

Hereford Diocesan Board of Finance

Annual Report & Accounts

2021



— Diocese of —
Hereford
Proclaiming Christ ✦ Growing Disciples

Company limited by guarantee
Company number 144467
Charity number 249685

Hereford Diocesan Board of Finance

Report & Accounts for the year ended 31 December 2021

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Foreword by the Bishop of Hereford

For the year ended 31 December 2021

1. Foreword by the Bishop of Hereford

Dear Friends,

Welcome to this annual report. As I write this, we are seeing tragedy unfold daily in Ukraine and a resurgence of COVID cases.

But in the midst of this God continues to be at work in the Diocese of Hereford. At our last Synod we celebrated the work of our Intergenerational Ministers who have had significant impact in the communities they serve. With the removal of COVID restrictions more face to face gatherings are happening. We welcome the restarting of Messy Church where most of our weekly church attendance happens for children. However, there is no doubt that COVID has hit us hard financially and in terms of church attendance. It's not so much fewer people are coming as they are coming less regularly. There is a tiredness out there both in clergy and lay leaders that our strategy needs to be aware of going forward.

In the autumn of 2021 we held a number of listening events and small focus groups around the Diocese. This was a valuable opportunity to read the mood of the community. The anxieties people expressed around finance, buildings, our demographic profile and numbers were no surprise. Some of these issues are difficult to address with a central strategy. But there was an appetite for more opportunities for lay ministry and I sensed a greater preparedness to work collaboratively, both with other churches and with the wider community. We have recently appointed Elizabeth Wild as the director of Mission and Ministry. Her main role will be in providing training and equipping for lay ministry to address this need. We are also participating in the pilot of a national project to raise non-stipendiary vocations in a broader age range of people.

What we must avoid in the midst of our challenges is anxiety. In the Bible 'Do not fear' is a command, not advice! We do not know what the future holds, but we do know who holds the future. If our worries drive us to greater dependence on God in prayer rather than just our own strategic ingenuity, we will be well placed to set our sails and be blown by the wind of the Spirit. Jesus said the fields are ripe for harvest. By that he meant that spiritual hunger is a universal fact of the human condition. We still believe the Gospel is the best news in the world. May God help us to be fruitful as we share it.

I hope you enjoy this report. As we begin to look forward to a post COVID world, I hope you will find here evidence of God at work. I hope too that will spur us to pray that we enter into all that God has for us in the future.

With best wishes,



The Rt. Revd Richard Jackson

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For the year ended 31 December 2021

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements of the company and its linked charities, for the year ended 31 December 2021.

The Directors / Trustees are one and the same and in signing as Trustees they are also signing the strategic report sections in their capacity as Directors.

This combined report satisfies the legal requirements for a Directors' Report of a charitable company, a Strategic Report under the Companies Act 2006, and a Trustees' Annual Report under the Charities Act 2011.

STRATEGIC REPORT

2. Strategic aims

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

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

Mission

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

Ministry for Mission

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

Resources for Mission

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

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

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

3. Achievements and performance

3.1 Overview

The arrival of the COVID-19 pandemic in 2020 brought disruption to the lives and livelihoods of millions of people. Pandemic restrictions continued in various forms through most of 2021, presenting a challenge to the Church's established patterns of worship, ministry and outreach. Yet church congregations across the Diocese of Hereford responded to the evolving COVID-19 restrictions with generosity and imagination, reaching out to and serving their local communities. The Diocese continued to deliver against its key shared priorities of Spiritual and Numerical Growth, Contributing to the Common Good, Re-imagining Ministry, and Resources for Mission – numbered 1 to 4 in the following table:

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| Key achievements | Shared Priority areas: | | | |
|--|-------------------------------|----------|----------|----------|
| | 1 | 2 | 3 | 4 |
| <p>Serving our local communities:</p> <ul style="list-style-type: none"> ❖ Provided regular services, Alpha and discipleship courses, Messy Church, Synods, conferences and many other church-led activities using a hybrid in person / online approach; ❖ extended pastoral care and support to people in need; ❖ supported local food banks through parish volunteers in order to meet increased demand; ❖ responded to a request from the local authority to provide more support for vulnerable and isolated people ❖ published fresh guidance for churches and volunteers as COVID-19 restrictions continued to evolve. | ✓ | ✓ | ✓ | ✓ |
| <p>Education:</p> <ul style="list-style-type: none"> ❖ Delivered significant improvements in performance of church schools, there are now no church schools that are in special measures; ❖ changed the relationship to form a closer link between the Board of Education and the Board of Finance; ❖ re-appointed the Board of Education with a very strong skill set; ❖ oversaw the highest take up of the Schools Partnership Agreement; ❖ successfully supported the introduction of the new SIAMS inspection framework; ❖ conducted a wide consultation before setting out a clear strategy for schools considering becoming academies; ❖ concluded a very positive external review of Education provision and strategy; ❖ developed partnerships with schools and enhanced oversight of Diocese of Hereford Multi-Academy Trust (DHMAT); ❖ continued to support schools to adjust to remote learning and changing circumstances during the pandemic. | ✓ | ✓ | | |
| <p>Safeguarding young people and vulnerable adults:</p> <ul style="list-style-type: none"> ❖ Completed a thorough past cases review ('PCR2') process on time and within budget, achieving a positive outcome; ❖ trained ~170 parish officers, conducted ~590 DBS checks across all deaneries. ❖ Implemented new safer recruitment and improved safeguarding policies | | ✓ | | |
| <p>Mission and outreach:</p> <ul style="list-style-type: none"> ❖ Extended Intergenerational Mission project into Conover, Ledbury, and Pontesbury deaneries; ❖ continued part-funding of the ambitious five year project with St Peter & St James Hereford to establish a city-based youth church with close links to Hereford's new university, the New Model Institute for Technology & Engineering; ❖ continued to support many, small rural parishes that would otherwise have struggled to continue to fund the cost of their ministry.; ❖ appointed a new Archdeacon of Ludlow and Cathedral Dean. | ✓ | ✓ | ✓ | ✓ |

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| | | | | |
|---|---|---|---|---|
| <p>Learning and leadership:</p> <ul style="list-style-type: none"> ❖ Developed diocesan pioneer learning community to identify new ways of being/doing church, with extensive joint working and best practice sharing; ❖ extended the 'Growing Leaders' course for laity; ❖ supported innovative deanery pastoral plan approaches and cross-working within deaneries; ❖ Bishop Richard continued to record a short video each week, providing biblical wisdom, insights and encouragement for everyone. | ✓ | ✓ | ✓ | |
| <p>Supporting our 400 churches:</p> <ul style="list-style-type: none"> ❖ Offered a wide range of training courses to our churches, including: safeguarding, quinquennial inspections, modern slavery, church tourism, encouraging giving and generosity, parenting for faith, funding for church buildings, valuing churchyards, establishing stronger links between schools and churches, 'Living in Love & Faith', 'Crossing the Threshold' workshop, racial and social justice conversations; ❖ produced a regular Community Partnership, Funding and Generous Giving e-newsletter, helping our churches to identify appropriate sources of funding and guidance; ❖ promoted benefits of the Parish Giving Scheme: 259 parishes had joined PGS with >2,400 PGS donors by year-end (approx. 82% of target); ❖ provided guidance to parish churches on digital giving solutions; ❖ enhanced communications by deepening diocesan social media presence. | ✓ | ✓ | | ✓ |
| <p>Caring for the environment:</p> <ul style="list-style-type: none"> ❖ Established a Net Zero Carbon steering group to develop and drive forward a differentiated approach to support the 'net zero by 2030' ambition within the Diocese (2020 CO₂ footprint estimated to be 5,500 tonnes), with key focus areas being glebe land, churches and churchyards, Voluntary Aided schools, clergy housing, training for clergy and laity, and multi-agency partnerships. ❖ worked ecumenically to promote A Rocha UK's Eco Church initiative across deaneries, continuing the journey towards Eco Diocese accreditation. | | ✓ | | |
| <p>Financial stewardship:</p> <ul style="list-style-type: none"> ❖ Entered year three of plans to sell parcels of glebe land with the aim of enabling the development of at least 240 new homes over a six year period. At least 46 of these will be affordable. ❖ monitored expenditure closely in order to contain operating losses to £885k (per management accounts), £50k favourable to budget, although the overall deficit level was largely due to marked decline in parish contributions compared to pre-pandemic levels. | | | | ✓ |

3.2 The Christian presence

Clergy form a central part in the life of churches in the Diocese. In 2021, an average of 63.2 (2020: 66.4) trained stipendiary clergy and 17.0 (2020 13.2) curates were deployed in the Diocese; supporting them in their ministry, training and continued development is a key priority for HDBF and represents by far its largest financial commitment. Although the HDBF does not 'employ' the parish clergy, it is responsible for training and paying them, and contributing to their pension fund. In turn, generous Parish Offer contributions from every Parochial Church Council (PCC) are essential in meeting these ministry costs.

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3.3 Public benefit

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

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers;
 - The Diocese supports some 400 buildings in 350 parishes providing regular opportunities for public worship. As well as acts of worship, weddings and funerals, many of our buildings (in the absence of coronavirus restrictions) are accessed during the week for community activities.
- promoting Christian values, and service by members of local Anglican churches in and to their communities, for the benefit of individuals and society as a whole.
- community engagement, resourcing education and supporting those in need both spiritually and physically.

4. Future plans

4.1 2022 and beyond

The Diocesan Bishop set up a strategy review group in 2021, with input from a number of clergy and readers. The review group recommended conducting an online survey open to all, and seeking feedback from parishes and especially under-represented groups on the Diocese's future priorities. Bishop Richard also led a series of ten deanery 'listening events' in the fourth quarter of 2021, inviting reflection on areas of church life that were developing well alongside key challenges. These events highlighted concerns around church buildings and finances, congregations, and clergy wellbeing. Many parishes reported that congregation numbers had returned fully after COVID-19 lockdown restrictions eased; over 250 churches in the Diocese have fewer than 20 people attending regularly.

The listening events identified that people wanted their ordained clergy to provide more effective, accessible biblical teaching alongside imaginative liturgy; to teach spirituality and equip people to pray; to enable lay ministry; to foster closer links with local schools and community groups; and to be more visible, available and approachable.

Feedback from these events also indicated that people looked to diocesan staff and support ministers to continue to offer training for lay ministry; to facilitate mission planning; and to provide guidance for PCCs, especially around giving and capital fundraising.

The strategy review group agreed the following core values for the Diocese:

- Corporate prayer and worship are the foundation of our activity;
- Our calling is to proclaim Christ in word and deed, grow disciples, and build the Kingdom;
- The people of God working together are our greatest resource;
- Local church congregations are the centre of the Diocese;
- We are all part of one body, whether parish or central resources.

