

**Hereford Diocesan Board of Finance**

# **Annual Report & Accounts 2019**



— 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 2019

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# Annual report

For the year ended 31 December 2019

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The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited group financial statements of the charity and its subsidiary, for the year ended 31 December 2019.

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
- Strategic Report under the Companies Act 2006 and
- Trustees' Annual Report under the Charities Act 2011.

## 1. Executive summary

The Diocese of Hereford has been inspiring each generation since Putta took office in 676 AD as the first Bishop of Hereford. Through its parochial structure, its engagement in education and its role in civic life, the Diocese serves the whole community. It is driven by a vision for growing God's kingdom in individual lives and in the lives of communities, contributing to the common good of all who live or work within its boundaries and, through links and exchanges, much further beyond.

The Diocese is most visible in its 400 active churches and 78 church schools. Its engagement with schools goes beyond only the church schools, however, and in 2019, 66 of the 400 schools across the Diocese regularly welcomed 'Open the Book' teams, which help children (and their parents and carers) to engage with Bible stories and learn about the Christian faith, as well as supporting the spiritual life of school communities.

There are currently 35 'Messy Church' congregations across the Diocese, which offer a different way for families to experience church and strengthen the Diocese's grass-roots ecumenical relationships with other Christian communities in our towns and villages. The continuing growth of Messy Church is part of the Diocese's wider focus on extending and reimagining how it interacts with children, young people and families, an effort which is manifested in, and supported by, seven 'inter-generational missionaries'. These missionaries work across the Diocese, reaching out to and supporting the spiritual and emotional health of people of all ages, and enabling church communities to rethink how they bring different generations together in their worship and ministry.

2019 also saw the launch of the new School for Ministry in the Diocese, increasing opportunities for people to explore their vocation to ministry, and helping ministers to grow their own and their parishioners' confidence in living out and sharing their faith. Congregation sizes may be shrinking across the country, but the Diocese of Hereford continues to have the highest weekly attendance of any Church of England diocese, and its church buildings host the highest proportion of 'life events', such as baptisms, weddings, and funerals. The continuing importance of marking these transitions in a parish church reflects the Church's ongoing role at the heart of community life and provides a further opportunity for people of all faiths and none to explore their spirituality at key milestones in their lives.

Many of the church buildings where these services take place are also themselves of enormous historical significance, and continue to be a living testament to the ups and downs of political, social and ecclesiastical history. Their value cannot be overstated, and does not go unappreciated by the many visitors who pass through the church doors not just for services, but also on walks or holidays or in search of ancestors.

The Diocese of Hereford represents a number of extremes. The common assumption associates rurality with prosperity, but this is not a uniform picture, and there are also pockets of rural poverty which can be easy to miss and hard to address – indeed, some 90 parishes within the Diocese fall into the 25% most deprived in the country. While the Diocese has the Church of England's lowest levels of planned giving, it has witnessed the fastest take-up of the Parish Giving Scheme. While it has the highest ratio of church buildings and clergy per person, it has the lowest number of stipendiary clergy. All of these contradictions mean that

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the Diocese is in cash terms not as well-resourced as some other dioceses, and also that its ordained and lay ministers and missionaries must engage with their communities – whether in the sparsely-populated hamlets or in areas of urban deprivation – in varied and creative ways.

## STRATEGIC REPORT

### 2. Strategic aims

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

Bishop’s Council agreed strategic priorities to direct the activities of the Diocese over a five-year period (2015-2021). These **shared priorities** align with the wider mission of the Church of England:

#### **Mission**

- 1 : Growing Christian disciples of all ages and backgrounds – spiritually and numerically
- 2 : Serving the common good – transforming lives and communities

#### **Ministry for Mission**

- 3 : Reimagining, developing, and sharing ministry for mission in the 21<sup>st</sup> century

#### **Resources for Mission**

Shared commitment to focusing and growing resources for mission – staff, time, money.

The trustees focus resources to achieve the following **shared goals**:

- To reach younger generations as strongly as older ones – so that disciples and churches better reflect the ages and backgrounds of the communities served;
- To lift areas of weaker attendance to match more closely the 3% of the population attending Anglican churches in rural areas of the Diocese;
- To grow a ‘mixed economy’ of congregations – different styles, days/times, reach, in every deanery across the Diocese.

### 3. Achievements and performance

#### 3.1 Overview

We were delighted to learn following extensive consultations and representations through the Vacancy in See Committee that Rt Revd Richard Jackson had been selected as the 106<sup>th</sup> Bishop of Hereford. Bishop Richard was installed on 21 March in Hereford Cathedral.

Bishop Richard Frith retired in November, after five years as diocesan bishop. He led development of the Diocese’s mission strategy focused on ‘Proclaiming Christ and Growing Disciples’ by inspiring each generation, and helped a shift towards more intentional ‘intergenerational’ church. He successfully supported a bid for strategic development funds from the national Church, which enabled the appointment of six intergenerational missionaries in five of our market towns. He also actively sought development of relationships between civic, statutory and community groups to look at issues relating to the ‘common good’ agenda.

We welcomed the Archbishop of Canterbury, the Most Revd Justin Welby, for a three-day visit to the Diocese in October. The Archbishop undertook a busy schedule of 30 events to engage with people of all ages and backgrounds right across the Diocese: children and young people in schools and colleges, and at a Messy Church group; farmers at a pop-up ‘butty van’ and at a livestock market; community leaders at a business

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breakfast; teachers and students at educational conference for Church of England schools; patients and staff at a hospice; and of course many parishioners in multiple locations.

During his visit, the Archbishop launched the Diocese's new online 'Mission and Mortar' toolkit, designed to help parishes look after their historic places of worship and to make better use of their church buildings for 21<sup>st</sup> century mission in their local communities. The toolkit was developed with financial support from the National Lottery Heritage Fund.

The Diocese was pleased to appoint Canon Andrew Teale as the new Diocese Director of Education and CEO of the Diocese of Hereford Multi-Academy Trust (DHMAT), and he is working to integrate educational priorities with the diocesan strategy.

Deaneries have refined their Mission Action Plans, identifying fresh actions to drive sustainable growth in their local areas, including making the most of 'life events', working with schools, as well as rethinking mission & allocation of resources. The recent amendments to the Mission & Pastoral Measure should offer more freedom and a variety of structures to simplify day-to-day business for rural parishes and benefices.

The Diocese appointed a new Director of Communications, who is helping to share the Diocese's vision and priorities more effectively with parish clergy and church members, alongside a renewed focus on social media and digital evangelism.

The Diocese has continued to work proactively to make best use of its assets to resource its charitable objectives, for example from developing glebe land in consultation with local communities where this is in the best interests of the charity.

In order to build financial resilience in our parishes, the Diocese has promoted the adoption of the Parish Giving Scheme (PGS). We are excited that many parishes have chosen to register for the Scheme and, with the support of our Parish Giving Adviser, we have seen the fastest take-up of PGS among English dioceses. It is also encouraging to note that the average level of planned giving within PGS is 45% higher than the average of all planned giving in the Diocese.

In 2019, HDBF trustees adopted a total return accounting approach to its Diocesan Stipends (endowment) Fund, and total return funds have started to be released to directly support mission and growth initiatives.

## **3.2 The Christian presence**

Clergy form a central part in the life of churches in the Diocese. As well as engaging in a wide variety of community and church projects, last year the clergy carried out over 850 baptisms, 480 weddings, and 1,450 funerals. In 2019, an average of 68.5 trained stipendiary clergy and 12.5 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 them, paying them, and contributing to their pension fund.

## **3.3 Re-imagining ministry, clergy deployment and lay ministry / leadership**

The Diocese continues to explore what effective and sustainable ministry would look like in the long term. We are choosing to invest in intergenerational mission, and developing a plan for a renewed presence and outreach in the City of Hereford.

- In March 2020, the Church of England's Strategy & Development Unit conducted a review of the Diocese's Intergenerational Mission programme two years after its start, and gave a positive 'green light' assessment, with most targets on track at each of the core locations. The cultural change and positivity that the team have brought to the diocese is possibly even more significant than the exceeded targets (see below).

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Shared Priority	Outcome description	Indicator measurement	2019 year target	2019 year actual	Project to date target	Project to date actual
<b>Growing Christians</b>	<b>Connect / Engage : reaching people with the Gospel (half under 35)</b>	Individuals who choose to engage when given opportunity.	350 (175 under 35)	<b>265 (167 under 35)</b>	450 (225 under 35)	<b>590 (308 under 35)</b>
<b>Growing Christians</b>	<b>Commit / Grow : New disciples</b>	Individuals who have responded to the teachings of Christ and are demonstrating a willingness to continue their faith journey.	80	<b>70</b>	110	<b>108</b>
<b>Growing Church</b>	<b>New 'mixed economy' congregations</b>	Individuals attending any congregation within the Diocese of Hereford after engaging with opportunities offered by the Diocese's Intergenerational Missioners.		<b>67</b>		<b>67</b>
<b>Growing Leaders</b>	<b>New local intergenerational leaders</b>	Individuals who identify themselves as new leaders within intergenerational mission.	2	<b>10</b>	2	<b>21</b>

We seek to increase the number of people exploring their faith and considering vocations in the church.

- During 2018, 860 people attended a Christian basics or enquiry course (such as Alpha, Pilgrim, or Christianity Explored) and it expected that a similar number attended in 2019. The number of curates and ordinands is increasing and their age profile reducing.

However, it remains a significant challenge for our churches to present the Christian faith in a fresh and relevant way to current generations, and the early reports from 2019 returns suggest a dip in participation:

- Average attendance at churches in the Diocese has declined to approximately 2.0% of the population, although this is slightly higher than the national average of 1.7%;
- A decline from 994 (2015) to 505 (2019) children (under 18) attending weekly church services;
- A decline from 12,283 (2015) to 11,340 (2019) across all of our worshipping communities.

### 3.4 Public Benefit

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

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers;
  - The Diocese supports 400 buildings in 350 parishes providing regular opportunities for public worship. As well as acts of worship, weddings and funerals, many of our buildings 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.

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- community engagement, resourcing education and supporting those in need both spiritually and physically.
  - The following table provides examples of such contributions by churches around the Diocese:

<b>Activity</b>	<b>Volunteer numbers</b> (approx.)	<b>Beneficiaries</b>
Open the Book – 66 Teams	250	Primary school children
Messy Church – 35 currently running	300	People of all ages, especially children between 3-11 years of age.
Parent & toddler groups – 33 running or supporting	75	Pre-school age children and parents
Community cafés – 47 running, hosting, partnering, or supporting	140	Whole community
Lunch clubs – 80 running or hosting	120	Older people
Youth work – 17 groups at present	50	Young people 11-18
Food banks – 16 running, another 10 hosting	60	Individuals & families short of food
Hot food providers – 2 in operation	15	Homeless / people in need
Night shelters – 3 running or hosting	15	Homeless / people in need
Pastoral provision (e.g. Street Pastors, counselling, befriending schemes) – 12 running, hosting or partnering	30	Whole community
Money help projects – 9 running or supporting	30	Whole community

### **3.5 Safeguarding**

Trustees regularly review and update the Diocesan Safeguarding Strategy and Action Plan to reflect best practice and new requirements. During 2019, the Diocese undertook a new Past Case Review as required by the national Past Case Review project board. The Diocese also completed a three year safeguarding training programme, and commenced a new round of training for 407 clergy, readers, and individuals with permission to officiate, and training for at least 1,400 parish officers.

## **4. Future plans**

### **4.1 106<sup>th</sup> Bishop of Hereford**

We were delighted that Bishop Richard Jackson was confirmed in January 2020 as our new diocesan bishop. After his installation in March, Bishop Richard had planned to visit many parts of the Diocese, meeting with clergy and parishioners, and hearing of the opportunities and challenges that will inform his future vision for the Diocese. These visits have been put on hold due the coronavirus COVID-19 restrictions. A key decision will be to appoint a successor for the Bishop and Archdeacon of Ludlow following the retirement of Bishop Alistair Magowan in April 2020.

### **4.2 Re-imagining ministry and investment opportunities**

Our immediate future will be concerned with supporting the Diocese to recover from the COVID-19 outbreak. We suspect this to have a major impact on our church communities, on our congregations and our level of income. Many of our plans for growth will be on hold and we are concerned that some church communities will no longer be viable in their current format.

