

Hereford Diocesan Board of Finance

Annual Report & Accounts 2022



— Diocese of —
Hereford
Proclaiming Christ ✦ Growing Disciples

Company limited by guarantee
Company number 144467
Charity number 249685

Hereford Diocesan Board of Finance

Report & Accounts for the year ended 31 December 2022

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Foreword by the Bishop of Hereford

For the year ended 31 December 2022

1. Foreword by the Bishop of Hereford

Dear Friends,

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

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

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

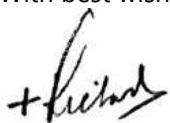
The ownership of the mission and ministry of the Church by the whole people of God will be vital to our thriving over the next few years. There is a renewed mobilisation of lay ministry happening. We licenced a number of new lay worship leaders a few weeks ago – we hope the first of many more authorised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

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

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

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

With best wishes,



The Rt. Revd Richard Jackson

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For the year ended 31 December 2022

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

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

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

STRATEGIC REPORT

2. Strategic aims

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

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

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

Our Shared Strategic Aims (2023 – 2030)

A strategy:

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

Achievements and performance

2.1 Overview

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

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

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

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

Listening Findings

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

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

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

Truths

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

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

Key achievements

Serving our local communities:

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

Education:

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

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

Safeguarding young people and vulnerable adults:

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

Mission and outreach:

- ❖ Extended Intergenerational Mission project into 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.

Learning and leadership:

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

Supporting our 400 churches:

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

Caring for the environment:

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

Financial stewardship:

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

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

2.2 The Christian presence

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

2.3 Public benefit

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

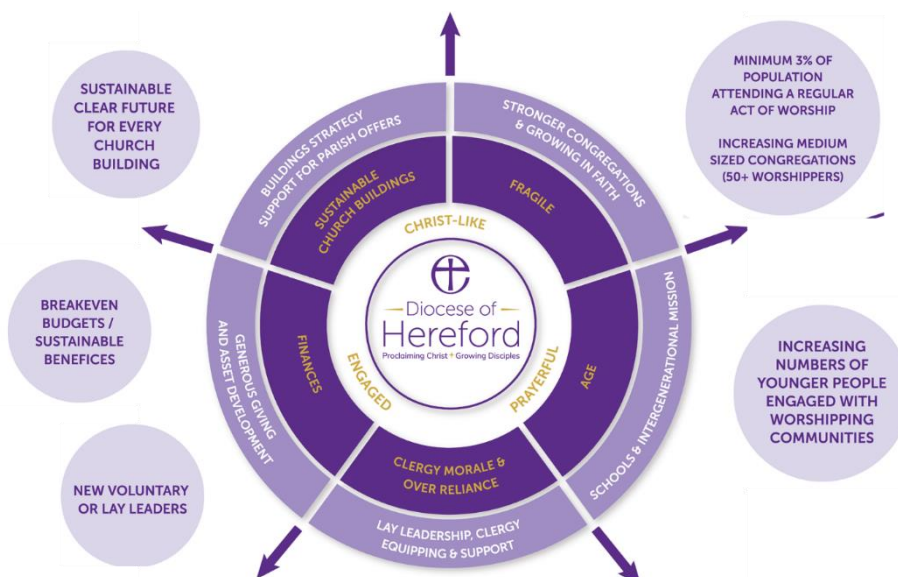
- providing facilities for public worship, pastoral care, and spiritual, moral and intellectual development, both for members and for anyone who wishes to benefit from what the Church offers;
 - The Diocese supports some 400 buildings in 350 parishes providing regular opportunities for public worship. As well as acts of worship, weddings and funerals, many of our buildings (in the absence of coronavirus restrictions) are accessed during the week for community activities.
- promoting Christian values, and service by members of local Anglican churches in and to their communities, for the benefit of individuals and society as a whole;
- community engagement, resourcing education (including our network of 78 schools) and supporting those in need both spiritually and physically.