The review group recognised the need for continuing development in the following areas:

- Focus on Christ
- Generosity
- Co-operation
- Community engagement.

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The Bishop's Staff team, Bishop's Council, and Diocesan Synod will further develop a refreshed strategy over the coming months, with a view to communicating the revised approach across the Diocese in autumn 2022. The strategy is likely to focus on:

- Growing congregations and engaging those not in church;
- Connecting with younger people;
- Increasing confidence, morale and capability;
- Expanding support and diversifying training for lay leaders;
- Sustainability of church buildings and finances;
- Permission giving and mutual accountability;
- Reframing language, whilst recognising that Christian discipleship is demanding.

5. Financial review

5.1 Overview

2021 proved to be a second challenging year for the Hereford DBF with continuing COVID-19 restrictions, resulting in further reductions in income. This in turn has contributed to an overall General fund deficit of £942k (2020: £494k) (including fund transfers but excluding investment gains). Although disappointing, the Trustees view the size of the deficit in the light of other assets available for use by the DBF and, in particular, the Unapplied Total Return Fund which increased by £2.2m over the same period.

Total income for the year amounted to £5.61m (2020: £5.74m), a fall of 2.3%.

As in previous years, parish contributions provided the primary source of income for the DBF to pay for local stipendiary ministry and related costs. The COVID-19 pandemic and resultant closure of places of worship resulted in dwindling and, in some cases, nil cash collections and fundraising. Many parishes drew on reserves to pay their 2020 Parish Offer commitments but, in the face of depleted reserves and on-going COVID-19 restrictions, were unable to maintain the level of Offer for 2021. Parish Offer commitments for 2021 were £3.37m (2020: £3.85m), the collection rate was 96.4% (2020: 90.8%) with actual Parish Offer receipts standing at £3.26m (2020: £3.50m), a decrease of £242k.

Total expenditure for the year amounted to £6.74m compared to £6.48m in 2020, an increase of £261k. The majority of this difference relates to an increase in General fund expenditure of £248k attributable largely to additional curates, increased clergy housing costs and higher than normal numbers of clergy moves and associated grants.

The overall deficit for the year before investment gains was £1.13m (2020: a deficit of £0.74m). Investment gains amounted to £4.0m (2020: £1.4m) and a revaluation of fixed assets, mostly clergy housing resulted in a gain of £5.0m (2020: £2.92m). The net movement in funds for 2021 was a surplus of £7.92m (2020: surplus of £3.62m).

5.2 Comparison to budget

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

In October 2020, Synod approved an overall budget deficit (based on the General fund, Diocesan Stipend fund and Pastoral fund) of £935k before investment gains & losses. The final outturn before year-end accounting adjustments was a deficit of £885k, a variance of £50k. In overall terms, this was due to lower than budgeted Parish Offer collection rates, but there were also increases in property rental income and parochial fee income, offset by increases in clergy housing and stipend costs.

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5.3 Significant Property Transactions

During the year, the DBF sold six houses, granted a 99 year lease on a property to a PCC and sold a small plot of glebe land. This generated net proceeds of £1.77m.

5.4 Balance sheet position

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

Net assets at the balance sheet date totalled £91.0m (2020: £83.1m), although it should be noted that £87.0m (2020: £78.7m) is held in restricted and endowment funds (mainly properties used for ministry and glebe assets) which cannot be used directly for the general purposes of the HDBF. The restrictions that relate to these funds are detailed in note 33 to the accounts. The movement in net assets of £7.9m is due largely to the fixed asset revaluation gains of £5.0m and gains on investments of £4.0m.

5.5 Review of the Statement of Financial Activities by fund

Unrestricted General fund

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

| | 2021 | 2020 | Variance |
|--|---------|---------|----------|
| | £'000 | £'000 | £'000 |
| Income | | | |
| Parish Offer contributions | 3,256 | 3,498 | (242) |
| All other sources of income | 1,290 | 1,341 | (51) |
| Total income | 4,546 | 4,839 | (293) |
| Expenditure | | | |
| Raising funds and charitable activities before pension adjustments | (5,828) | (5,580) | (248) |
| Net gains on investments and disposals of fixed assets | 535 | 122 | 413 |
| Transfers between funds (excluding pension movements): | | | |
| From the DSF ¹ for investment income arising | 407 | 424 | (17) |
| From HDBF Uniform Statutory Trust | 60 | 60 | - |
| Other | 17 | 5 | 12 |
| Total transfers between funds (excluding pension movements) | 484 | 489 | (5) |
| From General to DSF: reduction in pension deficit liability | (144) | (242) | 98 |
| Net movements in funds as per SoFA | (407) | (372) | (35) |
| General funds brought forward as at 1 January 2021 | 4,037 | 4,409 | (372) |
| General funds carried forward as at 31 December 2021 | 3,630 | 4,037 | (407) |

¹DSF: Diocesan Stipends Fund

Designated funds

In order to encourage mission within the Diocese, the Trustees have agreed to set aside £250k annually into a designated 'Total Return Mission Fund'. During 2021 £147k was applied to mission projects with the balance at the year-end standing at £361k (2020: £311k). As at 31 December 2021, commitments for approved projects totalled £959k, with future payments expected in the period 1 January 2022 to 31 December 2026.

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Restricted funds

As set out in note 24, the HDBF administers a number of restricted funds. As at 31 December 2021, restricted funds totalled £63.3m (2020: £57.6m). These funds are not available for the general purposes of the HDBF with the exception of surpluses arising on the Pastoral fund as set out in note 33. As at 31 December 2021, these surpluses, as represented by cash and fixed asset investments, amounted to £7.0m (2020: £4.8m).

Endowment (Diocesan Stipends) fund

The Endowment fund recorded net income of £281k (2020: 318k) before investment gains. The fund is made up of two components: the Trust for Investment and the Unapplied Total Return. As at 31 December 2021, the balance on the Trust for Investment amounted to £7.8m (2020: £7.5m) and is not available for the general purposes of the HDBF. The balance on the Unapplied Total Return fund at the year-end was £15.9m (2020: £13.6m). The Unapplied Total Return fund is available to support clergy stipends.

5.6 Investment performance

Overall performance

The total value of all investments (including DSF endowment fund net current assets) at 31 December 2021 was £35.1m (2020: £30.9m) and the total return on investment was 15.6% (2020: 5.9%).

Listed investments for each fund are held with CCLA Investment Management Ltd and Rathbone Investment Management Ltd. Rathbone investment managers have a mandate to generate a return from each portfolio of CPI+4%, with a balance between capital growth and income, managed with a medium risk profile. From 1 January 2019, the Main, Pastoral and Diocesan Stipends Fund portfolios were managed on a total return basis. In the year to 31 December 2021, the combined portfolios achieved a total return of 16.4% (2020: 5.6%) compared to the composite benchmark of 14.7% (2020: 1.7%), and well ahead of the absolute level of return required under the core investment mandate of CPI+4% (CPI Dec 2021: 5.4%).

Agricultural, commercial and industrial land and buildings (excluding school land) were valued at £7.8m at 31 December 2021 (2020: £6.8m). Rents receivable from glebe amounted to £113k (2020: £141k) – an income yield of 1.6% (2020: 2.1%).

5.7 Reserves policy

General unrestricted fund

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

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

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

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

Based on 2022 budgeted expenditure, the amount of free reserves required under this policy totals £2.0m. As at 31 December 2021, the unrestricted reserves (excluding property) stood at £3.2m, which included approximately £689k of Parish Offer monies received in December. This free reserves figure excludes £383k of General fund freehold property and office equipment that could only be realised through asset disposal.

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It also excludes £361k of designated fund, £63.3m of restricted fund and £23.7m endowment fund assets that are not available for the general purposes of the charity. Although the General fund year-end reserves figure of £3.2m is above the minimum level indicated by the policy, the Directors consider this amount to be appropriate in view of future projected operating deficits. Management and trustees monitor reserve levels throughout the year and take remedial action as and when required.

5.8 Grant making policy

The Memorandum of Association of the HDBF permits the company to make grants in pursuance of its objects, and the nature of grants made in 2021 is indicated in note 14 to the financial statements.

5.9 Going concern

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. The trustees consider that there are no material uncertainties over the charity's financial viability in the short to medium term. Accordingly, they are satisfied it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

5.10 Investment policy

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

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

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

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

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

Glebe investments are held in agricultural land, property, equities and fixed interest securities.

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

5.11 Total Return accounting

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

- The date used for the initial value of the trust for investment was 31 December 1986.
- The initial value of the trust for investment was determined by reference to the cash, land (by acreage) and properties as detailed in the 1986 statutory accounts. Reasonable estimates for the

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land and properties were ascertained using valuations provided in the 1995 statutory accounts discounted to 1986 by appropriate indexes.

- CPIH was used to uplift the trust for investment giving rise to a valuation as at 1 January 2019 of £7.3m. The Unapplied Total Return fund as at 1 January 2019 amounted to £9.6m.

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

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

5.12 Linked charities: HDBE and UST

The Hereford Diocesan Board of Education (HDBE) is a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2019. The HDBE is accounted for as a 'branch' of HDBF and is a subcommittee of Bishop's Council and included within restricted funds. The HDBE has no income/expenditure and the value of the net assets at 31 December 2021 was £nil.

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

Income arising on the UST during 2021 amounted to £51k (2020: £55k) and was attributable to investment income. Expenditure amounted to £50k (2020: £13k) and was attributable largely to investment management costs and grants to schools. The trustees of the Hereford Diocese Board of Education have the discretionary authority to make grants from UST capital to support school building projects. In 2020 a loan was made from the UST to the Stottesdon School Trust, a Trust accounted for as a branch of HDBF. As at 31 December 2021, the loan stood at £147k (2020: £152k). This loan has been eliminated on consolidation of HDBF branches and repayments appear as a transfer between funds. A further transfer of £60k (2020: £60k) was made from the UST to the HDBF general fund to support the educational work of the Diocese.

The UST receives School Condition Allocations (SCA) funds annually from the Department of Education to fund school capital projects. These funds are not income of UST but rather the UST acts as agent to facilitate the projects. The funds are ring-fenced and shown as a creditor of the UST. At the year-end, the SCA creditor amounted to £856k (2020: £647k).

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

6. Principal risks & uncertainties

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

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

6.1 Decline in church attendance

- Parishes, benefices and deaneries are being encouraged to consider a Mission Action Plan with a specific remit to consider how to achieve spiritual and numerical growth;
- To monitor the success and explore the expansion of the inter-generational missioners who have a specific remit to increase worshipping congregations, achieve growth and increase the number of younger people involved in church.
- Develop Messy / Forest Church initiatives, youth church projects, and support new church communities.