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This makes our strategic priority of reimagining ministry, within our financial constraints, even more important. We will continue to encourage deanery mission action planning, so that local leadership teams can organise mission activities and plan the model of ministry most suitable to their context. They set the level of Parish Offer they wish to make to the Diocese to help fund this and should match their deployment and mission plans accordingly. We fully expect to see the Intergenerational Missioner project continue to show growth in each of their local contexts and have agreed to extend the project to include Pontesbury and Craven Arms, the latter being in partnership with the Methodist church.

We also have exciting plans to revitalise the Anglican church in Hereford city centre but this will take significant investment from our Total Return Mission Fund and is subject to trustee approval. The plans include a new church community in a new housing estate, a new student church, a mission-driven training resource for local churches, and improved support for schools. In particular, we are seeking to respond to the growth in the city population stimulated by the new university, new businesses and house building.

We will continue to support our parishes and help them develop sustainable finances. We remain committed to the expansion of the Parish Giving Scheme and we have applied to the national church for funding for an additional Parish Giving Adviser to deliver this aspiration.

On a more practical, internal level, we will need to replace the Bishop of Ludlow and recruit to the vacant clergy and diocesan positions that have been put on hold due to COVID-19. We will also seek to maintain the optimal balance of diocesan support staff; seven diocesan employees left the team towards the end of 2019 and they won't be directly replaced.

We are currently unsure how the year will shape up with regards to some of the major plans and events. For example, we were planning to welcome diocesan bishops from our partner diocese in Tanzania to celebrate the Lambeth Conference; we were planning to introduce Bishop Richard Jackson to the Diocese through a series of tours, events and visitations, and we hoped to have large gatherings to celebrate the call to prayer during Thy Kingdom Come and to welcome publicly our new ordinands. Much of this is uncertain, cancelled or rearranged. There will also be a backlog in faculty applications, property repairs and grounds maintenance as well as (we hope) a resurgence of weddings, baptisms, and thanksgiving services. Therefore, a significant amount of time will be dedicated to returning life to normal as far and as quickly as possible.

## 5. Financial review

### 5.1 Overview

Total income for the year amounted to £6.87m (2018: £7.01m), a fall of 2%. Excluding one-off income relating to property dilapidations, education trusts and grants, the underlying income decreased from £6.41m in 2018 to £6.39m in 2019, a fall of 0.4%. HDBF continued to face rising expenditure, meeting a stipend increase of 2.0% during the year, and other cost pressures (the rate of inflation as measured by CPI stood at 1.3% at December 2019).

As in previous years, parish contributions provided the primary source of income for the Diocese to pay for local stipendiary ministry and related costs. It was encouraging to note that almost all PCCs were able to meet their Parish Offer commitments in full, with HDBF receiving 99.3% of the parish contributions expected (2018: 99.2%). The Diocese is most grateful to PCCs for their continued partnership in funding parish ministry and mission. However, the 2019 Parish contribution was, in absolute terms, slightly less than 2018, representing a real decline (based on CPI) of 1.9%.

The largely rural nature of the Diocese and low population density means that it is now receiving a declining apportionment of central church funds. In order to help PCCs to develop and grow their planned giving base, the Diocese encourages PCCs to join the national Parish Giving Scheme ("PGS"), which offers donors and parishes a secure platform for donations, with the benefit of centralised recovery of Gift Aid. 202 PCCs (56%) had joined PGS by the end of 2019 and the number of churches with active donations at 167, was an



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increase of 65% on 2018. PGS is proving to be a useful tool for strengthening local PCC finances, although we have yet to see this translate into overall higher Parish Offer commitments.

Total expenditure for the year amounted to £5.69m compared with £6.58m in 2018, a decrease of £0.89m. However, this includes a credit against expenditure of £830k (2018: £84k) relating to movement on the clergy pension scheme deficit payments liability. Total expenditure excluding the pension deficit movement totals £6.53m (2018: £6.66m), a fall of £0.13m. This decrease was due almost entirely to reductions in the general fund arising from of a concerted effort by the trustees to reduce costs across all areas of expenditure. In July 2019, diocesan staff were asked to consider the option of voluntary redundancy, resulting in five staff leaving at the end of 2019/start of 2020.

The overall surplus for the year before investment gains was £1.17m (2018: £0.43m). Investment gains amounted to £3.4m (2018: Investment losses of £1.2m) and a revaluation of fixed assets, mostly clergy housing resulted in a loss of £3.72m (2018 £nil). The net movement in funds for 2019 was a surplus of £0.86m (2018: a deficit of £0.8m).

## **5.2 Comparison to budget**

A key financial indicator for HDBF is actual performance compared to budget.

In October 2018, Synod approved an overall budget deficit (based on the General fund, Diocesan Stipend fund and Pastoral fund) of £289k before investment gains & losses. The final outcome before year end accounting adjustments was £160k, a welcome positive variance of £449k. This was due to £103k of operational savings across all departments following a concerted effort to constrain costs and a one-off £346k receipt for dilapidations on commercial properties.

The final position in these statutory accounts was a net surplus before investment gains of £1.17m, a positive variance of £1.46m compared with budget, which requires explanation to avoid any sense of complacency about HDBF finances. The budget and statutory accounts are not prepared on the same basis. The budget only includes income and expenditure for the General, Pastoral and Diocesan Stipend Fund and excludes other restricted funds: The Uniform Statutory Trust (UST), Education trusts and funds relating to grants. Furthermore, the budget included the full stipendiary clergy pension cost, whereas the statutory accounts (SoFA) exclude payments that relate to the historical deficit and the statutory accounts include the movement on the clergy pension scheme deficit which the budget does not. The total of these and other similar accounting adjustments amounted to £1.01m leaving a surplus of £160k that can be directly compared to budget.

### **5.2.1 Significant Property Transactions**

2019 saw the purchase of a new property to house a curate in Wellington and the sale of a rectory in Hereford relating to a redundant church.

The HDBF has a policy of revaluation for all of its property assets. Clergy houses are revalued at least once every five years to ensure that the carrying amount does not differ materially from the fair value at each year-end. Previously, houses have been valued by their council tax valuation as at 1991 indexed up by the Nationwide West Midlands Housing Index. In 2017, the Board took the surveying work in-house and this provided an opportunity to revalue the stock of houses. The in-house surveyor has performed surveys on over 50% of the housing stock, and has provided the Board with informal valuations for these properties and desktop valuations for the remaining properties resulting in a revaluation loss of £3.7m across all funds.

### **5.2.2 Balance sheet position**

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

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Although net assets at the balance sheet date totalled £79.5m (2018: £78.6m), it should be noted that £74.8m (2018: £74.6m) is held in restricted and endowment funds (mainly properties used for ministry and glebe assets) which cannot be used for the general purposes of the HDBF. The restrictions that relate to these funds are detailed in note 34 to the accounts.

The movement in net assets is due to the fixed asset revaluation loss of £3.7m (2018: £nil), net gains from investments of £3.42m (2018: losses of £1.2m), gains on remeasurement of the clergy pension deficit payments liability of £830k (2018: £84k), and net income in the year of £344k (2018: £347k) (excluding pension liability measurement gains).

### **5.2.3 Review of the Group Statement of Financial Activities by fund**

#### *Unrestricted general fund*

Net income before investment gains was £289k (2018: net expenditure £52k). £1,070k was transferred to the endowment fund to reflect the movement on the clergy pension deficit payments liability (2018: £320k), £50k (2018: £50k) was transferred from the restricted UST fund to support the work of the Diocesan Board of Education, and £811k was transferred from the Endowment Fund under Total Return accounting to support stipends. This in turn allowed the trustees to release £250k for designated mission purposes. Net gains on investments were £477k (2018: net losses £254k) and revaluation of fixed assets were £125k (2018: £nil) giving rise to a net increase in funds of £432k (2018: net reduction £576k).

The difference in net expenditure between 2019 and 2018 of £405k is due largely to the treatment of income arising on the Diocesan Stipend Fund (DSF). In prior years, dividend and rental income arising on the DSF was credited directly to the general fund. From 1 January 2019, Total Return accounting was implemented resulting in income of £518k that would previously have been shown as attributable to the General Fund now shown as income of the DSF. As part of the Total Return policy agreed by the Board of Trustees, all such dividend and rental income is moved to the General Fund by means of a transfer between funds.

#### *Designated funds*

In order to encourage mission within the Diocese, the Trustees have agreed to set aside £250k annually into a new designated 'Total Return Mission Fund'. Another designated fund has been established, the 'Mission Innovation Fund' to provide seed money for smaller mission initiatives and pilot projects. Total net income for the year amounted to £19k, transfers to the funds amounted to £250k with transfers to mission projects (separate restricted grant funds) amounting to £67k. Total funds at 31 December amounted to £202k (2018: £nil). As at 31 December 2019, commitments for approved projects stood at £227k with payments expected to be made in the period 1 January 2020 to 31 December 2023.

#### *Restricted (pastoral) fund*

Net income was £51k prior to investment gains (2018: £19k net expenditure before gains). Total funds at 31 December amounted to £51.4m (2018: £54.6m). The difference in total funds of £3.3m between 2019 and 2018 is due to clergy housing revaluation losses of £3.8m and investment gains of £0.5m.

#### *Restricted (UST) fund*

The Hereford Diocesan Board of Finance Uniform Statutory Trust ("UST") is a charity under the control of the HDBF. The HDBF is the sole Trustee and benefits from the income generated by the UST. For this reason, in order to comply with the Charities Act, the UST is treated as a subsidiary of the charity.

The UST fund showed a deficit of £227k prior to investment gains and losses (2018: £390k surplus before gains). The difference is due mainly to the accounting treatment of closed school assets. Total funds at 31 December amounted to £2.9m (2018: 2.9m).

#### *Restricted (Educational trust) funds*

During the year, the related charity 'The Hereford Diocesan Board of Education', was linked by the Charity Commission to the HDBF. Educational trusts that were managed by the Board of Education have now been

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accounted for as branches of HDBF. The value of the assets transferred amounted to £427k and was brought into the consolidated accounts as other income.

## *Restricted funds – grants*

This relates to various grant funded programmes, the largest of which is the Intergenerational Mission project which funds seven missionaries across market towns in the Diocese. The project is supported jointly by the Archbishop's Council, PCCs and match funding from HDBF. Net expenditure across restricted grant funds amounted to £198k (2018: net income £167k) with transfers from the designated Total Return Mission Fund of £67k and transfers from the Pastoral Fund of £7k. Total funds at 31 December amounted to £94k (2018: £218k).

## *Endowment (diocesan stipends) fund*

The endowment fund recorded a surplus of £814k (2018: deficit of £56k) before investment gains. The difference of £870k relates largely to dilapidation receipts of £346k and £518k for dividend and interest relating to the implementation of Total Return accounting. Transfers to the general fund for stipends under Total Return accounting amounted to £811k (2018: £nil) and transfers from the general fund for the movement on the clergy pension deficit payments liability amounted to £1,070k. Investment gains amounted to £2.2m (2018: losses of £556k) and losses on the revaluation of fixed assets totalled £65k (2018: £nil). The balance on the fund at the year-end was £20.1m (2018: £16.9m).

## **5.2.4 Investment performance**

### *Overall performance*

The total value of all investments (including DSF endowment fund net current assets) at 31 December 2019 was £29.7m (2018: £25.3m) and the total return on investment was 18.5% (2018: 0.3%).

Listed investments for each fund are held with Rathbone Investment Management Ltd, with an investment mandate to generate a return from each portfolio of RPI+4%, with a balance between capital growth and income, managed with a medium risk profile. From 1 January 2019, the Main, Pastoral and Diocesan Stipends Fund portfolios were managed on a total return basis. In the year to 31 December 2019, the combined portfolios achieved a total return of 19.2% compared to the composite benchmark of 17.7%, and well ahead of the absolute level of return required under the core investment mandate of RPI+4%.

### *Endowment investments*

£18.9m (2018: £16.4m) of HDBF investments are in endowment funds, primarily to generate a sustainable income to continue funding clergy stipends.

