b>	<b>(180)</b>	<b>(1,138)</b>	<b>(198)</b>	<b>(3,007)</b>
Unapplied Total Returns allocated to income for stipends			736	(736)	
Transfers between funds	530	165	(869)	174	-
<b>Other recognised gains (losses)</b>					
Gains/(losses) on revaluation of fixed assets	499	-	3,300	133	3,932
Overage gains			64	1,250	1,314
<b>Net movement in funds</b>	<b>(462)</b>	<b>(15)</b>	<b>2,093</b>	<b>623</b>	<b>2,239</b>
Funds brought forward at 1 January 2022	3,630	361	63,264	23,732	90,987
<b>Total funds at 31 December 2022</b>	<b>3,168</b>	<b>346</b>	<b>65,357</b>	<b>24,355</b>	<b>93,226</b>

# 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
<b>Unrestricted funds</b>					
General fund	998	2,015	343	(188)	3,168
<b>Designated funds:</b>					
Total Return Mission funds	-	70	281	(5)	346
	998	2,085	624	(193)	3,514
<b>Restricted funds</b>					
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
<b>Endowment funds</b>					
Diocesan stipends fund	2,069	20,173	2,158	(45)	24,355
<b>Total funds</b>	58,990	31,409	3,716	(889)	93,226

**Notes to the accounts**

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**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 Abbotts 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
<b>Unrestricted funds</b>						
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
<b>Restricted funds</b>						
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
<b>Total restricted funds</b>	63,264	1,038	(962)	(133)	2,150	65,357
<b>Endowment funds</b>						
Diocesan stipends fund						
- Investment fund	7,839	-	-	721	-	8,560
- Unapplied Total Return	15,893	416	(56)	(1,283)	825	15,795
<b>Total endowment funds</b>	23,732	416	(56)	(562)	825	24,355
<b>Total movement in funds</b>	90,987	6,115	(6,868)	-	2,992	93,226

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

	Investment Fund £'000	Unapplied Total Return £'000	Total Endowment £'000
<b>At 1 January 2022</b>	<b>7,839</b>	<b>15,893</b>	<b>23,732</b>
<b>Movements in the reporting period:</b>			
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
<b>Less:</b>			
Investment management costs	-	(55)	(55)
Glebe land development costs	-	(1)	(1)
Indexation using CPIH: 9.2%	721	(721)	-
	<b>721</b>	<b>638</b>	<b>1,359</b>
<b>Unapplied Total Return allocated to income to be used for stipends:</b>			
- Equating to dividend, interest and rents	-	(415)	(415)
- Equating to 0.5% of equity investments	-	(71)	(71)
- Additional annual transfer	-	(250)	(250)
	<b>-</b>	<b>(736)</b>	<b>(736)</b>
<b>Net movements in report period:</b>	<b>721</b>	<b>(98)</b>	<b>623</b>
<b>At 31 December 2022</b>	<b>8,560</b>	<b>15,795</b>	<b>24,355</b>