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

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

6.3 Parish Offer and cash flow

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

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

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

Annual report

For the year ended 31 December 2021

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

7. Legal objects and responsibilities

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

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

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

The HDBF has the following statutory responsibilities: -

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

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

8. Structure, governance and management

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

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

Annual report

For the year ended 31 December 2021

8.1 Organisational structure of the Diocese

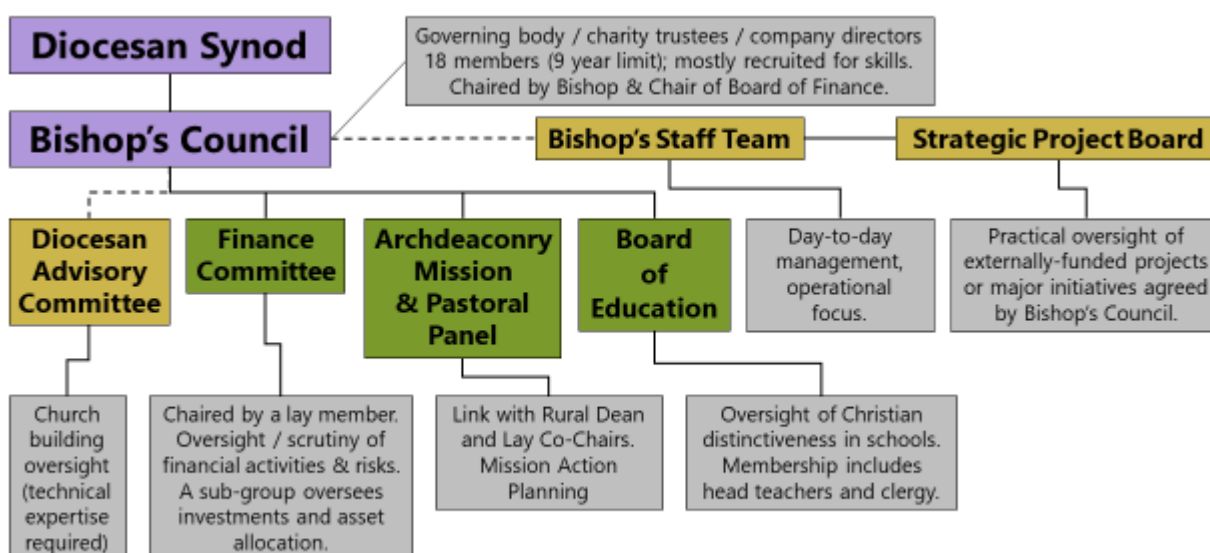
8.1.1 Geography

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

8.1.2 Overview of Board and Committee structure

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

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



8.2 Company status

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

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

8.3 Trustee training

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

Annual report

For the year ended 31 December 2021

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

8.4 Remuneration of key management personnel

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

8.5 Directors' insurance

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

8.6 Funds held as custodian trustee

The HDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements as the HDBF does not control them, and they are segregated from the HDBF's own assets by means of a separate accounting system. Further details of financial trust assets, whose market value amounted to £5.6m at 31 December 2021 (2020: £5.1m), are available from the HDBF on request.

8.7 Related parties

8.7.1 General Synod, Church Commissioners and Archbishops' Council

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

8.7.2 Diocese of Hereford Multi-Academy Trust (DHMAT)

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

8.7.3 Parochial Church Councils (PCCs)

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

8.7.4 Pension schemes

A money purchase scheme is available to all employees. HDBF contributes above the minimum employer contribution level required under the Pensions Act 2008. Since August 2015 all new employees have been

Annual report

For the year ended 31 December 2021

automatically enrolled in the 'Pension Builder 2014' section of the Church Workers Pension Fund. The Pension Builder 2014 scheme is a hybrid scheme with a guarantee such that on reaching normal retirement age, the employee will receive, as a minimum, the contributions paid into the scheme on their behalf.

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

Annual report

For the year ended 31 December 2021

9. Directors' responsibilities

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

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

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

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

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

10. Statement of disclosure to the auditor

So far as the Directors are aware:

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

11. Reference and administrative details

11.1 Administrative details

Company limited by guarantee, registration number 144467

Charity registration number 249685

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

Telephone: 01432 373300

Email: diooffice@hereford.anglican.org

Website: www.hereford.anglican.org

11.2 Directors

The following served as Directors and Trustees from 1 January 2021 to the date this report was approved (unless shown otherwise):

Annual report

For the year ended 31 December 2021

Ex officio Directors:

The Rt Revd R C Jackson, Bishop of Hereford – President
Revd J Rogers – Chair
The Very Revd Sarah Brown (from 2 October 2021)
Revd Preb Simon Cawdell (until 12 October 2021)
The Ven D C Chedzey
The Ven F R Gibson (from 25 April 2021)
The Very Revd Michael Tavinor (until 28 February 2021)
RAdm Philip Wilcocks

Elected Directors:

| | |
|---|---|
| Revd Preb W A Buck | Revd A P Morgan (until 12 October 2021) |
| Mrs J C Beavan | Mr C H E Smith – Vice-Chair |
| Revd G Cole (from 12 October 2021) | Revd G Smith (from 12 October 2021) |
| Major P J A Darling (until 12 October 2021) | Ms S J Smith |
| Preb J A Davies | |

Nominated Directors:

| | |
|----------------------------------|---------------|
| Mrs R Gittins | Mr T N Hone |
| Mr M Hall (from 12 October 2021) | Mr N A Sellar |

Principal officers

| | |
|------------------------------------|---------------------------------------|
| Diocesan Secretary: Mr S R Pratley | Director of Finance: Mr S G P Herbert |
|------------------------------------|---------------------------------------|

11.3 Members of the Board

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

11.4 Agents

Solicitors / Registrar

Lee Bolton Monier-Williams (until 31 July 2020)
1 The Sanctuary
Westminster
London
SW1P 3JT

Gabbs Solicitors (from 1 August 2020)
14 Broad Street
Hereford
HR4 9AP

Bankers

Lloyds Bank PLC
8 High Town
Hereford
HR1 2AE

Glebe agents – agricultural

Carter Jonas
Canon Court North
Abbey Lawn
Shrewsbury SY2 5DE

Investment managers

Rathbone Brothers PLC
8 Finsbury Circus
London
EC2M 7AZ

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

Insurance agents

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

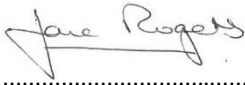
Independent auditor

Haysmacintyre LLP
10 Queen Street Place
London
EC4R 1AG

Annual report

For the year ended 31 December 2021

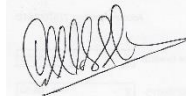
The Directors' annual report is approved on behalf of the Board of Directors and the Strategic Report (included therein) is approved by the Board of Directors on 24 June 2022 and signed on its behalf by:



.....
Revd Jane Rogers

Chair

24 June 2022



.....
Mr C H E Smith

Director

24 June 2022

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

Opinion

We have audited the financial statements of The Hereford Diocesan Board of Finance for the year ended 31 December 2021, which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2021, and of the charitable company's net movement in funds, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Trustees for the financial statements

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

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the charitable company and the environment in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to safeguarding vulnerable beneficiaries, health and safety, and employment (including taxation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Charities Act 2011 and Church of England Measures.

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

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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



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

For and on behalf of Haysmacintyre LLP, Statutory Auditor

10 Queen Street Place, London EC4R 1AG

24 June 2022

Statement of financial activities

For the year ended 31 December 2021

| | Note | Unrestricted funds | | Restricted | Endowment | Total 2021 £'000 | Total 2020 £'000 |
|---|-----------|--------------------|---------------------|----------------|----------------|---------------------------------|------------------------|
| | | General £'000 | Designated £'000 | funds £'000 | funds £'000 | | |
| Income and endowments from: | | | | | | | |
| Donations | | | | | | | |
| Parish Offer contributions | 3 | 3,256 | - | - | - | 3,256 | 3,498 |
| Archbishops' Council | 4 | 413 | - | 316 | - | 729 | 708 |
| Other donations | 5 | 110 | 22 | 105 | 7 | 244 | 273 |
| Charitable activities | 6 | 403 | - | - | - | 403 | 321 |
| Other trading income | 7 | 293 | - | 12 | - | 305 | 336 |
| Investment income | 8 | 71 | - | 149 | 346 | 566 | 600 |
| Other income | 9 | - | - | 107 | - | 107 | 3 |
| Total income and endowments | | 4,546 | 22 | 689 | 353 | 5,610 | 5,739 |
| Expenditure on: | | | | | | | |
| Raising funds | 10 | 97 | - | 73 | 72 | 242 | 184 |
| Charitable activities: excl. pension deficit | 11 | 5,723 | 147 | 616 | - | 6,486 | 6,290 |
| Charitable activities: remeasurement of pension deficit liability | 32 | 8 | - | - | - | 8 | 1 |
| Total expenditure | | 5,828 | 147 | 689 | 72 | 6,736 | 6,475 |
| Net (expenditure)/income before investment gains | | (1,282) | (125) | - | 281 | (1,126) | (736) |
| Net gains on investments | | 535 | - | 820 | 2,681 | 4,036 | 1,434 |
| Net (expenditure)/income | | (747) | (125) | 820 | 2,962 | 2,910 | 698 |
| Transfers between funds | 23 | 340 | 175 | (2) | (513) | - | - |
| Other recognised gains | | | | | | | |
| Gains on revaluation of fixed assets | 15 | - | - | 4,843 | 166 | 5,009 | 2,920 |
| Net movement in funds | | (407) | 50 | 5,661 | 2,615 | 7,919 | 3,618 |
| Funds brought forward at 1 January | | 4,037 | 311 | 57,603 | 21,117 | 83,068 | 79,450 |
| Funds carried forward at 31 December | | 3,630 | 361 | 63,264 | 23,732 | 90,987 | 83,068 |

All activities derive from continuing activities. The Notes on pages 28 to 60 form part of the financial statements.