Agricultural, commercial and industrial land and buildings (excluding school land) were valued at £8.1m at 31 December 2019 (2018: £8.0m). Rents receivable from glebe amounted to £224k (2018: £258k) – an income yield of 2.8% (2018: 3.2%). The decline in yield is due to a decision by the Board of Trustees to move away from high yielding but higher risk commercial property into equities.

Investment in equity and fixed interest funds were valued at £10.8m at 31 December 2019 (2018: £8.4m). The gains in the value of investments during the year amounted to £1,399k (2018: £601k loss). Dividends receivable amounted to £294k (2018: £197k) – a yield of 2.7% (2018: 2.3%). The 2018 yield was depressed by the increase in equity investments towards the end of the year.

### *Unrestricted and restricted fund investments*

The policy with unrestricted and restricted fund investments is to maintain a balance of income and capital growth. Investment in equity and fixed interest funds were valued at £10.2m at 31 December 2019 (2018: £8.2m). The gains in the value of investments during the year amounted to £1,313k (2018: £672k loss). Dividends and interest receivable totalled £293k (2018: £267k) – an overall yield of 2.9% (2018: 3.3%).

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## **5.3 Reserves policy**

### **5.3.1 General unrestricted fund**

HDBF's core responsibilities include the payment of stipends and pension contributions for parochial clergy, the provision and maintenance of clergy housing, and the selection and training of future clergy. HDBF also employs diocesan support ministers and staff who provide guidance and expertise to parishes in a variety of ways, as well as enabling the company to meet its legal and charitable obligations. A reserves policy is necessary to ensure that, in the event of significant reduction in income, or capital losses during periods of geopolitical or economic uncertainty, HDBF will be able to meet these financial commitments as they fall due whilst avoiding the need to resort to external borrowings.

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

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

In the light of the above, the Directors' reserves policy is to maintain the equivalent of at least four months' operating expenditure in cash and readily liquid assets in the general unrestricted fund. This policy is to be reviewed on an annual basis.

Based on 2020 budgeted expenditure, the amount required under this policy totals £2.0m. As at 31 December 2019, the unrestricted reserves (excluding property) stood at £4.0m, which included approximately £0.8m of Parish Offer monies received in December. Although above the minimum reserve level indicated by the policy, the Directors consider this amount to be appropriate in view of future projected operating deficits and the new investments in mission and ministry that the Diocese wishes to make. Reserve levels are monitored throughout the year and remedial action taken as and when required.

## **5.4 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 2019 is indicated in note 14 to the financial statements.

## **5.5 Going concern**

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. There is a high degree of uncertainty around the impact of the COVID-19 pandemic and the trustees have reflected this in the cash flow forecasts and consider that there are no material uncertainties over the charity's financial viability. Accordingly, the trustees continue to adopt the going concern basis in preparing the financial statements.

## **5.6 Investment policy**

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

The HDBF's policy is to review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles.

HDBF's investment policies are based on two key policies:

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

## Annual report

For the year ended 31 December 2019

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

Glebe investments are held in agricultural land, commercial and industrial land and buildings, equities and fixed interest securities.

Funds which may be needed for working capital in the short term are held as deposits with the Central Board of Finance administered by CCLA Investment Management Limited.

### 5.7 Total Return accounting

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

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

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

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

The change to Total Return Accounting had an impact on the allocation of income to the general and endowment funds. In previous years, all income arising on the DSF was allocated to the general fund on the understanding that the value of stipend payments would far exceed the value of any income. On the introduction of Total Return Accounting, all such income is allocated to the UTR within the endowment fund with subsequent transfers to the general fund.

### 5.8 Linked charities

The Hereford Diocesan Board of Education (HDBE) is a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2019. The HDBE is accounted for as a 'branch' of HDBF and included within restricted funds.

# Annual report

For the year ended 31 December 2019

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## 6. Principal risks & uncertainties

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

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

### 6.1 *Decline in church attendance*

- Every parish, benefice and deanery is being encouraged to consider a Mission Action Plan with a specific remit to consider how to achieve spiritual and numerical growth;
- Some deaneries are partnering with the London Institute of Contemporary Christianity to target specific approaches to growth. Others are intentionally making more out of 'life events' that naturally occur in the Diocese;
- To monitor the success and explore the expansion of the inter-generational missionaries who have a specific remit to increase worshipping congregations, achieve growth and increase the number of younger people involved in church.

**6.2 *Availability of stipendiary ministers*** Recognising that the Diocese faces a reduction in the number of ordained ministers over the next few years simply due to the age profile of existing clergy and the difficulties in recruiting to rural ministry, the Diocese is:

- Continuing to invest in a full-time director of vocations and ordinands to focus on helping (young) people to explore their call to stipendiary ministry, and encouraging all-age vocations in daily life and in church ministries;
- Maintaining focus of supporting lay leaders, self-supporting ministers, voluntary ministers, supporting retired clergy to stay connected and growing local worship leaders as well as encouraging and recognising the vital ministry of Readers;
- Promote the diocesan School for Ministry offering flexible courses for initial and continuing training for a widening variety of ministries.

### 6.3 *Parish Offer and cash flow*

- Invest in intergenerational missionaries to drive church growth, especially in market towns;
- Employ at least one Parish Giving Adviser on a permanent basis;
- Encourage open conversations about generous giving, stewardship and Parish Offer;
- Continue to promote the national Parish Giving Scheme and legacy giving.

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

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

**6.5 *Coronavirus pandemic*** As set out in our future plans section above, there is a high degree of uncertainty around the impact of this emerging disease and the extent to which it will depress

# Annual report

For the year ended 31 December 2019

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general economic activity, affect income generation in parishes, or depress investment returns. The Directors will monitor the situation carefully but consider that the HDBF will be able to weather any short-term disruption.

- We expect the impact on the Diocese to be significant. We forecast Parish Offer will reduce, tenants (houses and glebe) to request rent holidays, recruitment to pause, sales to fall through, investment income to fall and some churches to struggle (missionally, financially, with building repairs, theft etc.).
- We expect the impact on people to be high. Church is very relational, and churches being closed will have a profound and potentially long-felt impact. In addition to the regular routines of church life, the impact of cancelled life events will also cause much upset. We are conscious of people's mental and physical health and recognise that there will be an impact on our attendance levels when we return. The Diocese will furlough some staff but the majority are able to continue working and this too will have implications for the present and the future.
- The Diocese does have a natural network of DBS-checked staff and volunteers that will be invaluable in supporting the local response. As a result, we will be supporting hospital discharges, dealing with increases in funerals, taking medical supplies and food to vulnerable people and keeping in touch with many of our parishioners.
- We expect the value of our investments to decline in the short term, and lower levels of dividend income over the medium term will leave less available to support ministry deployment.
- Fortunately, recent decisions about our assets and cash holdings means that we have a reasonable level of cash to see through the immediate crisis, but this will significantly reduce the levels of reserves available to the Diocese in the longer term. It is unknown at this stage how much of an impact this will have. We are also well supported by some of our grant givers who will be paying grants in lump sums at earlier points in the year.
- Churches will remain closed whilst COVID-19 restrictions remain in place. This will result in delays to current renovation projects, causing a backlog, but also delays to routine repairs which could have future implications. Several churches are still recovering from major flooding in the first quarter of 2020, while others have discovered that they have been targeted by opportunistic thieves.
- The restrictions imposed to combat the COVID-19 pandemic have also created issues in the general life of the church. Annual parochial church meetings have been suspended, elections placed on hold, PCCs are trying to adapt to hold church meetings online, baptisms and weddings have had to be cancelled, and only immediate family members can attend graveside funeral services. These interim arrangements have required changes in law or at least in the specific rules relating to them. Once COVID-19 restrictions are lifted, we hope and pray that there will be a swift resumption of suspended activities.

## 7. Legal objects and responsibilities

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

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

- Supporting financially or otherwise training for ministry, clerical and lay;
- The maintenance and support of clergy and other persons connected with ministry or the work of the Church;

# Annual report

For the year ended 31 December 2019

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- the provision of pensions for ministers, teachers and workers of the Church, and of persons who have previously held any such position, and dependants of them or any of them and the oversight of such dependants in accordance with and subject to the Clergy Pensions Measure 1961.

The HDBF has the following statutory responsibilities: -

- the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976;
- the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- the management of investments and the custodian of assets relating to church schools under the Diocesan Board of Education Measure 1991;
- the custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

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

## **8. Structure, governance and management**

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

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

### **8.1 Organisational structure of the Diocese**

#### **8.1.1 Geography**

The Diocese of Hereford was created in c.676 and covers an area of 1,660 square miles encompassing all of Herefordshire, the southern half of Shropshire and small parts of Worcestershire, Powys and Monmouthshire. The overall population is approximately 325,000, a large proportion of which live in small, scattered communities of less than 500.

#### **8.1.2 Overview of Board and Committee structure**

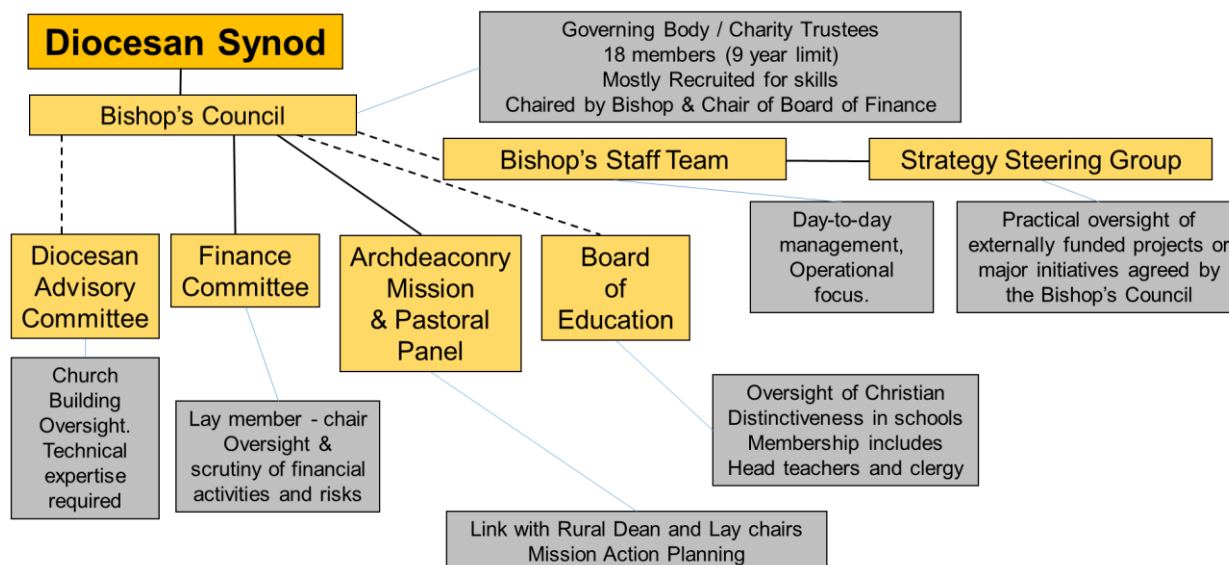
The HDBF has delegated to the Bishop's Council all statutory functions under the Diocesan Boards of Finance Measure 1925, the Companies Acts and the Charities Acts as amended. Bishop's Council has responsibility for the day-to-day business of the company which it exercises by delegation to the Diocesan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

Some employed staff have job titles incorporating the title 'Director' but they are not directors of the company for the purposes of company law.



# Annual report

For the year ended 31 December 2019



## 8.2 Company status

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

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

## 8.3 Trustee training

Trustees are appointed in line with the Hereford Synod / Diocesan Board of Finance Articles of Association and Standing Orders. Trustees are drawn from the membership of the Synod / Diocesan Board of Finance on a three-yearly cycle. Some trustees are appointed by virtue of their office while others are elected in line with standing orders. On appointment all trustees complete an induction day (held every three years) and are provided with two Charity Commission publications ('Trustee Handbook' and 'The Essential Trustee - What you need to know') together with copies of the previous year's accounts and the current year budget. New trustees are given a one-to-one briefing on the structure and organisation of the Church of England nationally, regionally and locally and given access to company policies, past papers and minutes to previous meetings. Meetings are designed to include space for trustees to be informed about key areas of business prior to decisions being made. Some ad hoc training for trustees is provided throughout the year and last year included safeguarding and the new mission and pastoral measure.

## 8.4 Remuneration of key management personnel

Emoluments of higher-paid employees are determined by a remuneration group consisting of four members of the Finance Committee. The terms of reference for this group was established by the Bishop's Council and includes regular appraisals, remuneration and salary benchmarking and consequent recommendation of changes.

## Annual report

For the year ended 31 December 2019

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### **8.5 Directors' insurance**

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

### **8.6 Funds held as custodian trustee**

The HDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements as the HDBF does not control them, and they are segregated from the HDBF's own assets by means of a separate accounting system. Further details of financial trust assets, whose market value amounted to £4.6m at 31 December 2019 (2018: £4.5m), are available from the HDBF on request.

#### **8.6.1 Related parties**

#### **8.6.2 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.

#### **8.6.3 Uniform Statutory Trust**

The Hereford Diocesan Board of Finance Uniform Statutory Trust (UST) is a trust under the control of the HDBF. The HDBF is the sole Trustee and benefits from the income generated by the Trust. For this reason, in order to comply with the Charities Act, the UST is treated as an HDBF subsidiary.

#### **8.6.4 Diocese of Hereford Multi-Academy Trust (DHMAT)**

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

#### **8.6.5 Parochial Church Councils (PCCs)**

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

#### **8.6.6 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 Clergy Pensions Scheme.

# Annual report

For the year ended 31 December 2019

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## 9. Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the group and of the surplus or deficit of the charitable company and the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## 10. Statement of disclosure to the auditor

So far as the Directors are aware:

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

# Annual report

For the year ended 31 December 2019

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## 11. Reference and administrative details

### 11.1 Administrative details

Company limited by guarantee, registration number 144467

Charity registration number 249685

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

Telephone: 01432 373300

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

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

### 11.2 Directors

The following served as Directors and Trustees from 1 January 2019 to the date this report was approved (unless shown otherwise):

Ex officio Directors: The Rt Revd R C Jackson, Bishop of Hereford (from 7 January 2020) – President  
The Rt Revd R M C Frith, Bishop of Hereford (until 1 January 2020) – President  
The Rt Revd A Magowan, Bishop of Ludlow (until 30 April 2020)  
The Ven D C Chedzey  
The Very Revd Michael Tavinor  
Revd Preb Simon Cawdell  
RAdm Philip Wilcocks  
Mr Stephen Borthwick  
Revd J Rogers – Chair

Elected Directors: Revd Preb W A Buck  
Revd R Hulse  
Revd A P Morgan  
Mrs J C Beavan  
Major P J A Darling  
Mr C H E Smith – Vice-Chair

Nominated Directors: Mr M J C Simmons  
Mrs K Askew (until 20 March 2020)  
Mr T N Hone  
Mr N A Sellar  
The Dowager Countess of Darnley (until 1 January 2020)

### 11.3 Principal officers

Diocesan Secretary: Mr S R Pratley

Director of Finance: Mr S G P Herbert

### 11.4 Members of the Board

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

# Annual report

For the year ended 31 December 2019

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## 11.5 Agents

### Solicitors / Registrar

Lee Bolton Monier-Williams  
1 The Sanctuary  
Westminster  
London  
SW1P 3JT

### Bankers

Lloyds Bank PLC  
8 High Town  
Hereford  
HR1 2AE

### Glebe agents – agricultural

Carter Jonas  
Canon Court North  
Abbey Lawn  
Shrewsbury  
SY2 5DE

### Independent auditor

Haysmacintyre LLP  
10 Queen Street Place  
London  
EC4R 1AG

### Investment managers

Rathbone Brothers PLC  
8 Finsbury Circus  
London  
EC2M 7AZ

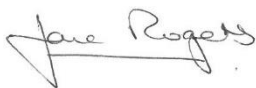
### Insurance agents

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

### Glebe agents – commercial & industrial

Godfrey-Payton  
Old Bablake  
Hill Street  
Coventry  
CV1 4AN

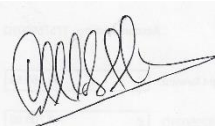
The Directors' annual report is approved on behalf of the Board of Directors and the Strategic Report (included therein) is approved by the Board of Directors on 12 May 2020 and signed on its behalf by:



.....  
**Revd Jane Rogers**

Chair

12 May 2020



.....  
**Mr C H E Smith**

Director

12 May 2020

## **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 Hereford Diocesan Board of Finance for the year ended 31 December 2019 which comprise the Group Statement of Financial Activities, the Group Income and Expenditure account, the Group and Parent Charitable Company Balance Sheets, the Group 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 group's and of the parent charitable company's affairs as at 31 December 2019, and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 19, the directors 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 directors either intend to liquidate the group or the parent 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 due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## **Independent auditor's report**

To the members of the Hereford Diocesan Board of Finance

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### **Conclusions relating to going concern**

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

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the directors' 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.

### **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 directors' annual report (which includes the strategic report and the directors' report prepared for the purposes of company law) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the directors' annual report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' annual report (which includes the strategic report and the directors' report).

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

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

## **Independent auditor's report**

To the members of the Hereford Diocesan Board of Finance

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### **Use of our report**

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



.....  
**Lee Stokes** (Senior Statutory Auditor)

For and on behalf of Haysmacintyre LLP, Statutory Auditor

10 Queen Street Place, London EC4R 1AG

12 May 2020



**Group statement of financial activities**

For the year ended 31 December 2019

	Note	Unrestricted funds				Endowment funds	As restated	
		General	Designated	Restricted funds	Total 2019		Total 2018	
		£'000	£'000	£'000	£'000	£'000	£'000	
<b>Income and endowments from:</b>								
Donations								
Parish Offer contributions	3	3,832	-	-	-	3,832	3,854	
Archbishops' Council	4	419	-	294	-	713	786	
Other donations	5	142	20	109	-	271	504	
Charitable activities	6	384	-	-	-	384	449	
Other trading income	7	317	-	12	-	329	320	
Investment income	8	110	-	186	518	814	722	
Other income	9	-	-	180	346	526	376	
<b>Total income and endowments</b>		<b>5,204</b>	<b>20</b>	<b>781</b>	<b>864</b>	<b>6,869</b>	<b>7,011</b>	
<b>Expenditure on:</b>								
Raising funds	10	98	-	37	50	185	208	
Charitable activities: excl. pension deficit	11	5,647	1	692	-	6,340	6,456	
Charitable activities: remeasurement of pension deficit liability	33	(830)	-	-	-	(830)	(84)	
<b>Total resources expended</b>		<b>4,915</b>	<b>1</b>	<b>729</b>	<b>50</b>	<b>5,695</b>	<b>6,580</b>	
<b>Net income/(expenditure) before investment gains</b>		<b>289</b>	<b>19</b>	<b>52</b>	<b>814</b>	<b>1,174</b>	<b>431</b>	
Net gains/(losses) on investments		477	-	764	2,171	3,412	(1,228)	
<b>Net income/(expenditure)</b>		<b>766</b>	<b>19</b>	<b>816</b>	<b>2,985</b>	<b>4,586</b>	<b>(797)</b>	
<b>Transfers between funds</b>	23	(459)	183	17	259	-	-	
<b>Other recognised gains (losses)</b>								
Gains/(losses) on revaluation of fixed assets	15	125	-	(3,782)	(65)	(3,722)	-	
<b>Net movement in funds</b>		<b>432</b>	<b>202</b>	<b>(2,949)</b>	<b>3,179</b>	<b>864</b>	<b>(797)</b>	
Funds brought forward at 1 January		3,977	-	57,716	16,893	78,586	79,383	
<b>Funds carried forward at 31 December</b>		<b>4,409</b>	<b>202</b>	<b>54,767</b>	<b>20,072</b>	<b>79,450</b>	<b>78,586</b>	

All activities derive from continuing activities. The Notes on pages 30 to 63 form part of the financial statements.

## Group income and expenditure account

For the year ended 31 December 2019

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Total income</b>	6,005	7,011
<b>Total expenditure</b>	(5,645)	(6,608)
<b>Operating surplus for the year</b>	360	403
Net gains/(losses) on investments	1,241	(672)
<b>Net income for the year</b>	1,601	(269)
<b>Other comprehensive income:</b>		
Revaluation of fixed assets	(3,657)	-
Net assets transferred to endowments	(259)	(236)
<b>Total comprehensive income</b>	<b>(2,315)</b>	<b>(505)</b>

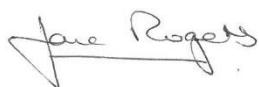
The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

**Group balance sheet**

As at 31 December 2019

	Note	Unrestricted funds		Restricted funds	Endowment funds	Total 2019	Total 2018
		General	Designated			£'000	£'000
		£'000	£'000	£'000	£'000		
<b>Fixed assets</b>							
Tangible assets	15	382	-	46,965	1,675	49,022	52,795
Investment property	17	-	-	447	8,138	8,585	8,720
Other investments	18	3,491	-	6,844	10,792	21,127	16,532
		3,873	-	54,256	20,605	<b>78,734</b>	78,047
<b>Current assets</b>							
Stocks		3	-	-	-	3	3
Debtors: amounts falling due within one year	19	174	-	47	53	274	306
Debtors: amounts falling after one year	20	-	-	16	-	16	25
Cash at bank & in hand		559	203	625	107	1,494	2,196
		736	203	688	160	<b>1,787</b>	2,530
<b>Creditors: amounts falling due within one year</b>	21	(200)	(1)	(177)	(395)	(773)	(623)
<b>Net current assets/(liabilities)</b>		536	202	511	(235)	<b>1,014</b>	1,907
<b>Total assets less current liabilities</b>		4,409	202	54,767	20,370	<b>79,748</b>	79,954
<b>Creditors: amounts falling due after more than one year</b>							
Pension deficit payments liability	22	-	-	-	(298)	(298)	(1,368)
<b>Net Assets</b>		4,409	202	54,767	20,072	<b>79,450</b>	78,586
<b>Funds</b>							
Unrestricted income fund	24	4,409	-	-	-	4,409	3,977
Designated funds	24	-	202	-	-	202	-
Restricted income funds	24	-	-	54,767	-	54,767	57,716
Endowment funds	24	-	-	-	20,072	20,072	16,893
<b>Total funds</b>		4,409	202	54,767	20,072	<b>79,450</b>	78,586

The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 12 May 2020 and signed on their behalf by:



.....  
Revd Jane Rogers  
Chair

12 May 2020

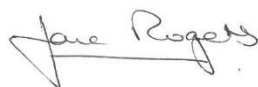
**Charity balance sheet**

For the year ended 31 December 2019

	Note	Unrestricted funds General £'000	Designated £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2019 £'000</b>	Total 2018 £'000
<b>Fixed assets</b>							
Tangible assets	15	382	-	46,965	1,675	49,022	52,795
Investment property	17	-	-	226	8,138	8,364	8,036
Other investments	18	3,491	-	4,421	10,792	18,704	14,629
		3,873	-	51,612	20,605	<b>76,090</b>	75,460
<b>Current assets</b>							
Stocks		3	-	-	-	3	3
Debtors: amounts falling due within one year	19	174	-	18	53	245	291
Debtors: amounts falling due after one year	20	-	-	16	-	16	25
Cash at bank & in hand		767	203	273	107	1,350	1,785
		944	203	307	160	<b>1,614</b>	2,104
<b>Creditors: amounts falling due within one year</b>	21	(408)	(1)	(32)	(395)	(836)	(533)
<b>Net current assets/(liabilities)</b>		536	202	275	(235)	<b>778</b>	1,571
<b>Total assets less current liabilities</b>		4,409	202	51,887	20,370	<b>76,868</b>	77,031
<b>Creditors: amounts falling due after more than one year</b>							
Pension deficit payments liability	22	-	-	-	(298)	(298)	(1,368)
<b>Net Assets</b>		4,409	202	51,887	20,072	<b>76,570</b>	75,663
<b>Funds</b>							
Unrestricted income fund	24	4,409	-	-	-	4,409	3,977
Designated income funds	24	-	202	-	-	202	-
Restricted income funds	24	-	-	51,887	-	51,887	54,793
Endowment funds	24	-	-	-	20,072	20,072	16,893
<b>Total funds</b>		4,409	202	51,887	20,072	<b>76,570</b>	75,663

As permitted by section 408 of the Companies Act 2006, the charity has not presented a separate Statement of Financial Activities and Income and Expenditure Account. The charity's net movement in funds for the year is a surplus of £907k (2018: £988k deficit).