Income and expenditure account

For the year ended 31 December 2021

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Total income | 5,257 | 5,371 |
| Total expenditure | (6,664) | (6,425) |
| Operating deficit for the year | (1,407) | (1,054) |
| Net gains on investments | 1,355 | 370 |
| Net expenditure for the year | (52) | (684) |
| Other comprehensive income: | | |
| Revaluation of fixed assets | 4,843 | 2,825 |
| Net assets transferred from endowments | 513 | 432 |
| Total comprehensive income | 5,304 | 2,573 |

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

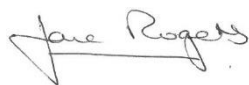
Balance sheet

For the year ended 31 December 2021

Company Number: 144467

| | Note | Unrestricted funds | | Restricted funds | Endowment funds | Total 2021 £'000 | Total 2020 £'000 |
|--|------|--------------------|---------------------|------------------|-----------------|---------------------|---------------------|
| | | General £'000 | Designated £'000 | | | | |
| Fixed assets | | | | | | | |
| Tangible assets | 15 | 383 | - | 52,499 | 1,936 | 54,818 | 51,551 |
| Investment property | 17 | - | - | 488 | 7,775 | 8,263 | 7,313 |
| Other investments | 18 | 3,454 | 70 | 9,151 | 14,033 | 26,708 | 22,815 |
| | | 3,837 | 70 | 62,138 | 23,744 | 89,789 | 81,679 |
| Current assets | | | | | | | |
| Stocks | | 3 | - | - | - | 3 | 2 |
| Debtors: amounts falling due within one year | 19 | 205 | - | 66 | 18 | 289 | 987 |
| Debtors: amounts falling after one year | 20 | - | - | 8 | - | 8 | 12 |
| Cash at bank & in hand | | 9 | 291 | 1,937 | 182 | 2,419 | 1,617 |
| | | 217 | 291 | 2,011 | 200 | 2,719 | 2,618 |
| Creditors: amounts falling due within one year | 21 | (424) | - | (885) | (212) | (1,521) | (1,173) |
| Net current assets/(liabilities) | | (207) | 291 | 1,126 | (12) | 1,198 | 1,445 |
| Total assets less current liabilities | | 3,630 | 361 | 63,264 | 23,732 | 90,987 | 83,124 |
| Creditors: amounts falling due after more than one year | | | | | | | |
| Pension deficit payments liability | 22 | - | - | - | - | - | (56) |
| Net Assets | | 3,630 | 361 | 63,264 | 23,732 | 90,987 | 83,068 |
| Funds | | | | | | | |
| Unrestricted income fund | 24 | 3,630 | - | - | - | 3,630 | 4,037 |
| Designated funds | 24 | - | 361 | - | - | 361 | 311 |
| Restricted income funds | 24 | - | - | 63,264 | - | 63,264 | 57,603 |
| Endowment funds | 24 | - | - | - | 23,732 | 23,732 | 21,117 |
| Total funds | | 3,630 | 361 | 63,264 | 23,732 | 90,987 | 83,068 |

The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 24 June 2022 and signed on their behalf by:



.....
Revd Jane Rogers

Chair

24 June 2022

Cash flow statement

For the year ended 31 December 2021

| | 2021 £'000 | 2021 £'000 | 2020 £'000 | 2020 £'000 |
|---|---------------|----------------|---------------|----------------|
| Net cash outflow from operating activities | | (785) | | (1,774) |
| Cash flows from investing activities | | | | |
| Dividends, interest and rent from investments | | 566 | | 600 |
| Proceeds from the sale of: | | | | |
| Tangible fixed assets for the use of the HDBF | 1,550 | | 284 | |
| Fixed asset investments | 4,290 | | 7,017 | |
| Purchase of: | | | | |
| Tangible fixed assets for the use of the HDBF | (10) | | (10) | |
| Fixed asset investments | (4,813) | | (5,998) | |
| Net cash provided by investing activities | | 1,017 | | 1,293 |
| Cash flows from financing activities | | | | |
| Loan repaid to HDBF | | 4 | | 4 |
| Change in cash and cash equivalents in the reporting period | | 802 | | 123 |
| Net cash funds as at 1 January | | 1,617 | | 1,494 |
| Net cash funds as at 31 December | | 2,419 | | 1,617 |
| Notes to the cash flow statement | | | | |
| <i>Reconciliation of net movements in funds to net cash flow from operating activities</i> | | | | |
| Net movement in funds for the year ended 31 December | | (1,126) | | (736) |
| Add: depreciation & amortisation charges | | 10 | | 10 |
| Less: dividends, interest and rent from investments | | (566) | | (600) |
| (Loss)/profit on sale of functional assets | | (92) | | 107 |
| (Increase)/Decrease in stocks | | (1) | | 1 |
| Decrease/(Increase) in debtors | | 698 | | (713) |
| Increase in creditors | | 292 | | 157 |
| Net cash used in operating activities | | (785) | | (1,774) |

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

Notes to the accounts

For the year ended 31 December 2021

1. Accounting policies

1.1 General information

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

1.2 Accounting convention and basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in note 1.6, and fixed asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP (FRS 102), second edition effective 1 January 2019), the Companies Act 2006 and applicable accounting standards (FRS 102).

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

1.3 Income

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

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

1.4 Expenditure

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

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

Notes to the accounts

For the year ended 31 December 2021

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

1.5 Employee termination payments. All costs involved in terminating employee contracts are accounted for in the period to which they relate and are disclosed in aggregate in note 30.

1.6 Tangible fixed assets and depreciation

Freehold properties

Freehold properties are recognised at cost and subsequently measured at fair value. Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The HDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Trustees perform annual impairment reviews in accordance with the requirements of FRS 102 to ensure that the carrying value is not more than the recoverable amount.

Investment properties

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

Notes to the accounts

For the year ended 31 December 2021

Parsonage houses

The HDBF has followed the requirements of FRS 102 in its accounting treatment for benefice houses (parsonages). FRS 102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The HDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees therefore consider the most suitable accounting policy is to capitalise such properties as restricted fund assets and to carry them at their estimated current market value. Revaluation gains or losses arising are reported within other recognised gains and Activities.

Other tangible fixed assets

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

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

Fixed asset investments

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

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

1.7 Financial instruments

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

1.8 Debtors

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

Notes to the accounts

For the year ended 31 December 2021

1.9 Creditors and provisions

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

1.10 Equity share loan

The HDBF Educational Uniform Statutory Trust had one loan for which the settlement proceeds were based on the value of the equity in the property. As this constitutes a non-basic financial instrument under FRS 102 this loan has been recognised at fair value and is revalued at each reporting date. Any gains and losses arising at each year end are recognised within investment gains and losses in the SOFA. This loan was repaid in full during 2021.

1.11 Leases

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

1.12 Stocks

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

1.13 Fund balances

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

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

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

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

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

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

Notes to the accounts

For the year ended 31 December 2021

1.14 Trust funds

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

1.15 Linked charities

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

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

1.16 Going concern

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. The trustees consider that there are no material uncertainties over the charity’s financial viability in the short to medium term. Accordingly, they are satisfied it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

1.17 Accounting for open schools and related Trust property

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

1.18 Accounting for closed schools and related Trust property

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

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

Notes to the accounts

For the year ended 31 December 2021

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

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

2. Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

2.1 Critical judgements

When a Church of England school closes, the site may revert back to the original owner, otherwise it will revert to the linked charity, the HDBF Educational Uniform Statutory Trust ("HDBF UST"). If it is to revert to the HDBF UST, there is a judgement as to the point at which the property is recognised. The policy adopted by the trustees is detailed in note 1.18.

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

2.2 Estimation uncertainty

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

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

Notes to the accounts

For the year ended 31 December 2021

3. Parish Offer contributions

| | Unrestricted funds | | Restricted funds | Endowment funds | Total 2021 | Total 2020 |
|-------------------------------------|--------------------|------------|------------------|-----------------|-------------------|------------|
| | General | Designated | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Current year Parish Offer committed | 3,370 | - | - | - | 3,370 | 3,854 |
| Shortfall in commitments | (123) | - | - | - | (123) | (356) |
| | 3,247 | - | - | - | 3,247 | 3,498 |
| Received for previous years | 9 | - | - | - | 9 | - |
| | 3,256 | - | - | - | 3,256 | 3,498 |

The Parish Offer system is based on annual commitments made by PCCs to contribute to the 'Common Fund' of the Diocese. Parish Offer receipts in 2021 represented 96.4% (2020: 90.8%) of the total commitments made. All Parish Offer receipts in 2020 related to the General fund.

4. Archbishops' Council

| | Unrestricted funds | | Restricted funds | Endowment funds | Total 2021 | Total 2020 |
|--|--------------------|------------|------------------|-----------------|-------------------|------------|
| | General | Designated | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Lowest Income Communities funding (LInC) | 298 | - | - | - | 298 | 288 |
| Transitional support funding | 92 | - | - | - | 92 | 114 |
| Other grant funding | 23 | - | 316 | - | 339 | 306 |
| | 413 | - | 316 | - | 729 | 708 |

The Lowest Income Communities (LInC) funding supports stipendiary ministry in the most deprived areas of the Diocese. The transitional funding is currently used to fund clergy stipends across the Diocese. In 2020 the LInC income and Transitional support funding was attributable to the General fund, other grant funding was attributable £21k to the General fund and £285k to Restricted funds.

5. Other donations

| | Unrestricted funds | | Restricted funds | Endowment funds | Total 2021 | Total 2020 |
|--|--------------------|------------|------------------|-----------------|-------------------|------------|
| | General | Designated | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Trust income and grants | 24 | 8 | 60 | 7 | 99 | 126 |
| PCC partnership income | - | 14 | 45 | - | 59 | 42 |
| Ecclesiastical Insurance Office - share of profits | 80 | - | - | - | 80 | 84 |
| Donations & sundry income | 6 | - | - | - | 6 | 21 |
| | 110 | 22 | 105 | 7 | 244 | 273 |

In 2020, £89k of Trust income and grants was attributable to the General fund, £1k to Designated funds and £36k to Restricted funds. PCC partnership income in 2020 was attributable £1k to Designated funds and £41k to Restricted funds. All other donations in 2020 were attributable to the General fund.

Notes to the accounts

For the year ended 31 December 2021

6. Charitable activities

| | Unrestricted funds | | Restricted funds | Endowment funds | Total 2021 £'000 | Total 2020 £'000 |
|------------------------------------|--------------------|------------|------------------|-----------------|---------------------------------|------------------------|
| | General | Designated | | | | |
| | £'000 | £'000 | | | | |
| Fees for occasional offices | 360 | - | - | - | 360 | 288 |
| Income from educational activities | 43 | - | - | - | 43 | 33 |
| | 403 | - | - | - | 403 | 321 |

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

7. Other trading income

| | Unrestricted funds | | Restricted funds | Endowment funds | Total 2021 £'000 | Total 2020 £'000 |
|----------------------|--------------------|------------|------------------|-----------------|---------------------------------|------------------------|
| | General | Designated | | | | |
| | £'000 | £'000 | | | | |
| Rental income | 293 | - | 11 | - | 304 | 335 |
| Other trading income | - | - | 1 | - | 1 | 1 |
| | 293 | - | 12 | - | 305 | 336 |

In 2020, £325k of the rental income was attributable to the General fund and £10k to Restricted funds. All of the other trading income in 2020 was attributable to Restricted funds.

8. Investment income

| | Unrestricted funds | | Restricted funds | Endowment funds | Total 2021 £'000 | Total 2020 £'000 |
|---------------------------------|--------------------|------------|------------------|-----------------|---------------------------------|------------------------|
| | General | Designated | | | | |
| | £'000 | £'000 | | | | |
| Rents receivable | - | - | 9 | 113 | 122 | 152 |
| Interest & dividends receivable | 71 | - | 140 | 233 | 444 | 448 |
| | 71 | - | 149 | 346 | 566 | 600 |

£11k of the rents receivable in 2020 were attributable to Restricted funds, with the remainder attributable to Endowment funds. £78k of the interest & dividends receivable in 2020 were attributable to the General fund, £143k to Restricted funds and £227k to Endowment funds.

9. Other income

| | Unrestricted funds | | Restricted funds | Endowment funds | Total 2021 £'000 | Total 2020 £'000 |
|----------------------------------|--------------------|------------|------------------|-----------------|---------------------------------|------------------------|
| | General | Designated | | | | |
| | £'000 | £'000 | | | | |
| Redundant church costs recovered | - | - | 15 | - | 15 | 3 |
| Gain on disposal of fixed assets | - | - | 92 | - | 92 | - |
| | - | - | 107 | - | 107 | 3 |

All other income in 2020 was attributable to Restricted funds.

Notes to the accounts

For the year ended 31 December 2021

10. Fund raising costs**10.1 Fund raising costs 2021**

| | Unrestricted funds | | Restricted funds £'000 | Endowment funds £'000 | Total 2021 £'000 |
|---------------------------------------|--------------------|---------------------|---------------------------|--------------------------|---------------------------------|
| | General £'000 | Designated £'000 | | | |
| Land & property agents' fees | 45 | - | - | - | 45 |
| Glebe land maintenance & development | 11 | - | - | 10 | 21 |
| Property rental & other trading costs | 4 | - | 38 | - | 42 |
| Investment portfolio mgt fees | 18 | - | 35 | 62 | 115 |
| | 78 | - | 73 | 72 | 223 |
| Support costs (see note 12) | 19 | - | - | - | 19 |
| | 97 | - | 73 | 72 | 242 |

10.2 Fund raising costs 2020

| | Unrestricted funds | | Restricted funds £'000 | Endowment funds £'000 | Total 2020 £'000 |
|---------------------------------------|--------------------|---------------------|---------------------------|--------------------------|---------------------------------|
| | General £'000 | Designated £'000 | | | |
| Land & property agents' fees | 55 | - | 1 | - | 56 |
| Glebe land maintenance & development | 5 | - | - | - | 5 |
| Property rental & other trading costs | 1 | - | 10 | - | 11 |
| Investment portfolio mgt fees | 15 | - | 29 | 50 | 94 |
| | 76 | - | 40 | 50 | 166 |
| Support costs | 18 | - | - | - | 18 |
| | 94 | - | 40 | 50 | 184 |

Notes to the accounts

For the year ended 31 December 2021

11. Charitable activities**11.1 Charitable activities excluding remeasurement of pension deficit liability 2021**

| | Unrestricted funds | | Restricted funds £'000 | Endowment funds £'000 | Total 2021 £'000 |
|--|--------------------|------------|---------------------------|--------------------------|---------------------------------|
| | General | Designated | | | |
| | £'000 | £'000 | | | |
| Resourcing ministry and mission: | | | | | |
| Stipends and national insurance | 2,380 | - | 91 | - | 2,471 |
| Clergy pension contributions | 654 | - | - | - | 654 |
| Clergy Housing | 699 | - | 75 | - | 774 |
| Clergy moves & interregnums | 152 | - | - | - | 152 |
| Support for ministry | 524 | - | 109 | - | 633 |
| Mission and ministry projects | 26 | 147 | 242 | - | 415 |
| Allocated support costs | 375 | - | 1 | - | 376 |
| | 4,810 | 147 | 518 | - | 5,475 |
| Contributions to Archbishops' Council | 423 | - | - | - | 423 |
| Education | 210 | - | 67 | - | 277 |
| Parochial support | 104 | - | 31 | - | 135 |
| Grants and donations | 7 | - | - | - | 7 |
| Allocated support costs | 169 | - | - | - | 169 |
| Total expenditure on charitable activities excluding remeasurement of pension deficit liability | 5,723 | 147 | 616 | - | 6,486 |

11.2 Charitable activities excluding remeasurement of pension deficit liability 2020

| | Unrestricted funds | | Restricted funds £'000 | Endowment funds £'000 | Total 2020 £'000 |
|--|--------------------|------------|---------------------------|--------------------------|---------------------------------|
| | General | Designated | | | |
| | £'000 | £'000 | | | |
| Resourcing ministry and mission: | | | | | |
| Stipends and national insurance | 2,398 | - | - | - | 2,398 |
| Clergy pension contributions | 536 | - | - | - | 536 |
| Clergy Housing | 610 | - | 156 | - | 766 |
| Clergy moves & interregnums | 69 | - | - | - | 69 |
| Support for ministry | 591 | - | 176 | - | 767 |
| Mission and ministry projects | 29 | 76 | 217 | - | 322 |
| Allocated support costs | 390 | - | 1 | - | 391 |
| | 4,623 | 76 | 550 | - | 5,249 |
| Contributions to Archbishops' Council | 401 | - | - | - | 401 |
| Education | 192 | - | 156 | - | 348 |
| Parochial support | 105 | - | 23 | - | 128 |
| Grants and donations | 7 | - | - | - | 7 |
| Allocated support costs | 157 | - | - | - | 157 |
| Total expenditure on charitable activities excluding remeasurement of pension deficit liability | 5,485 | 76 | 729 | - | 6,290 |

Notes to the accounts

For the year ended 31 December 2021

12. Analysis of support costs

| | Unrestricted funds | | Restricted funds | Endowment funds | Total 2021 | Total 2020 |
|------------------------------|--------------------|------------|------------------|-----------------|-------------------|------------|
| | General | Designated | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Salary and employment costs | 355 | - | - | - | 355 | 350 |
| Property costs | 43 | - | - | - | 43 | 42 |
| Office costs | 61 | - | 1 | - | 62 | 65 |
| Legal and professional fees | 73 | - | - | - | 73 | 86 |
| General Synod representation | 6 | - | - | - | 6 | 3 |
| Governance costs | 25 | - | - | - | 25 | 20 |
| | 563 | - | 1 | - | 564 | 566 |

All support costs in 2020 were attributable to the general fund except for £1k of office costs attributable to restricted funds.

13. Analysis of expenditure including allocation of support costs**13.1 Analysis 2021**

| | Activities | Grant | Support | Total 2021 |
|---|---------------------|-----------------------|---------|-------------------|
| | Undertaken Directly | Funding of Activities | | |
| | £'000 | £'000 | £'000 | £'000 |
| Raising funds: | 223 | - | 19 | 242 |
| Charitable activities: excl. pension deficit: | | | | |
| Contributions to Archbishops' Council | - | 423 | 5 | 428 |
| Resourcing ministry and mission | 4,932 | 167 | 376 | 5,475 |
| Education | 245 | 32 | 85 | 362 |
| Parochial support | 108 | 27 | 79 | 214 |
| Other grants and donations | - | 7 | - | 7 |
| Charitable activities: pension deficit | 8 | - | - | 8 |
| | 5,516 | 656 | 564 | 6,736 |

13.2 Analysis 2020

| | Activities | Grant | Support | Total 2020 |
|---|---------------------|-----------------------|---------|-------------------|
| | Undertaken Directly | Funding of Activities | | |
| | £'000 | £'000 | £'000 | £'000 |
| Raising funds: | 166 | - | 18 | 184 |
| Charitable activities: excl. pension deficit: | | | | |
| Contributions to Archbishops' Council | (9) | 410 | 4 | 405 |
| Resourcing ministry and mission | 4,757 | 101 | 391 | 5,249 |
| Education | 192 | 156 | 81 | 429 |
| Parochial support | 107 | 21 | 72 | 200 |
| Other grants and donations | - | 7 | - | 7 |
| Charitable activities: pension deficit | 1 | - | - | 1 |
| | 5,214 | 695 | 566 | 6,475 |

Notes to the accounts

For the year ended 31 December 2021

14. Analysis of grants made**14.1 Analysis 2021**

| | <i>Number</i> | Individuals £'000 | Institutions £'000 | Total 2021 £'000 |
|--|---------------|----------------------|-----------------------|---------------------------------|
| From unrestricted funds - general fund: | | | | |
| National church responsibilities: | | | | |
| Contributions to Archbishops' Council | 5 | - | 423 | 423 |
| Grants to clergy | 88 | 127 | - | 127 |
| Ministry experience scheme | 3 | 6 | - | 6 |
| Support for Ordinands in training | 4 | 18 | - | 18 |
| PCCs for church inspection fees | 65 | - | 27 | 27 |
| Other grants | 2 | - | 7 | 7 |
| | 167 | 151 | 457 | 608 |
| From unrestricted funds - designated funds: | | | | |
| To support mission and ministry | 1 | - | 10 | 10 |
| From restricted funds: | | | | |
| To support mission and ministry | 1 | - | 6 | 6 |
| To support school building projects | 26 | - | 32 | 32 |
| | 195 | 151 | 505 | 656 |

14.2 Analysis 2020

| | <i>Number</i> | Individuals £'000 | Institutions £'000 | Total 2020 £'000 |
|--|---------------|----------------------|-----------------------|---------------------------------|
| From unrestricted funds: | | | | |
| National church responsibilities: | | | | |
| Contributions to Archbishop's Council | 5 | - | 410 | 410 |
| Grants to clergy | 23 | 44 | - | 44 |
| Ministry experience scheme | 5 | 12 | - | 12 |
| Cleobury Mortimer youth project | - | - | - | - |
| Support for Ordinands in training | 6 | 36 | - | 36 |
| PCCs for church inspection fees | 52 | - | 21 | 21 |
| Other grants | 2 | - | 7 | 7 |
| | 93 | 92 | 438 | 530 |
| From unrestricted funds - designated funds: | | | | |
| To support mission and ministry | 2 | 7 | 2 | 9 |
| From restricted funds: | | | | |
| To support mission and ministry | 1 | - | 156 | 156 |
| To support school building projects | 1 | - | - | - |
| | 97 | 99 | 596 | 695 |

Notes to the accounts

For the year ended 31 December 2021

15. Tangible fixed assets

| | Freehold properties £'000 | Leasehold property improvements £'000 | Plant & equipment £'000 | Total £'000 |
|---------------------------------|---------------------------------|--|-------------------------------|------------------------|
| Cost or valuation | | | | |
| At 1 January 2021 | 51,520 | 53 | 93 | 51,666 |
| Additions | - | - | 10 | 10 |
| Disposals | (1,458) | - | (1) | (1,459) |
| Transfers | (284) | - | - | (284) |
| Revaluation | 5,009 | - | - | 5,009 |
| At 31 December 2021 | 54,787 | 53 | 102 | 54,942 |
| Accumulated depreciation | | | | |
| At 1 January 2021 | - | 53 | 62 | 115 |
| Charge for the year | - | - | 10 | 10 |
| Disposals | - | - | (1) | (1) |
| At 31 December 2021 | - | 53 | 71 | 124 |
| Net book value | | | | |
| At 1 January 2021 | 51,520 | - | 31 | 51,551 |
| At 31 December 2021 | 54,787 | - | 31 | 54,818 |

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

As at 31 December 2021, the Board was responsible for seven redundant churches. The value of these churches at this date is considered uncertain and not material and accordingly no value related to them has been included in these accounts.