The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 12 May 2020 and signed on their behalf by:



Revd Jane Rogers  
Chair

12 May 2020

**Group cash flow statement**

For the year ended 31 December 2019

	2019 £'000	2019 £'000	2018 £'000	As restated 2018 £'000
<b>Net cash outflow from operating activities</b>		<b>(550)</b>		(740)
<b>Cash flows from investing activities</b>				
Dividends, interest and rent from investments		814		722
Interest paid: Clergy pension scheme		-		(25)
Proceeds from the sale of:				
Tangible fixed assets for the use of the HDBF	375		738	
Fixed asset investments	2,866		4,769	
Purchase of:				
Tangible fixed assets for the use of the HDBF	(293)		(363)	
Fixed asset investments	(3,914)		(4,949)	
		(966)		195
<b>Net cash (used in)/provided by investing activities</b>		<b>(702)</b>		152
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(702)</b>		152
Net cash funds as at 1 January		2,196		2,044
<b>Net cash funds as at 31 December</b>		<b>1,494</b>		2,196
<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>1,174</b>		431
Add: depreciation & amortisation charges		8		6
Add: interest paid		-		25
Less: dividends, interest and rent from investments		(814)		(722)
Profit on sale of functional assets		(39)		(11)
Decrease/(Increase) in debtors		41		(30)
Decrease in creditors		(920)		(439)
<b>Net cash used in operating activities</b>		<b>(550)</b>		(740)

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

## Notes to the accounts

For the year ended 31 December 2019

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### 1. Accounting policies

#### 1.1 General information

Hereford Diocesan Board of Finance ("HDBF") is a charitable company limited by guarantee, incorporated in England and Wales (company registration number 144467) and registered with the Charity Commission (charity registration number 249685). The registered office address is The Diocesan Office, The Palace, Palace Yard, Hereford, HR4 9BL.

#### 1.2 Accounting convention and basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in note 1.8, and fixed asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP (FRS 102), second edition effective 1 January 2019), the Companies Act 2006 and applicable accounting standards (FRS 102).

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

The HDBF has taken advantage of the exemption from preparing a cash flow statement under section 1 of FRS 102. The cash flows of the HDBF are included in the consolidated financial statements.

#### 1.3 Basis of consolidation

The consolidated financial statements of the group incorporate the financial statements of Hereford Diocesan Board of Finance and its subsidiary undertaking, the HDBF Educational Uniform Statutory Trust. The subsidiary has been consolidated in these financial statements on a line by line basis.

#### 1.4 Prior year adjustment

Since 2015, and in accordance with the requirements of the SORP (FRS102), the HDBF's commitment to make deficit reduction payments in respect of the Church of England funded Pension Scheme (CEFPS) has been shown as a liability in the balance sheet. Remeasurements of the liability had been presented in the Statement of Financial Activities as 'Actuarial gains/(losses) on defined benefit pension' under 'Other recognised gains (losses)'. However, as described in note 33, while the CEFPS is a defined benefit pension scheme, it is accounted for as a defined contribution pension scheme, and as such changes to future contributions payable should be recognised as an expense within Charitable Activities. Furthermore, the remeasurements of the liability referred to above had, since 2015, been presented in the Statement of Financial Activities within the Endowment Fund. The SORP (FRS102) requires that the remeasurement be allocated to the activities to which the past service cost relates. The past service costs are included within the General Fund and therefore the remeasurement should also be allocated to the General Fund. In order to maintain consistency of presentation, the prior year Statement of Financial Activities has been restated. Overall, this has decreased Charitable Activities in the General Fund by £84k, decreased Other recognised gains in the Endowment Fund by £84k, and increased transfers from the General Fund to the Endowment Fund by £84k. There has been no effect on net funds or the net movement on funds in the current or previous year.

## Notes to the accounts

For the year ended 31 December 2019

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### 1.5 *Incoming resources*

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

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

### 1.6 *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, and defined benefit pension interest costs.
- **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure on education and Church of England schools in the Diocese and direct support for parishes and clergy.
- **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the HDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- **Support costs** consist of central management, administration and governance costs. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on a relevant basis as set out in notes 12 and 13.
- **Pension contributions.** The HDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 33). The pension costs charged as resources expended represent the HDBF's contributions payable in respect of the accounting period, in accordance with FRS 102. Deficit funding for the pension schemes to which HDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

## Notes to the accounts

For the year ended 31 December 2019

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**1.7 Employee termination payments.** All costs involved in terminating employee contracts are accounted for in the period to which they relate and are disclosed in aggregate in note 31.

### **1.8 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 losses in the Statement of Financial Activities.

#### *Other tangible fixed assets*

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

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

#### *Fixed asset investments*

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

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



## Notes to the accounts

For the year ended 31 December 2019

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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.

### **1.9 Financial instruments**

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost with the exception of investments which are held at fair value. Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. A specific provision is made for debts for which recoverability is in doubt. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

#### **1.10 Debtors**

Trade and other debtors are recognised at the settlement amount due.

#### **1.11 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.

#### **1.12 Equity share loan**

The HDBF Educational Uniform Statutory Trust has one loan for which the settlement proceeds are based on the value of the equity in a property. As this constitutes a non-basic financial instrument under FRS 102 this loan has been recognised at fair value and is revalued at each reporting date. Any gains and losses arising at each year end are recognised within investment gains and losses in the SOFA.

#### **1.13 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.

#### **1.14 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.

#### **1.15 Fund balances**

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

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

- **General fund** which HDBF intends to use for the general purposes of the company; and

## Notes to the accounts

For the year ended 31 December 2019

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- **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.

**1.15.2 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.

**1.15.3 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.

### **1.16 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.

### **1.17 Connected charities**

The HDBF Educational Uniform Statutory Trust (UST) is a separately registered charity (charity number: 1073330) under the control of HDBF. Whilst required to prepare its own financial statements, its results and assets and liabilities have been included in the consolidated accounts on a line by line basis.

### **1.18 Going concern**

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. There is a high degree of uncertainty around the impact of the COVID-19 pandemic and the trustees have reflected this in the cash flow forecasts and consider that there are no material uncertainties over the charity’s financial viability. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### **1.19 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).

### **1.20 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.

## Notes to the accounts

For the year ended 31 December 2019

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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.

### 2.1 Critical judgements

When a Church of England school closes, the site may revert back to the original owner, otherwise it will revert to the subsidiary undertaking, 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 1.20.

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

### 2.2 Estimation uncertainty

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

Land is valued by the Directors by reference to a variety of land market surveys as detailed in note 17.

The HDBF Educational Uniform Statutory Trust has one loan for which the settlement proceeds are based on the value of the equity in a property. As required by FRS 102 this loan has been stated in accordance with an estimate of fair value. The HDBF makes use of the in-house Diocesan surveyor in arriving at this fair value. The loan is repayable on the earlier of the death of the borrowers or the

**Notes to the accounts**

For the year ended 31 December 2019

vacation of the related property and therefore the timing of its repayment is uncertain. Therefore this equity share loan is measured as a proportion of the fair value at each reporting date and has not been discounted.

**3. Parish Offer contributions**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2019</b>	Total 2018
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Current year Parish Offer committed	3,857	-	-	-	3,857	3,884
Shortfall in commitments	(29)	-	-	-	(29)	(33)
	3,828	-	-	-	3,828	3,851
Received for previous years	4	-	-	-	4	3
	3,832	-	-	-	<b>3,832</b>	3,854

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 2019 represented 99.3% (2018: 99.2%) of the total commitments made. All Parish Offer receipts in 2018 related to the general fund.

**4. Archbishops' Council**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2019</b>	Total 2018
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Lowest Income Communities funding (LiNC)	284	-	-	-	284	276
Transitional support funding	132	-	-	-	132	148
Ordinands in training	-	-	141	-	141	89
Other grant funding	3	-	153	-	156	273
	419	-	294	-	<b>713</b>	786

The Lowest Income Communities 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 2018 the LiNC income and Transitional support funding was attributable to the general fund. The ordinands in training income was attributable to restricted funds and Other grant funding was attributable £5k to the general fund and £268k to restricted funds.

**Notes to the accounts**

For the year ended 31 December 2019

**5. Other donations**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2019</b>	Total 2018
	General	Designated				
	£'000	£'000				
Trust income and grants	22	20	109	-	151	406
Ecclesiastical insurance office - share of profits	88	-	-	-	88	91
Donations & sundry income	32	-	-	-	32	7
	<b>142</b>	<b>20</b>	<b>109</b>	<b>-</b>	<b>271</b>	<b>504</b>

In 2018, £31k of Trust income and grants was attributable to the general fund and £375k to restricted funds. All other donations in 2018 were attributable to the general fund.

**6. Charitable activities**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2019</b>	Total 2018
	General	Designated				
	£'000	£'000				
Fees for occasional offices	339	-	-	-	339	386
Income from educational activities	45	-	-	-	45	63
	<b>384</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>384</b>	<b>449</b>

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	<b>Total 2019</b>	Total 2018
	General	Designated				
	£'000	£'000				
Rental income	317	-	10	-	327	320
Other trading income	-	-	2	-	2	-
	<b>317</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>329</b>	<b>320</b>

In 2018, £301k of the rental income was attributable to the general fund and £19k to restricted funds.

**8. Investment income**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2019</b>	Total 2018
	General	Designated				
	£'000	£'000				
Rents receivable	-	-	3	224	227	258
Interest & dividends receivable	110	-	183	294	587	464
	<b>110</b>	<b>-</b>	<b>186</b>	<b>518</b>	<b>814</b>	<b>722</b>

**Notes to the accounts**

For the year ended 31 December 2019

The Hereford Diocesan Board of Finance (general fund) makes use of commercial property owned by the Diocesan Stipend Fund. If the offices were rented out, they would generate an income of approximately £26k per annum.

All of the rents receivable in 2018 were attributable to the general fund. £305k of the interest & dividends receivable in 2018 were attributable to the general fund and £159k to restricted funds.

**9. Other income**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2019</b>	Total 2018
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
HDBF UST:						
assets receivable: school houses	-	-	(292)	-	(292)	292
assets receivable: closed trust	-	-	-	-	-	66
Redundant church costs recovered	-	-	6	-	6	18
Gain on disposal of fixed assets	-	-	39	-	39	-
Funds recognised from linked charity	-	-	427	-	427	-
Liquidated damages for dilapidations	-	-	-	346	346	-
	-	-	180	346	<b>526</b>	376

In 2018, £292k of assets relating to Westbury School House were brought onto the consolidated balance sheet as Other Income. It subsequently transpired that a S554 Order is required by the Secretary of State for Education and the assets should not be recognised by the HDBF UST and consolidated into the HDBF accounts until such a time as the S554 Order has been granted. The assets, valued at £292k, have therefore been reversed out of Other income in 2019. The adjustment is not considered to be material and has therefore not been shown as a prior year adjustment. All other income receivable in 2018 was attributable to restricted funds.