The Board and benefice houses were valued by the Board as at 31 December 2021 by taking advice from the employed Diocesan Property Surveyor (MCIQB). On 31 December 2021 there was a housing stock of 117 properties (2020: 124).

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

16. Capital commitments

There were no capital commitments as at 31 December 2021 (2020: £nil).

Notes to the accounts

For the year ended 31 December 2021

17. Investments held as Fixed Assets – Investment property

| | As at 1 January 2021 £'000 | Additions £'000 | Disposals £'000 | Transfers £'000 | Change in Market Value £'000 | As at 31 December 2021 £'000 |
|-------------------------|-------------------------------------|--------------------|--------------------|--------------------|---------------------------------------|---------------------------------------|
| Endowment funds | | | | | | |
| Land | 6,372 | 107 | (4) | - | 794 | 7,269 |
| Buildings | 460 | - | - | - | 46 | 506 |
| | 6,832 | 107 | (4) | - | 840 | 7,775 |
| Restricted funds | | | | | | |
| Buildings | 481 | - | (284) | 284 | 7 | 488 |
| Total | 7,313 | 107 | (288) | 284 | 847 | 8,263 |

Endowment fund buildings at the year-end consists of one commercial property, which has been informally valued by the directors as at 31 December 2021.

Restricted fund buildings consist of houses held as investment properties. These have been valued by the Diocesan Surveyor (MCIOB) as at 31 December 2021.

The value of rural land was determined by the Directors. Due to the multiplicity of holdings and varying sizes and terms of occupation the cost of a professional valuation is deemed to be an imprudent use of charitable funds. The Directors used a variety of land market surveys to determine average land values at 31 December 2021. A discount was applied to 1986 Agricultural Holdings Act tenancies of 42% and Farm Business Tenancies of 18%. This constitutes an average yield of 1.5%. Other amenity tenancies/licences were discounted at 12.5% and vacant land was discounted at 5% to reflect the time taken to realise a value and reflect any restrictions on sale. Land for which planning permission has been received is valued according to its market value as determined by the Directors.

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

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

18. Investments held as Fixed Assets – Other investments

| | As at 1 January 2021 £'000 | Additions £'000 | Disposals £'000 | Transfers £'000 | Change in Market Value £'000 | As at 31 December 2021 £'000 |
|---------------------------|-------------------------------------|--------------------|--------------------|--------------------|---------------------------------------|---------------------------------------|
| Listed investments | | | | | | |
| Unrestricted general fund | 3,636 | 541 | (588) | (670) | 535 | 3,454 |
| Designated funds | 74 | - | - | (4) | - | 70 |
| Restricted funds | 6,902 | 2,053 | (1,451) | 600 | 1,047 | 9,151 |
| Endowment funds | 12,073 | 2,112 | (2,033) | 74 | 1,807 | 14,033 |
| | 22,685 | 4,706 | (4,072) | - | 3,389 | 26,708 |
| Equity share loan | | | | | | |
| Restricted fund - UST | 130 | - | (130) | - | - | - |
| Total | 22,815 | 4,706 | (4,202) | - | 3,389 | 26,708 |

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

The historical cost of listed investments held as at 31 December 2021 was £20.2m (2020: £18.9m).

Notes to the accounts

For the year ended 31 December 2021

19. Debtors: due within one year

| | 2021 | 2020 |
|--|--------------|------------|
| | £'000 | £'000 |
| Other debtors | 137 | 817 |
| Prepayments & accrued income | 148 | 166 |
| Loan to Bishop Mascall Centre ¹ | 4 | 4 |
| | 289 | 987 |

20. Debtors: due after one year

| | 2021 | 2020 |
|--|--------------|-------|
| | £'000 | £'000 |
| Loan to Bishop Mascall Centre ¹ | 8 | 12 |

¹The loan to the Bishop Mascall Centre of £11,980 (2020: £15,980) is being repaid at £4,000 per annum, with interest chargeable at the Church of England's Central Board of Finance (CBF) rates.

21. Creditors: amounts falling due within one year

| | 2021 | 2020 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Other creditors and accruals | 1,340 | 896 |
| Taxation & Social Security | 29 | 37 |
| Pension deficit payments liability | 152 | 240 |
| | 1,521 | 1,173 |

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

| | 2021 | 2020 |
|------------------------------------|--------------|-------|
| | £'000 | £'000 |
| Pension deficit payments liability | - | 56 |

Notes to the accounts

For the year ended 31 December 2021

23. Analysis of transfers between funds

| | Unrestricted funds | | Restricted funds | Endowment funds | Total funds £'000 |
|---|--------------------|------------|------------------|-----------------|----------------------|
| | General | Designated | | | |
| | £'000 | £'000 | £'000 | £'000 | |
| Uniform Statutory Trust to unrestricted General Fund to support education | 60 | - | (60) | - | - |
| From General fund to Endowment fund for reduction in pension deficit liability | (144) | - | - | 144 | - |
| From Endowment fund to General fund for stipends under Total Return (see note 26) | 657 | - | - | (657) | - |
| From General fund to the Total Return Mission Fund to support mission projects | (250) | 250 | - | - | - |
| From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements | - | (61) | 61 | - | - |
| Transfers to the General fund for manse costs | 17 | (14) | (3) | - | - |
| From the Brampton Abbots fund to the Pastoral fund to clear fund surplus | | | 1 (1) | | |
| From UST to Stottesdon School House trust in respect of loan | | | 5 (5) | | |
| | 340 | 175 | (2) | (513) | - |

Comparatives for 2020 can be found in note 39 to these accounts.

Notes to the accounts

For the year ended 31 December 2021

24. Summary of assets by fund

| | Tangible Fixed assets £'000 | Investments £'000 | Current Assets £'000 | Creditors £'000 | Net Assets £'000 |
|-----------------------------------|-----------------------------------|----------------------|----------------------------|--------------------|---------------------------------|
| Unrestricted funds | | | | | |
| General Fund | 383 | 3,454 | 217 | (424) | 3,630 |
| Designated funds: | | | | | |
| Total Return Mission funds | - | 70 | 291 | - | 361 |
| | 383 | 3,524 | 508 | (424) | 3,991 |
| Restricted funds | | | | | |
| Pastoral Fund | 52,499 | 6,270 | 819 | (12) | 59,576 |
| Mission and Ministry Fund | - | - | 9 | - | 9 |
| Strategic Ministry Fund - curates | - | - | - | - | - |
| Ordinands in Training Fund | - | - | 49 | - | 49 |
| Strategic Development Fund | - | - | 38 | - | 38 |
| Strategic Capacity Fund | - | - | 8 | - | 8 |
| Other grant funds | - | - | 18 | - | 18 |
| Uniform Statutory Trust | - | 2,888 | 1,034 | (873) | 3,049 |
| Education funds | - | 481 | 36 | - | 517 |
| | 52,499 | 9,639 | 2,011 | (885) | 63,264 |
| Endowment funds | | | | | |
| Diocesan Stipends Fund | 1,936 | 21,808 | 200 | (212) | 23,732 |
| Total funds | 54,818 | 34,971 | 2,719 | (1,521) | 90,987 |

Comparatives for 2020 can be found in note 38 to these accounts.

Notes to the accounts

For the year ended 31 December 2021

25. Analysis of movements in funds

| | Balance at 1 Jan 2021 £'000 | Income £'000 | Expenditure £'000 | Transfers between funds £'000 | Net gains (losses) on assets £'000 | Balance at 31 Dec 2021 £'000 |
|-----------------------------------|-----------------------------------|-----------------|----------------------|--|---|---|
| Unrestricted funds | | | | | | |
| General reserve | 4,037 | 4,546 | (5,828) | 340 | 535 | 3,630 |
| Designated reserves: | | | | | | |
| Total Return Mission funds | 311 | 22 | (147) | 175 | - | 361 |
| Total unrestricted funds | 4,348 | 4,568 | (5,975) | 515 | 535 | 3,991 |
| Restricted funds | | | | | | |
| Pastoral Fund | 54,228 | 208 | (160) | 1 | 5,299 | 59,576 |
| Mission and Ministry Fund | 15 | - | (6) | - | - | 9 |
| Ordinands in Training Fund | 24 | 134 | (109) | - | - | 49 |
| Strategic Ministry Fund - curates | - | 91 | (91) | - | - | - |
| Strategic Development Fund | 32 | 141 | (193) | 58 | - | 38 |
| Strategic Capacity Fund | 23 | - | (15) | - | - | 8 |
| Other grant funds | 30 | 54 | (65) | (1) | - | 18 |
| Education Funds | 462 | 10 | - | (5) | 50 | 517 |
| Uniform Statutory Trust | 2,789 | 51 | (50) | (55) | 314 | 3,049 |
| Total restricted funds | 57,603 | 689 | (689) | (2) | 5,663 | 63,264 |
| Endowment funds | | | | | | |
| Diocesan Stipends Fund | | | | | | |
| - Investment Fund | 7,473 | 7 | - | 359 | - | 7,839 |
| - Unapplied Total Return | 13,644 | 346 | (72) | (872) | 2,847 | 15,893 |
| Total endowment funds | 21,117 | 353 | (72) | (513) | 2,847 | 23,732 |
| Total movement in funds | 83,068 | 5,610 | (6,736) | - | 9,045 | 90,987 |

Comparatives for 2020 can be found in note 40 to these accounts.