**10. Fund raising costs****10.1 Fund raising costs 2019**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2019</b>
	General	Designated			
	£'000	£'000	£'000	£'000	£'000
Land & property agents' fees	55	-	1	-	56
Glebe land maintenance & development	4	-	-	-	4
Property rental & other trading costs	8	-	8	-	16
Investment portfolio mgt fees	14	-	28	50	92
	81	-	37	50	168
Support costs (see note 12)	17	-	-	-	17
	98	-	37	50	<b>185</b>

**Notes to the accounts**

For the year ended 31 December 2019

**10.2 Fund raising costs 2018**

	Unrestricted funds		Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>
	General	Designated			
	£'000	£'000			
Land & property agents' fees	53	-	1	-	54
Glebe land maintenance & development	21	-	-	-	21
Property rental & other trading costs	2	-	19	-	21
Investment portfolio mgt fees	15	-	24	31	70
Pension deficit payment liability interest cost	-	-	-	25	25
	91	-	44	56	191
Support costs	17	-	-	-	17
	108	-	44	56	<b>208</b>

**11. Charitable activities****11.1 Charitable activities excluding remeasurement of pension deficit liability 2019**

	Unrestricted funds		Restricted funds £'000	Endowment funds £'000	<b>Total 2019 £'000</b>
	General	Designated			
	£'000	£'000			
Contributions to Archbishop's Council	396	-	-	-	396
Resourcing ministry and mission:					
Stipends and national insurance	2,337	-	-	-	2,337
Clergy pension contributions	537	-	-	-	537
Clergy Housing	599	-	87	-	686
Clergy moves & interregnums	116	-	-	-	116
Support for ministry	846	1	587	-	1,434
Allocated support costs	361	-	1	-	362
	4,796	1	675	-	5,472
Education	248	-	(2)	-	246
Parochial support	200	-	17	-	217
Grants and donations	7	-	2	-	9
<b>Total expenditure on charitable activities excluding remeasurement of pension deficit liability</b>	<b>5,647</b>	<b>1</b>	<b>692</b>	<b>-</b>	<b>6,340</b>

**Notes to the accounts**

For the year ended 31 December 2019

**11.2 Charitable activities excluding remeasurement of pension deficit liability 2018**

	Unrestricted funds		Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>
	General	Designated			
	£'000	£'000			
Contributions to Archbishop's Council	406	-	-	-	406
Resourcing ministry and mission:					
Stipends and national insurance	2,322	-	-	-	2,322
Clergy pension contributions	509	-	-	-	509
Clergy Housing	597	-	95	-	692
Clergy moves & interregnums	136	-	-	-	136
Support for ministry	897	-	342	-	1,239
Allocated support costs	364	-	-	-	364
	<b>4,825</b>	<b>-</b>	<b>437</b>	<b>-</b>	<b>5,262</b>
Education	321	-	-	-	321
Parochial support	194	-	225	-	419
Grants and donations	7	-	41	-	48
<b>Total expenditure on charitable activities excluding remeasurement of pension deficit liability</b>	<b>5,753</b>	<b>-</b>	<b>703</b>	<b>-</b>	<b>6,456</b>

**12. Analysis of support costs**

	Unrestricted funds		Restricted funds £'000	Endowment funds £'000	<b>Total 2019 £'000</b>	Total 2018 £'000
	General	Designated				
	£'000	£'000				
Salary and employment costs	339	-	-	-	339	319
Property costs	46	-	-	-	46	62
Office costs	53	-	1	-	54	64
Legal and professional fees	64	-	-	-	64	55
General Synod representation	9	-	-	-	9	3
Governance costs	21	-	-	-	21	15
	<b>532</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>533</b>	<b>518</b>

All support costs in 2018 were attributable to the general fund.



**Notes to the accounts**

For the year ended 31 December 2019

**13. Analysis of expenditure including allocation of support costs****13.1 Analysis 2019**

	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs £'000	<b>Total 2019 £'000</b>
Raising funds:	199	-	17	216
Charitable activities: excl. pension deficit:				
Contributions to Archbishops' Council	-	391	5	396
Resourcing ministry and mission	4,961	149	362	5,472
Education	160	7	79	246
Parochial support	116	31	70	217
Other grants and donations	2	7	-	9
Charitable activities: pension deficit	(861)	-	-	(861)
	<b>4,577</b>	<b>585</b>	<b>533</b>	<b>5,695</b>

**13.2 Analysis 2018**

	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs £'000	<b>Restated Total 2018 £'000</b>
Raising funds:	191	-	17	208
Charitable activities:				
Contributions to Archbishops' Council	1	405	-	406
Resourcing ministry and mission	4,738	160	364	5,262
Education	216	22	83	321
Parochial support	323	42	54	419
Other grants and donations	22	26	-	48
Charitable activities: pension deficit	(84)	-	-	(84)
	<b>5,407</b>	<b>655</b>	<b>518</b>	<b>6,580</b>

**Notes to the accounts**

For the year ended 31 December 2019

**14. Analysis of grants made****14.1 Analysis 2019**

	<i>Number</i>	Individuals £'000	Institutions £'000	<b>Total 2019 £'000</b>
<b>From unrestricted funds:</b>				
National church responsibilities:				
Contributions to Archbishop's Council	5	-	391	391
Grants to clergy	65	61	-	61
Ministry experience scheme	7	14	-	14
Cleobury Mortimer youth project	1	-	14	14
Support for Ordinands in training	8	48	-	48
PCCs for church inspection fees	82	-	31	31
Other grants	2	-	7	7
	<b>170</b>	<b>123</b>	<b>443</b>	<b>566</b>
<b>From restricted funds:</b>				
To support mission and ministry	13	-	12	12
To support school building projects	3	-	7	7
	<b>186</b>	<b>123</b>	<b>462</b>	<b>585</b>

**14.2 Analysis 2018**

	<i>Number</i>	Individuals £'000	Institutions £'000	<b>Total 2018 £'000</b>
<b>From unrestricted funds:</b>				
National church responsibilities:				
Contributions to Archbishop's Council	5	-	405	405
Grants to clergy	33	73	-	73
Ministry experience scheme	7	13	-	13
Cleobury Mortimer youth project	1	-	14	14
Support for Ordinands in training	7	60	-	60
PCCs for church inspection fees	99	-	42	42
Other grants	3	-	7	7
	<b>155</b>	<b>146</b>	<b>468</b>	<b>614</b>
<b>From restricted funds:</b>				
To support mission and ministry	20	-	19	19
To support school building projects	3	22	-	22
	<b>178</b>	<b>168</b>	<b>487</b>	<b>655</b>

**Notes to the accounts**

For the year ended 31 December 2019

**15. Tangible fixed assets – group and charity**

	Freehold properties £'000	Leasehold property improvements £'000	Plant & equipment £'000	<b>Total £'000</b>
<b>Cost or valuation</b>				
At 1 January 2019	52,780	53	163	52,996
Additions	268	-	25	293
Disposals	(336)	-	(4)	(340)
Revaluation	(3,722)	-	-	(3,722)
<b>At 31 December 2019</b>	<b>48,990</b>	<b>53</b>	<b>184</b>	<b>49,227</b>
<b>Accumulated depreciation</b>				
At 1 January 2019	-	53	148	201
Charge for the year	-	-	8	8
Disposals	-	-	(4)	(4)
<b>At 31 December 2019</b>	<b>-</b>	<b>53</b>	<b>152</b>	<b>205</b>
<b>Net book value</b>				
At 1 January 2019	52,781	-	14	52,795
<b>At 31 December 2019</b>	<b>48,990</b>	<b>-</b>	<b>32</b>	<b>49,022</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 2019, the Board was responsible for six redundant churches. The value of these churches at this date is considered uncertain and not material and accordingly no value related to them has been included in these accounts.

The Board and benefice houses were valued by the Board as at 31 December 2019 by taking advice from the employed Diocesan Property Surveyor (MCI0B). On 31 December 2019 there was a housing stock of 122 properties (2018: 122).

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

**16. Capital commitments**

There were no capital commitments as at 31 December 2019 (2018: £nil).

**Notes to the accounts**

For the year ended 31 December 2019

**17. Investments held as Fixed Assets – Investment property**

	As at 1 January 2019 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2019 £'000
<b>Endowment funds</b>						
Land	6,129	38	-	-	265	6,432
Buildings	1,907	-	(550)	-	349	1,706
	8,036	38	(550)	-	614	8,138
<b>Restricted funds</b>						
Buildings	-	226	-	-	-	226
<b>Total Charity</b>	8,036	264	(550)	0	614	8,364
<b>UST restricted fund</b>						
Buildings	684	(250)	-	(182)	(31)	221
<b>Total group</b>	8,720	14	(550)	(182)	583	8,585

Endowment fund buildings consist of three commercial properties, two of which are in the process of being sold and have been valued at their net realisable value, the third has been valued informally by a local commercial property agent.

Restricted fund buildings consist of houses held as investment properties. These have been valued by the Diocesan Surveyor (MCIOB) as at 31 December 2019.

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 2019. A discount was applied to 1986 Act holdings of 33% and Farm Business Tenancies of 25%. This constitutes an average yield of 1.5%. Other amenity tenancies/licences were discounted at 12.5% and vacant land was discounted at 5% to reflect the time taken to realise a value and reflect any restrictions on sale. Land for which planning permission has been received is valued according to its market value as determined by the Directors.

All glebe land is vested in and managed by the Board for the benefit of the endowment (diocesan stipends) fund in accordance with the terms of the Endowments and Glebe Measure 1976.

In 2018, Westbury School House, valued at £250k was brought onto the consolidated balance sheet. It subsequently transpired that a S554 Order is required by the Secretary of State for Education and the asset should not be recognised by the HDBF UST and consolidated into the HDBF accounts until such a time as the S554 Order has been granted. The School House, valued at £250k, has therefore been reversed out of Investment properties in 2019 and is presented as a reduction in additions in the current year. The adjustment is not considered to be material and has therefore not been shown as a prior year adjustment.

In 1979, the HDBF provided £13,400 under a Deed of Charge to enable the purchase of a property in replacement of the school house at Whitchurch School. These monies constitute a loan to be repaid to the HDBF UST on the vacation of the property or the death of the owners, whichever is the earlier. The amount to be repaid is to be the original loan of £13,400 together with 134/250 of the increase in the value of the property since the loan was made. In previous years, this asset has been classified and presented as an investment property in the group accounts of the HDBF, with the carrying value being remeasured on the basis that it was a 54% share in the related property. As the nature of the asset is that it is a loan rather than a share in a property, this has been reclassified as an 'Equity share loan' under 'Other Investments'.

**Notes to the accounts**

For the year ended 31 December 2019

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

**18. Investments held as Fixed Assets – Other investments**

	As at 1 January 2019 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2019 £'000
<b>Listed investments</b>						
Unrestricted general fund	2,984	467	(437)	-	477	3,491
Restricted funds	3,266	1,080	(454)	-	529	4,421
Endowment funds	8,379	2,010	(996)	-	1,399	10,792
<b>Total - Charity</b>	<b>14,629</b>	<b>3,557</b>	<b>(1,887)</b>	<b>-</b>	<b>2,405</b>	<b>18,704</b>
<b>Listed investments</b>						
UST restricted fund	1,903	342	(271)	-	308	2,282
<b>Equity share loan</b>						
UST restricted fund	-	-	-	182	(41)	141
<b>Total group</b>	<b>16,532</b>	<b>3,899</b>	<b>(2,158)</b>	<b>182</b>	<b>2,672</b>	<b>21,127</b>

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

The historical cost of listed investments held as at 31 December 2019 was: Group £16.9m (2018: £15.03m), Charity £15.11m (2018: £13.35m). The historical cost of the equity share loan as at 31 December 2019 was £13,400 (2018: £13,400).

**19. Debtors: due within one year**

	<b>Group</b>		<b>Charity</b>	
	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
<b>Unrestricted funds - General fund</b>				
Other debtors	76	120	76	120
Prepayments & accrued income	98	107	98	107
	<b>174</b>	<b>227</b>	<b>174</b>	<b>227</b>
<b>Restricted funds</b>				
Loan to Bishop Mascall Centre <sup>1</sup>	4	4	4	4
Other debtors	43	75	14	60
	<b>47</b>	<b>79</b>	<b>18</b>	<b>64</b>
<b>Endowment funds</b>				
Other debtors	53	-	53	-
	<b>274</b>	<b>306</b>	<b>245</b>	<b>291</b>

**Notes to the accounts**

For the year ended 31 December 2019

**20. Debtors: due after one year**

	<b>Group</b>		<b>Charity</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Restricted funds</b>				
Loan to Bishop Mascall Centre <sup>1</sup>	16	20	16	20
Loan to Pensions Board	-	5	-	5
	<b>16</b>	<b>25</b>	<b>16</b>	<b>25</b>

<sup>1</sup>The loan to the Bishop Mascall Centre of £19,980 (2018: £23,980) is being repaid at £4,000 per annum, with interest chargeable at the Church of England's Central Board of Finance (CBF) rates.

**21. Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Charity</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Unrestricted funds</b>				
<b>General fund</b>				
Other creditors and accruals	171	211	379	211
Taxation & Social Security	29	35	29	35
	<b>200</b>	<b>246</b>	<b>408</b>	<b>246</b>
<b>Designated funds</b>				
Other creditors and accruals	1	-	1	-
	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>Restricted funds</b>				
Other creditors and accruals	177	113	32	23
	<b>177</b>	<b>113</b>	<b>32</b>	<b>23</b>
<b>Endowment funds</b>				
Other creditors and accruals	21	24	21	24
Taxation & Social Security	134	-	134	-
Pension deficit payments liability	240	240	240	240
	<b>395</b>	<b>264</b>	<b>395</b>	<b>264</b>
<b>Total creditors falling due within one year</b>	<b>773</b>	<b>623</b>	<b>836</b>	<b>533</b>

**Notes to the accounts**

For the year ended 31 December 2019

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

	<b>Group</b>		<b>Charity</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	£'000	£'000	£'000	£'000
<b>Endowment funds</b>				
Pension deficit payments liability	<b>298</b>	1,368	<b>298</b>	1,368

**23. Analysis of transfers between funds**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total funds</b>
	General	Designated			
	£'000	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	50	-	(50)	-	-
From General fund to Endowment fund for reduction in pension deficit liability	(1,070)	-	-	1,070	-
From Endowment fund to General fund for stipends under Total Return (see note 26)	811	-	-	(811)	-
From General fund to the Total Return Mission Fund to support mission projects	(250)	250	-	-	-
From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements	-	(62)	62	-	-
From Mission innovation Fund to support the Abbeydore Mission Co-ordinator Fund	-	(5)	5	-	-
	(459)	183	17	259	-

Comparatives for 2018 can be found in note 40 to these accounts.

**Notes to the accounts**

For the year ended 31 December 2019

**24. Summary of assets by fund**

	Tangible		Current	Creditors	Net
	Fixed assets	Investments	Assets		Assets
	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted funds</b>					
<b>General fund</b>	382	3,491	736	(200)	4,409
<b>Designated funds:</b>					
Total Return Mission fund	-	-	159	-	159
Mission Innovation fund	-	-	44	(1)	43
	-	-	203	(1)	202
<b>Restricted funds</b>					
Pastoral fund	46,965	4,248	181	(28)	51,366
Mission and Ministry fund	-	-	19	-	19
Ordinands in training fund	-	-	8	-	8
Restructuring fund	-	-	5	-	5
Strategic development funds	-	-	41	(3)	38
Strategic capacity fund	-	-	14	-	14
Building strategy fund	-	-	2	-	2
Uniform Statutory Trust	-	2,644	382	(146)	2,880
Grant funds	-	-	8	-	8
Education Trusts	-	399	28	-	427
	46,965	7,291	688	(177)	54,767
<b>Endowment funds</b>					
Diocesan stipends fund	1,675	18,930	160	(693)	20,072
<b>Total funds</b>	<b>49,022</b>	<b>29,712</b>	<b>1,787</b>	<b>(1,071)</b>	<b>79,450</b>

Comparatives for 2018 can be found in note 39 to these accounts.



**Notes to the accounts**

For the year ended 31 December 2019

**25. Analysis of movements in funds**

	Balance at 1 Jan 2019 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	<b>Balance at 31 Dec 2019 £'000</b>
<b>Unrestricted funds</b>						
General reserve	3,977	5,204	(4,915)	(459)	602	4,409
Designated reserves:						
Total Return Mission fund	-	-	-	159	-	159
Mission Innovation fund	-	20	(1)	24	-	43
	-	20	(1)	183	-	202
<b>Restricted funds</b>						
Pastoral reserve	54,575	183	(132)	(7)	(3,253)	51,366
Mission and Ministry reserve	21	-	(2)	-	-	19
Ordinands in training fund	(1)	141	(132)	-	-	8
Restructuring fund	13	-	(8)	-	-	5
Strategic development fund	24	144	(191)	61	-	38
Strategic capacity fund	11	52	(49)	-	-	14
Building strategy fund	11	16	(25)	-	-	2
Grant funds	139	40	(184)	13	-	8
Education trusts	-	427	-	-	-	427
<b>Total restricted funds - Charity</b>	54,793	1,003	(723)	67	(3,253)	51,887
Uniform Statutory Trust	2,923	(222)	(6)	(50)	235	2,880
<b>Total restricted funds - Group</b>	57,716	781	(729)	17	(3,018)	54,767
<b>Endowment funds</b>						
<b>Group and Charity</b>						
Diocesan stipends fund						
- Investment fund	7,312	-	-	102	-	7,414
- Unapplied Total Return	9,581	864	(50)	157	2,106	12,658
<b>Total endowment funds</b>	16,893	864	(50)	259	2,106	20,072
<b>Total Charity</b>	75,663	7,091	(5,689)	50	(545)	76,570
<b>Total Group</b>	78,586	6,869	(5,695)	-	(310)	<b>79,450</b>

Comparatives for 2018 can be found in note 41 to these accounts.

**Notes to the accounts**

For the year ended 31 December 2019

**26. Endowment Fund – Total Return**

	Trust for Investment £'000	Unapplied Total Return £'000	<b>Total Endowment £'000</b>
<b>At 1 January 2019</b>	<b>7,312</b>	<b>9,581</b>	<b>16,893</b>
<b>Movements in the reporting period:</b>			
Dividends and interest		294	294
Glebe land rent		114	114
Glebe commercial property rental income		110	110
Receipts for dilapidations		347	347
Realised and unrealised gains and (losses)		2,105	2105
Transfer from general fund for reduction in clergy pension deficit payments liability		1,070	1070
<b>Less:</b>			
Investment management costs		(50)	(50)
Indexation using CPIH: 1.4%	102	(102)	-
	<b>102</b>	<b>3,888</b>	<b>3,990</b>
<b>Unapplied Total Return allocated to income to be used for stipends:</b>			
- Equating to dividend, interest and rents		(518)	(518)
- Equating to 0.5% of equity investments		(43)	(43)
- Additional annual transfer		(250)	(250)
	-	(811)	<b>(811)</b>
<b>Net movements in report period:</b>	<b>102</b>	<b>3,077</b>	<b>3,179</b>
<b>At 31 December 2019</b>	<b>7,414</b>	<b>12,658</b>	<b>20,072</b>

The trustees adopted a Total Return accounting approach under the Diocesan Stipend Funds (Amendment) Measure 2016 with effect from 1 January 2019.

**Notes to the accounts**

For the year ended 31 December 2019

**27. Subsidiary: HDBF Educational Uniform Statutory Trust**

The HDBF Educational Uniform Statutory Trust (charity registration number 1073330) is an unincorporated charity of which the HDBF is the sole trustee. Its principal place of business is the HDBF's registered office.

A summary of the results of the subsidiary is shown below:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Income and endowments	74	133
Expenditure	(59)	(84)
<b>Net income/(expenditure) before investment gains/(losses)</b>	<b>15</b>	<b>49</b>
Net gains/(losses) on investment assets	235	(150)
<b>Net income/(expenditure)</b>	<b>250</b>	<b>(101)</b>
<b>Assets and liabilities</b>		
Assets	3,026	2,776
Liabilities	(146)	(145)
<b>Net assets</b>	<b>2,880</b>	<b>2,631</b>

**28. Net income for the year**

Net income for the year is stated after charging:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Depreciation of tangible fixed assets	8	6
Rentals charged under operating leases	17	17
Amounts payable to external auditors for:		
- statutory audit	21	14
- tax advisory services	2	-

**29. Financial commitments – operating leases**

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

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Minimum lease payments payable:</b>		
Within one year of the balance sheet date	2	2
Within two to five years of the balance sheet date	-	2

## Notes to the accounts

For the year ended 31 December 2019

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

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Minimum lease payments receivable</b>		
Within one year of the balance sheet date	92	132
Within two to five years of the balance sheet date	59	113

### 30. Post balance sheet events and contingent liabilities

Property sales after the year end amounted to £344k.

The worldwide outbreak of the COVID-19 virus represents a significant event since the end of the financial year. It is considered to be a non-adjusting post balance sheet event and therefore has not been taken into account in preparing the balance sheet as at 31 December 2019.

The COVID-19 pandemic has created a shock to the global economy and financial markets have fallen at record rates during the first quarter of 2020. The value of HDBF's listed investments held with its investment managers has declined since the balance sheet date in the region of 15%, a fall across all funds of approximately £3m. The effect of COVID-19 on the value of residential property is as yet unknown and therefore the directors are unable to quantify the effect, if any, on the valuation of clergy houses.

The impact of COVID-19 has been taken into consideration in the assessment of going concern as set out in Note 1.18 to the accounts.

There were no contingent liabilities as at 31 December 2019.

### 31. Staff costs

Staff costs were as follows:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Gross salaries and wages	1,169	1,211
Social Security costs	107	113
Pension contributions	126	107
	<b>1,402</b>	1,431

Included in staff costs is an amount of £21,000 relating to voluntary redundancy payments (2018: £nil).

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 2019

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

	2019		2018	
	Number Full-time	Number Part-time	Number Full-time	Number Part-time
Support ministers / staff	11.5	7.6	10.0	9.5
Education	1.6	0.8	3.7	1.0
Diocesan officers	3.0	1.0	4.0	1.0
Diocesan administration staff	2.0	6.0	2.0	6.0
Grant funded Intergenerational Missioners	5.0	2.2	5.0	2.0
Grant funded support staff	1.0	1.0	1.7	2.0
Grant funded deanery staff	-	1.0	-	0.2
	<b>24.1</b>	<b>19.6</b>	<b>26.4</b>	<b>21.7</b>

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

	2019 Number	2018 Number
Support ministers / staff	15.8	15.4
Education	2.2	4.9
Diocesan officers	3.8	4.2
Diocesan administration staff	5.7	5.7
Grant supported Intergenerational Missioners	6.1	6.0
Grant funded support staff	1.6	2.8
Grant funded deanery staff	0.7	0.1
	<b>35.9</b>	<b>39.1</b>

These staff numbers do not include the Archdeacon of Hereford, who is paid through the Church Commissioners nor the DDE who is paid by DHMAT.

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

	2019 Number	2018 Number
£70,000 - £80,000	1	1

**31.1 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 2019 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 £202,300 (2018: £203,800).

## Notes to the accounts

For the year ended 31 December 2019

### 31.2 Trustees' emoluments

No Trustee received any remuneration for services as Trustee. Five Trustees received travelling and out of pocket expenses, totalling £4,698 (2018: £1,771 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 and suffragan bishops (ex officio trustees). Archdeacons, parochial clergy and support ministers who are trustees of the HDBF, whether ex officio, elected, appointed or co-opted, are in receipt of a stipend, housing and training/sabbatical grants paid via the Board by virtue of their office.

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

	<b>Stipend</b>	<b>Housing/ housing allowance</b>
Revd Revd L Cronin	Yes	Yes
The Ven D Chedzey	Yes	Yes
The Rt Revd A Magowan	No	Yes
The Very Revd M Tavinor	No	No
Revd Preb S Cawdell	Yes	Yes
Revd Preb W A Buck	Yes	Yes
Revd R Hulse	Yes	Yes
Revd A P Morgan	Yes	Yes

The Board also met the stipends, pensions and social security costs of an average of 82 (2018: 80) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Stipends	2,186	2,168
National insurance contributions	171	172
Pension costs - current year	549	522
- deficit reduction	240	236
	<b>3,146</b>	3,098

The stipends of the two Bishops were paid and funded by the Church Commissioners.

### 32. Related parties

Herefordshire Vennture, a charitable organisation of which Revd J Rogers (HDBF Chair of Trustees) and Mr S Pratley (Diocesan Secretary) are trustees, leased office space within the HDBF St Barnabas Church property at £7,276 for the year (2018: £6,700).

During 2019 the following transaction took place between the Charity and its subsidiary, HDBF UST:

- A grant from UST to HDBF for £50,000 (2018: £50,000)

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

- Mr A Teale (Diocesan Director of Education) and Mr M Simmons (HDBF trustee) are also directors of DHMAT.

## Notes to the accounts

For the year ended 31 December 2019

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- Mr S Pratley (Diocesan Secretary) and Mr S Borthwick (HDBF trustee) are also members of DHMAT with the power, among other things, to appoint and remove trustees.