Notes to the accounts

For the year ended 31 December 2021

26. Endowment Fund – Total Return

| | Investment Fund £'000 | Unapplied Total Return £'000 | Total Endowment £'000 |
|---|-----------------------------|------------------------------------|--------------------------------------|
| At 1 January 2021 | 7,473 | 13,644 | 21,117 |
| Movements in the reporting period: | | | |
| Dividends and interest | - | 233 | 233 |
| Glebe land rent | - | 104 | 104 |
| Glebe commercial property rental income | - | 9 | 9 |
| Trust income | 7 | - | 7 |
| Realised and unrealised gains and (losses) | - | 2,847 | 2,847 |
| Transfer from general fund for reduction in clergy pension deficit payments liability | - | 144 | 144 |
| Less: | | | |
| Investment management costs | - | (62) | (62) |
| Glebe land development costs | - | (10) | (10) |
| Indexation using CPIH: 4.8% | 359 | (359) | - |
| | 366 | 2,906 | 3,272 |
| Unapplied Total Return allocated to income to be used for stipends: | | | |
| - Equating to dividend, interest and rents | - | (346) | (346) |
| - Equating to 0.5% of equity investments | - | (61) | (61) |
| - Additional annual transfer | - | (250) | (250) |
| | - | (657) | (657) |
| Net movements in report period: | 366 | 2,249 | 2,615 |
| At 31 December 2021 | 7,839 | 15,893 | 23,732 |

The trustees adopted a Total Return accounting approach under the Diocesan Stipend Funds (Amendment) Measure 2016 with effect from 1 January 2019. Comparatives for 2020 can be found in note 41.

27. Net income for the year

Net income for the year is stated after charging:

| | 2021 £'000 | 2020 £'000 |
|---|-----------------------|---------------|
| Depreciation of tangible fixed assets | 10 | 10 |
| Rentals charged under operating leases | 16 | 17 |
| Amounts payable to external auditors for: | | |
| - statutory audit | 26 | 20 |
| - tax advisory services | - | 1 |

Notes to the accounts

For the year ended 31 December 2021

28. Financial commitments – operating leases

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

| | 2021 | 2020 |
|---|--------------|-------|
| | £'000 | £'000 |
| Minimum lease payments payable: | | |
| Within one year of the balance sheet date | 1 | 1 |

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

| | 2021 | 2020 |
|--|--------------|-------|
| | £'000 | £'000 |
| Minimum lease payments receivable | | |
| Within one year of the balance sheet date | 24 | - |
| Within two to five years of the balance sheet date | 86 | - |

29. Post balance sheet events and contingent liabilities

There were no post balance sheet events or contingent liabilities as at 31 December 2021.

30. Staff costs

Staff costs were as follows:

| | 2021 | 2020 |
|--------------------------|--------------|-------|
| | £'000 | £'000 |
| Gross salaries and wages | 1,128 | 1,166 |
| Social Security costs | 104 | 109 |
| Pension contributions | 122 | 117 |
| | 1,354 | 1,392 |

Included in staff costs in 2020 is an amount of £11,000 relating to voluntary redundancy payments.

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

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For the year ended 31 December 2021

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

| | 2021 | | 2020 | |
|---|------------------|------------------|------------------|------------------|
| | Number Full-time | Number Part-time | Number Full-time | Number Part-time |
| Support ministers / staff | 10.0 | 9.0 | 11.2 | 6.2 |
| Education | 2.0 | 2.0 | 2.0 | 2.0 |
| Diocesan officers | 3.0 | 1.0 | 3.0 | 1.0 |
| Diocesan administration staff | 2.0 | 6.3 | 3.0 | 5.0 |
| Grant funded Intergenerational Missioners | 3.5 | 3.0 | 5.0 | 2.0 |
| Grant funded support staff | - | 1.0 | 1.0 | 0.2 |
| Grant funded deanery staff | - | 1.0 | - | 1.0 |
| | 20.5 | 23.3 | 25.2 | 17.4 |

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

| | 2021 Number | 2020 Number |
|--|----------------|----------------|
| Support ministers / staff | 15.1 | 15.0 |
| Education | 3.2 | 3.2 |
| Diocesan officers | 3.8 | 3.8 |
| Diocesan administration staff | 6.0 | 5.7 |
| Grant supported Intergenerational Missioners | 5.3 | 6.0 |
| Grant funded support staff | 0.8 | 1.1 |
| Grant funded deanery staff | 0.7 | 0.7 |
| | 34.9 | 35.5 |

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

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

| | 2021 Number | 2020 Number |
|-------------------|----------------|----------------|
| £70,000 - £80,000 | 1 | 1 |

30.1 Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2021 they were:

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

Remuneration (including employer's National Insurance) and pensions for these employees amounted to £223,200 (2020: £211,500).

Notes to the accounts

For the year ended 31 December 2021

30.2 Trustees' emoluments

No Trustee received any remuneration for services as Trustee. Four Trustees received travelling and out-of-pocket expenses totalling £1,469 (2020: £2,481 4 trustees) in respect of General Synod duties, duties as Archdeacon or Rural Dean, and other duties as Trustees.

The Church Commissioners are responsible for the stipends and housing of the Diocesan Bishop and the stipend of the Archdeacon of Ludlow (ex officio trustees). Parochial clergy, the Archdeacon of Hereford and support ministers who are trustees of the HDBF, whether ex officio, elected, appointed or co-opted, are in receipt of a stipend, housing and training/sabbatical grants paid via the Board by virtue of their office. Two trustees received clergy resettlement grants totalling £5,054 (2020: 1 trustee received a clergy study grant of £45).

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

| | Stipend | Housing/ housing allowance |
|---------------------|---------|----------------------------------|
| The Ven D Chedzey | Yes | Yes |
| The Ven F R Gibson | No | Yes |
| Revd Preb S Cawdell | Yes | Yes |
| Revd Preb W A Buck | Yes | Yes |
| Revd G Cole | Yes | Yes |
| Revd G Smith | Yes | Yes |
| Preb J Davies | Yes | Yes |

The Board also met the stipends, pensions and social security costs of an average of 83 (2020: 81) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Stipends | 2,308 | 2,211 |
| National insurance contributions including Apprenticeship levy | 197 | 185 |
| Pension costs - current year | 690 | 553 |
| - deficit reduction | 152 | 243 |
| | 3,347 | 3,192 |

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

31. Related parties

Herefordshire Vennture, a charitable organisation of which Revd J Rogers (HDBF Chair of Trustees) and Mr S Pratley (Diocesan Secretary) are trustees, leased office space within the HDBF St Barnabas Church property at £4,590 for the year (2020: £6,790).

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

- Mr A Teale (Diocesan Director of Education) is also a Director of DHMAT.

Notes to the accounts

For the year ended 31 December 2021

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

During the year, invoices net of VAT totalling £6,375 (2020: £6,375) for partnership costs were raised from HDBF to DHMAT. The balance outstanding at the end of the year was £6,375 (2020: £nil).

During the year, invoices net of VAT totalling £62,364 (2020: £52,560) were raised from DHMAT to HDBF for salary and administration costs. The balance outstanding at the year-end was £nil (2020: £nil).

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

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

Hereford Cathedral is a related party of HDBF. Bishop's Council select two members to sit on the Cathedral Council for a period of 5 years and the Dean of Hereford Cathedral is also an ex-officio Director of HDBF. During the year, invoices net of VAT totalling £1,381 were raised from HDBF to the Cathedral for safeguarding costs (2020: £4,500). The balance outstanding at the year end was £nil (2020: £3,485). During the year, invoices net of VAT totalling £4,686 (2020: £1,474) were raised from the Cathedral to HDBF for salary and administration costs. The balance at the year end was £nil (2020: £nil)

The Ven D Chedzey (an HDBF Trustee) is also Vice Chair of Trustees of the Hereford Historic Churches Trust. During 2020, HDBF received a grant from the Hereford Historic Churches Trust amounting to £5,000.

32. Pension commitments

32.1 Church of England Funded Pension Scheme (CEFPS)

The Hereford Diocesan Board of Finance participates in the Church of England Funded Pension Scheme for stipendiary clergy, a defined benefit pension scheme, and as at 31 December 2021 had 87 members in the scheme (2020: 85). This scheme is administered by the Church of England Pensions Board, which holds the assets of the Scheme separately from those of the Responsible Bodies.

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

The Scheme is considered to be a multi-employer scheme as described in section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to each specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2021: £703k, 2020 £555k), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £711k for 2021 (2020: £556k).

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

- An average discount rate of 3.2% p.a.;
- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a.;
- Mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CMI2018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter" of 7 and an initial addition to mortality improvements of 0.5% p.a.

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

Notes to the accounts

For the year ended 31 December 2021

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

As at 31 December 2019, 31 December 2020 and 31 December 2021 the deficit recovery contributions under the recovery plan in force at that time were as set out in the above table.

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

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2020 and over 2021 is set out in the table below.

| | | |
|--|--------------|-------|
| | 2021 | 2020 |
| | £'000 | £'000 |
| Balance sheet liability as at 1 January | 296 | 538 |
| Deficit contribution paid | (152) | (243) |
| Interest cost (recognised in the SoFA) | - | 5 |
| Remaining change to balance sheet liability* (recognised in SoFA) | 8 | (4) |
| Balance sheet liability as at 31 December | 152 | 296 |

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

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions. In general, these are set by reference to the duration of the deficit recovery payments but, as at 31 December 2021, under accounting rules the payments are not discounted since the remaining recovery plan is less than 12 months. No price inflation assumption is needed since pensionable stipends for the remainder of the recovery plan are already known.

| | | | |
|---------------------------------------|------------------|------------------|------------------|
| | December 2021 | December 2020 | December 2019 |
| Discount rate | 0.0% p.a. | 0.2% p.a. | 1.1% p.a. |
| Price inflation | n/a | 3.1% p.a. | 2.8% p.a. |
| Increase to total pensionable payroll | -1.5% p.a. | 1.6% p.a. | 1.3% p.a. |

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

32.2 Church of England Pension Builder Scheme

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

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

Notes to the accounts

For the year ended 31 December 2021

Pension Builder Scheme

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

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

Pension contributions are recorded in an account for each member. Discretionary bonuses may be added before retirement, depending on investment returns and other factors. The account, plus any bonuses declared is payable, unreduced, from age 65.

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

The Scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and means that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are the contributions payable (2021: £72k, 2020: £67k).

A valuation of the Pension Builder scheme is carried out once every three years; the most recent was carried out as at 31 December 2019. The next valuation is due as at 31 December 2022.

For the Pension Builder 2014 section, the valuation revealed a surplus of £5.5m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

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

At 31 December 2021, HDBF had 36 active members (2020: 32) in the Pension Builder 2014. Contributions outstanding at the year end amounted to £nil (2020: £nil).