During the year, invoices net of VAT totalling £30,717 (2018: £15,591) were raised from HDBF to DHMAT. The invoices were for rent & utility recharges, academy conversion costs, partnership costs and recharge of employment costs. The balance outstanding at the end of the year was £nil (2018: £nil).

St Paul's Church of England Primary School in Tupsley, Hereford was a related party of HDBF during the year by virtue of Mr A Teale being a member of key management personnel of both entities.

During the year, invoices totalling £30,691 (2018: £19,300) were received from St Paul's Primary School in relation to employment costs. The balance outstanding at the end of the year was £nil (2018: £nil).

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

- Mr A Teale (Diocesan Director of Education) and Mr S Pratley (Diocesan Secretary) are also directors of DHET.
- Mr S Borthwick (HDBF trustee) is also a director of DHET.

Hereford Cathedral is a related party of HDBF. Bishop's Council select two members to sit on the Cathedral Council for a period of 5 years. Furthermore, The Very Revd M Tavinor, trustee of HDBF is also the Dean of Hereford Cathedral. During the year there were no transactions between HDBF and Hereford Cathedral.

The Dowager Countess of Darnley was a director of HDBF from 1 January 2019 to 31 December 2019. The Dowager Countess of Darnley's son, Lord Darnley, is an external director of Rathbones Brothers PLC, the investment managers for HDBF.

During the year, HDBF bought services from CPAS, a mission enabling society of which the Rt Revd A Magowan, a trustee of HDBF, is also a trustee. Total services invoiced from CPAS during 2019 amounted to £2,424 (2018: £5,456).

During the year, HDBF made a grant to St Mary's Youth Project, a CIO charity of which the Revd Preb W A Buck, a trustee of HDBF is also a trustee. The grant totalled £14,467 (2018: £13,870).

### 33. Pension commitments

#### 33.1 Church of England Funded Pension Scheme (CEFPS)

The Hereford Diocesan Board of Finance participates in the Church of England Funded Pension Scheme for stipendiary clergy, a defined benefit pension scheme, and as at 31 December 2019 had 86 members in the scheme (2018: 86). This scheme is administered by the Church of England Pensions Board, which holds the assets of the Scheme separately from those of the Responsible Bodies.

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

The Scheme is considered to be a multi-employer scheme as described in section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to each specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2019: £549k, 2018 £509k), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total credit of £281k for 2019 (2018: charge of £450k).

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

- An average discount rate of 3.2% p.a.;

**Notes to the accounts**

For the year ended 31 December 2019

- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a.;
- Mortality in accordance with 95% of the S3NA\_VL tables, with allowance for improvements in mortality rates in line with the CMI2018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter" of 7 and an initial addition to mortality improvements of 0.5% p.a.

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

	Jan 2018 to Dec 2020	Jan 2021 to Dec 2022
% of pensionable stipends		
Deficit repair contributions	11.9%	7.1%

As at 31 December 2017 and 31 December 2018 the deficit recovery contributions under the recovery plan in force at that time were 11.9% of pensionable stipends until December 2025.

As at December 2019 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

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

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2018 and over 2019 is set out in the table below.

	<b>2019</b> <b>£'000</b>	2018 £'000
Balance sheet liability as at 1 January	1,608	1,903
Deficit contribution paid	(240)	(236)
Interest cost (recognised in the SoFA)	31	25
Remaining change to balance sheet liability* (recognised in SoFA)	(861)	(84)
Balance sheet liability as at 31 December	<b>538</b>	<b>1,608</b>

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

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

	December 2019	December 2018	December 2017
Discount rate	1.1% p.a.	2.1% p.a.	1.4% p.a.
Price inflation	2.8% p.a.	3.1% p.a.	3.0% p.a.
Increase to total pensionable payroll	1.3% p.a.	1.6% p.a.	1.5% p.a.

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



## Notes to the accounts

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### **33.2 Church of England Pension Builder Scheme**

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

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

#### **Pension Builder Scheme**

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes. HDBF has no members in the Pension Builder Classic Scheme.

**Pension Builder 2014** is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement.

Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age.

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 as it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers. This 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 contributions payable (2019: £66k, 2018: £73k).

A valuation of the Pension Builder scheme is carried out once every three years. The most recent was carried out as at 31 December 2016.

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

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

At 31 December 2019, HDBF had 30 active members (2018: 31) in the Pension Builder 2014. Contributions outstanding at the year end amounted to £nil (2018: £nil).

#### **Hereford Diocesan Board of Finance: other staff pension arrangements**

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

Contributions to the various schemes during the year totalled £26,364 (2018: £34,778) and were charged to the Income and Expenditure Account. Contributions outstanding at the year end amounted to £1,549 (2018: £2,042).

### **34. 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.

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For the year ended 31 December 2019

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### Designated funds

Designated funds relate to funds designated from general funds by the HDBF trustees for particular purposes. Designated funds can be undesignated and returned to the general fund.

#### Total Return 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 fund is monitored by the Strategy steering group.

#### Mission Innovation Fund

This relates to monies transferred by the trustees from the Total Return Mission Fund to provide seed money for parish and deanery mission projects.

### Endowment fund

#### Diocesan Stipends fund

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

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

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

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

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

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

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

- **The Trust for Investment:** This represents the original value of the endowment uplifted each year by an inflationary measure.
- **Unapplied Total Return:** This represents the amount of the Diocesan Stipends Fund over and above the value of the Trust for Investment.

### Restricted funds:

#### Pastoral fund

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

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

## Notes to the accounts

For the year ended 31 December 2019

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

### **Mission and ministry fund**

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

### **Ordinands in training fund**

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

### **Education Funds**

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

### **Restructuring grant**

Monies received from Archbishops' Council to help HDBF restructure its organisation so as to enable the transition from unrestricted funding by Archbishop's Council to targeted provision for lowest income communities.

### **Strategic Development Funds**

This fund relates to projects which have received funds from the Archbishops' Council Strategic Development Fund together with any associated Parish funding and HDBF match funding. As at 31 December 2019 this fund related wholly to the 'Intergenerational Missioner' project employing seven intergenerational Missioners across six market towns in the Diocese. The Intergenerational Missioner project is funded 25% by local PCC contributions, 50% from Archbishops' Council (SDF), and 25% by HDBF.

### **Strategic Capacity Fund**

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

## Notes to the accounts

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### **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 (charity number 1073330) 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 subsidiary 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.

### **35. St. Barnabas Church**

This property is owned by the Hereford Diocesan Board of Finance, and was until 30 June 2006 made available on licence to the parish of All Saints, Hereford, for the conduct of divine worship. As of 30 June 2006, the parish of All Saints Hereford no longer required the building for their parish mission and the property was therefore passed back into the complete control of the HDBF. From July 2017, the property has been leased to two charitable organisations: Vennture and Oasis Church Hereford.

### **36. 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.

### **37. Closed schools**

#### **37.1 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 S554 Order is made the proceeds will be brought in the UST.

#### **37.2 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 marketed in November 2019. The sale proceeds will ultimately flow to the UST via a S554 order. However, until such a time as the S554 Order has been awarded, the proceeds

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of the sale are not available to use for other Diocesan schools. Hope Primary School will also be sold but, as the school was built and funded by the Local Authority, proceeds from the sale of the school will flow to the Local Authority.

**38. Prior year comparative SoFA – as restated**

	Unrestricted General fund £'000	Restricted funds £'000	Endowment funds £'000	<b>Total funds 2018 £'000</b>
<b>Income and endowments from:</b>				
Donations				
Parish share contributions	3,854	-	-	3,854
Archbishops' Council	429	357	-	786
Other donations	129	375	-	504
Charitable activities	449	-	-	449
Other trading income	301	19	-	320
Investment income	563	159	-	722
Other income	-	376	-	376
<b>Total income and endowments</b>	<b>5,725</b>	<b>1,286</b>	<b>-</b>	<b>7,011</b>
<b>Expenditure on:</b>				
Raising funds	108	44	56	208
Charitable activities: excl. pension deficit	5,753	703	-	6,456
Charitable activities: pension deficit	(84)	-	-	(84)
<b>Total resources expended</b>	<b>5,777</b>	<b>747</b>	<b>56</b>	<b>6,580</b>
<b>Net income/(expenditure) before investment gains</b>	<b>(52)</b>	<b>539</b>	<b>(56)</b>	<b>431</b>
Net gains/(losses) on investments	(254)	(418)	(556)	(1,228)
<b>Net income/(expenditure)</b>	<b>(306)</b>	<b>121</b>	<b>(612)</b>	<b>(797)</b>
Transfers between funds	(270)	(50)	320	-
<b>Other recognised gains (losses)</b>				
Gains/(losses) on revaluation of fixed assets	-	-	-	-
<b>Net movement in funds</b>	<b>(576)</b>	<b>71</b>	<b>(292)</b>	<b>(797)</b>
Funds brought forward at 1 January 2018	4,553	57,645	17,185	79,383
<b>Total funds at 31 December 2018</b>	<b>3,977</b>	<b>57,716</b>	<b>16,893</b>	<b>78,586</b>

**Notes to the accounts**

For the year ended 31 December 2019

**39. Prior year: Summary of assets by fund**

	Tangible		Current	Creditors	Net
	Fixed assets	Investments	Assets		Assets
	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted General fund</b>	254	2,984	985	(246)	3,977
<b>Restricted funds</b>					
Pastoral fund	50,801	3,266	526	(18)	54,575
Mission and Ministry fund	-	-	21	-	21
Ordinands in training fund	-	-	(1)	-	(1)
Restructuring fund	-	-	13	-	13
Strategic development fund	-	-	25	(1)	24
Strategic capacity fund	-	-	11	-	11
Building strategy fund	-	-	11	-	11
Uniform Statutory Trust	-	2,587	426	(90)	2,923
Grant funds	-	-	143	(4)	139
<b>Endowment funds</b>					
Diocesan stipends fund	1,740	16,415	370	(1,632)	16,893
<b>Total funds</b>	<b>52,795</b>	<b>25,252</b>	<b>2,530</b>	<b>(1,991)</b>	<b>78,586</b>

**40. Prior year: Analysis of transfers between funds**

	Unrestricted	Restricted	Endowment	Total
	General	funds	funds	2018
	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	50	(50)	-	-
From General fund to Endowment fund for reduction in pensions deficit liability	(320)	-	320	-
	(270)	(50)	320	-

**Notes to the accounts**

For the year ended 31 December 2019

**41. Prior year: Analysis of movements in funds – as restated**

	Balance at 1 Jan 2018 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	<b>Balance at 31 Dec 2018 £'000</b>
<b>Unrestricted funds</b>						
<b>Group and Charity</b>						
General reserve	4,553	5,725	(5,777)	(270)	(254)	3,977
<b>Restricted funds</b>						
Pastoral reserve	54,862	132	(151)	-	(268)	54,575
Mission and Ministry reserve	35	-	(14)	-	-	21
Ordinands in training fund	(3)	89	(87)	-	-	(1)
Restructuring fund	23	81	(86)	(5)	-	13
Strategic development fund	(4)	148	(120)	-	-	24
Strategic capacity fund	-	52	(41)	-	-	11
Building strategy fund	-	20	(9)	-	-	11
Grant funds	-	336	(202)	5	-	139
<b>Total restricted funds - Charity</b>	<b>54,913</b>	<b>858</b>	<b>(710)</b>	<b>-</b>	<b>(268)</b>	<b>54,793</b>
Uniform Statutory Trust	2,732	428	(37)	(50)	(150)	2,923
<b>Total restricted funds - Group</b>	<b>57,645</b>	<b>1,286</b>	<b>(747)</b>	<b>(50)</b>	<b>(418)</b>	<b>57,716</b>
<b>Endowment funds</b>						
<b>Group and Charity</b>						
Diocesan stipends fund	17,185	-	(56)	320	(556)	16,893
<b>Total Charity</b>	<b>76,651</b>	<b>6,583</b>	<b>(6,543)</b>	<b>50</b>	<b>(1,078)</b>	<b>75,663</b>
<b>Total Group</b>	<b>79,383</b>	<b>7,011</b>	<b>(6,580)</b>	<b>-</b>	<b>(1,228)</b>	<b>78,586</b>