32.3 Hereford Diocesan Board of Finance: other staff pension arrangements

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

Contributions to the various schemes during the year totalled £22,941 (2020: £22,079) and were charged to the Income and Expenditure Account. Contributions outstanding at the year-end amounted to £1,384 (2020: £1,298).

Notes to the accounts

For the year ended 31 December 2021

33. Description of funds

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

Designated funds

Total Return Mission Funds

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

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

Endowment fund

Diocesan Stipends Fund

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

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

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

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

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

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

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

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

Restricted funds:

Pastoral Fund

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

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

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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 Church of England's Ministry Division. From 1 January 2017, a block grant has been receivable by HDBF, out of which training and maintenance costs are met. Any unused funds at the end of each year can only be used to fund future training and maintenance costs.

Education Funds

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

Restructuring Fund (2020 only)

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

Strategic Development Funds

This fund relates to projects which have received funds from the Archbishops' Council Strategic Development Fund (SDF) together with any associated parish funding and HDBF match funding. As at 31 December 2021 this fund related wholly to the 'Intergenerational Missioner' project employing seven Intergenerational Missioners across six market towns in the Diocese. The Intergenerational Missioner project is funded 25% by local PCC contributions, 50% from Archbishops' Council (SDF), and 25% by HDBF.

Notes to the accounts

For the year ended 31 December 2021

Strategic Capacity Fund

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

Other Grant Funds

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

Uniform Statutory Trust Fund

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

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

In addition, the income may be applied as follows:

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

34. St. Barnabas Church, Hereford

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

35. Corporation tax

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

36. Closed schools

36.1 Sarn School

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

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For the year ended 31 December 2021

36.2 Westbury and Hope Primary Schools

Westbury and Hope Primary Schools were closed during 2017 with pupils transferred to Worthen Primary School. Westbury Primary School was sold in March 2020. The sale proceeds will ultimately flow to the DBF as part of the UST fund via a S.554 order. However, until such a time as the S.554 Order has been awarded, the proceeds of the sale are not available to use for other Diocesan schools. The S.554 Order was still in progress as at 31 December 2021 and therefore the proceeds are held within the Custodian trustee accounts. Hope Primary School will also be sold but, as the school was built and funded by the Local Authority, proceeds from the sale of the school will flow to the Local Authority.

37. Prior year comparative SoFA: year ended 31 December 2020

| | Unrestricted funds | | Restricted | Endowment | Total funds 2020 £'000 |
|---|--------------------|---------------------|----------------|----------------|------------------------------|
| | General £'000 | Designated £'000 | funds £'000 | funds £'000 | |
| Income and endowments from: | | | | | |
| Donations | | | | | |
| Parish share contributions | 3,498 | - | - | - | 3,498 |
| Archbishops' Council | 423 | - | 285 | - | 708 |
| Other donations | 194 | 2 | 77 | - | 273 |
| Charitable activities | 321 | - | - | - | 321 |
| Other trading income | 325 | - | 11 | - | 336 |
| Investment income | 78 | - | 154 | 368 | 600 |
| Other income | - | - | 3 | - | 3 |
| Total income and endowments | 4,839 | 2 | 530 | 368 | 5,739 |
| Expenditure on: | | | | | |
| Raising funds | 94 | - | 40 | 50 | 184 |
| Charitable activities: excl. pension deficit | 5,485 | 76 | 729 | - | 6,290 |
| Charitable activities: pension deficit | 1 | - | - | - | 1 |
| Total resources expended | 5,580 | 76 | 769 | 50 | 6,475 |
| Net income/(expenditure) before investment gains | (741) | (74) | (239) | 318 | (736) |
| Net gains/(losses) on investments | 122 | - | 248 | 1,064 | 1,434 |
| Net income/(expenditure) | (619) | (74) | 9 | 1,382 | 698 |
| Transfers between funds | 247 | 183 | 2 | (432) | - |
| Other recognised gains (losses) | | | | | |
| Gains/(losses) on revaluation of fixed assets | - | - | 2,825 | 95 | 2,920 |
| Net movement in funds | (372) | 109 | 2,836 | 1,045 | 3,618 |
| Funds brought forward at 1 January 2020 | 4,409 | 202 | 54,767 | 20,072 | 79,450 |
| Total funds at 31 December 2020 | 4,037 | 311 | 57,603 | 21,117 | 83,068 |

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For the year ended 31 December 2021

38. Prior year: Summary of assets by fund as at 31 December 2020

| | Tangible | | Current | Creditors | Net |
|----------------------------|---------------|---------------|--------------|----------------|---------------|
| | Fixed assets | Investments | Assets | | Assets |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Unrestricted funds | | | | | |
| General fund | 382 | 3,636 | 243 | (224) | 4,037 |
| Designated funds: | | | | | |
| Total Return Mission funds | - | 74 | 237 | - | 311 |
| | 382 | 3,710 | 480 | (224) | 4,348 |
| Restricted funds | | | | | |
| Pastoral fund | 49,399 | 4,379 | 483 | (33) | 54,228 |
| Mission and Ministry fund | - | - | 15 | - | 15 |
| Ordinands in training fund | - | - | 24 | - | 24 |
| Restructuring fund | - | - | - | - | - |
| Strategic development fund | - | - | 32 | - | 32 |
| Strategic capacity fund | - | - | 23 | - | 23 |
| Building strategy fund | - | - | (1) | - | (1) |
| Uniform Statutory Trust | - | 2,703 | 737 | (651) | 2,789 |
| Grant funds | - | - | 31 | - | 31 |
| Education Trusts | - | 431 | 31 | - | 462 |
| | 49,399 | 7,513 | 1,375 | (684) | 57,603 |
| Endowment funds | | | | | |
| Diocesan stipends fund | 1,770 | 18,905 | 763 | (321) | 21,117 |
| Total funds | 51,551 | 30,128 | 2,618 | (1,229) | 83,068 |

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For the year ended 31 December 2021

39. Prior year: Analysis of transfers between funds: year ended 31 December 2020

| | Unrestricted funds | | Restricted funds £'000 | Endowment funds £'000 | Total funds £'000 |
|---|--------------------|---------------------|---------------------------|--------------------------|------------------------------|
| | General £'000 | Designated £'000 | | | |
| Uniform Statutory Trust to unrestricted General Fund to support education | 60 | - | (60) | - | - |
| From General fund to Endowment fund for reduction in pension deficit liability | (242) | - | - | 242 | - |
| From Endowment fund to General fund for stipends under Total Return (see note 26) | 674 | - | - | (674) | - |
| From General fund to the Total Return Mission Fund to support mission projects | (250) | 250 | - | - | - |
| From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements | - | (61) | 61 | - | - |
| From Mission innovation Fund to support the Abbeydore Mission Co-ordinator Fund | - | (5) | 5 | - | - |
| From the Mission & ministry fund to the Mission innovation fund to support Ecumenical ministry in Ledbury | - | 4 | (4) | - | - |
| From the Holmer Church Plant fund to the General fund for manse costs | 4 | (4) | - | - | - |
| From the St Peters St James hub fund to the General fund for manse costs | 1 | (1) | - | - | - |
| From UST to Stottesdon School House trust in respect of loan ¹ | | | (152) 152 | | - - |
| | 247 | 183 | 2 | (432) | - |

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40. Prior year: Analysis of movements in funds: year ended 31 December 2020

| | Balance at 1 Jan 2020 £'000 | Income £'000 | Expenditure £'000 | Transfers between funds £'000 | Net gains (losses) on assets £'000 | Balance at 31 Dec 2020 £'000 |
|--------------------------------|-----------------------------------|-----------------|----------------------|--|---|------------------------------------|
| Unrestricted funds | | | | | | |
| General reserve | 4,409 | 4,839 | (5,580) | 247 | 122 | 4,037 |
| Designated reserves: | | | | | | |
| Total Return Mission funds | 202 | 2 | (76) | 183 | - | 311 |
| | 4,611 | 4,841 | (5,656) | 430 | 122 | 4,348 |
| Restricted funds | | | | | | |
| Pastoral reserve | 51,366 | 102 | (203) | - | 2,963 | 54,228 |
| Mission and Ministry reserve | 19 | - | - | (4) | - | 15 |
| Ordinands in training fund | 8 | 146 | (130) | - | - | 24 |
| Restructuring fund | 5 | 3 | (8) | - | - | - |
| Strategic development fund | 38 | 123 | (190) | 61 | - | 32 |
| Strategic capacity fund | 14 | 53 | (44) | - | - | 23 |
| Building strategy fund | 2 | - | (3) | - | - | (1) |
| Grant funds | 8 | 38 | (20) | 5 | - | 31 |
| Education trusts | 427 | 10 | (158) | 152 | 31 | 462 |
| Uniform statutory Trust | 2,880 | 55 | (13) | (212) | 79 | 2,789 |
| Total restricted funds | 54,767 | 530 | (769) | 2 | 3,073 | 57,603 |
| Endowment funds | | | | | | |
| Diocesan stipends fund | | | | | | |
| - Investment fund | 7,414 | - | - | 59 | - | 7,473 |
| - Unapplied Total Return | 12,658 | 368 | (50) | (491) | 1,159 | 13,644 |
| Total endowment funds | 20,072 | 368 | (50) | (432) | 1,159 | 21,117 |
| Total movement in funds | 79,450 | 5,739 | (6,475) | - | 4,354 | 83,068 |

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41. Prior year: Endowment Fund – Total Return: year ended 31 December 2020

| | Investment Fund £'000 | Unapplied Total Return £'000 | Total Endowment £'000 |
|---|-----------------------------|------------------------------------|--------------------------------------|
| At 1 January 2020 | 7,414 | 12,658 | 20,072 |
| Movements in the reporting period: | | | |
| Dividends and interest | - | 227 | 227 |
| Glebe land rent | - | 107 | 107 |
| Glebe commercial property rental income | - | 34 | 34 |
| Receipts for dilapidations | - | 1,159 | 1,159 |
| Realised and unrealised gains and (losses) | - | 242 | 242 |
| Transfer from general fund for reduction in clergy pension deficit payments liability | | | |
| Less: | - | (50) | (50) |
| Investment management costs | | | |
| Glebe land development costs | | | |
| Indexation using CPIH: 0.8% | 59 | (59) | - |
| | 59 | 1,660 | 1,719 |
| Unapplied Total Return allocated to income to be used for stipends: | | | |
| - Equating to dividend, interest and rents | - | (369) | (369) |
| - Equating to 0.5% of equity investments | - | (55) | (55) |
| - Additional annual transfer | - | (250) | (250) |
| | - | (674) | (674) |
| Net movements in report period: | 59 | 986 | 1,045 |
| At 31 December 2020 | 7,473 | 13,644 | 21,117 |