3. Future plans

3.1 2023 and beyond

Our Strategy

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



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

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

We will do this by:

- Developing a creative **deployment plan** that carefully redeploys clergy to make sure we have the right people in the right place. This could involve some combining of benefices and deaneries in a strategic way to avoid unmanageable benefices. This would remove a few stipends but if we do it in a planned way, taking account of natural retirement ages, it could take eight years to fully transition.
- At the same time we will increase the support and training to existing **clergy** making sure they are **equipped for the future role**, regularly review their work and given manageable job roles.
- We are planning to train more **self-supporting ministers** and **lay leaders**. This aims to increase the level of the ministry on offer in parishes, not reduce it. We want to **release our excellent clergy to do more mission and discipleship work** and less work maintaining creaking parish structures and buildings management. We want to see a network of small groups training, praying, worshipping and learning together across the diocese.
- Post-COVID, HDBF has run an average annual operating deficit of close to £0.9m, which is why we need to explore ways of reducing our cost base. However, we will continue our highly developed **asset management strategy** to increase the value of our portfolio through creative property development, investigating new uses for land, selling poor-performing vicarages / houses and getting the best investment advice. This is not about 'selling the family silver'; it is about turning the silver into something even more valuable. In our central teams we will continue to look at our costs, find new ways to do things and set the tone for an engaged, generous, prayerful and creative diocese.
- Our asset development approach has boosted our Diocesan Stipends Fund enabling us release more to cover stipends and thereby **invest £250,000 of mission funds each year** in new projects specifically designed to stimulate growth and match fund other funders. This targeted investment is aimed at new initiatives to grow churches and congregations in our larger population areas in the hope that this rapid growth brings new energy, skills and money into the system that can be shared elsewhere. To date, this has funded work through the intergenerational missionaries, youth work through St Peter's and St James' Hereford, West Hereford, and chaplains at the two main Hereford City secondary schools, a pioneer church plant in Craven Arms, and supporting the deaneries of Kington & Weobley and Abbeydore to release the existing clergy.
- Finally, we will consider **new ways to keep our buildings open**. We don't want mass closures but it will be challenging to continue to heat, light, insure and maintain over 400 church buildings with the responsibility for this resting on just a small number of faithful members. We must find a new model and we will prioritise resources into investigating some of the emerging ideas coming forward from other dioceses and the national church.

Cultural Change

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

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PRAYERFUL CHRISTLIKE ENGAGED

We are starting by encouraging a year of prayer in 2023. This may evolve into future 'years of' (e.g. the year of the Bible, to be more Christ-like, or a year of generosity).

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

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

1. (Growing) Many of our benefices having a least one congregation with a usual attendance of over 50 in rural areas or 100 in our market towns, with a minimum of 3% of the population attending a regular form of worship.
2. (Discipleship & wellbeing) We want worshipping communities to reflect our values, to be taught to know clearly what they believe and to feel able to share their everyday faith with others. We want to love, equip and care for our lay and ordained leaders to feel supported to carry out their calling and mission to enable a Christian presence in every community.
3. (Sustainable) We want at least 200 new voluntary or lay leaders to be trained and commissioned to support our stipendiary clergy to increase our ministry on offer. We want 75% of benefices to be sustainable, covering ministry costs and contributing towards others.
4. (Younger) We want to see an increased focus on children, youth and families alongside existing ministry with specific mission centres established that can support the wider diocese leading to growing 'intergenerational' worshipping communities of all ages.
5. (Buildings) We want to support our PCCs by creating a practical strategy to manage our buildings. We want to see many churches providing regular active worship. We want to honour and cherish our existing, smaller congregations by providing them with more regular non-stipendiary ministry but give permission for churches to close at a PCC's request.
6. We want to build on our network of 78 church schools by establishing close links between school, home and church. We will develop chaplaincy support in schools and colleges.

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4. Financial review

4.1 Overview

2022 was the third successive year of financial challenge for the Hereford DBF following the COVID-19 pandemic, with only a modest overall recovery in Parish Offer contributions. The overall deficit for the year before investment gains and losses across all funds was £0.75m (2021: a deficit of £1.13m). This deficit comprised a net loss before investment gains/(losses) but including fund transfers of £(0.49)m (2021: £0.94m deficit) in unrestricted funds, £(0.06)m in restricted funds, and £(0.20)m in the endowment fund. The General fund outcome was £0.5m better than budget, and Trustees are confident that the DBF can deploy sufficient resources over the next few years to support its strategic goals, particularly as it draws on Total Return funds to invest in future growth initiatives.

Total income for the year increased 9.1% to £6.12m (2021: £5.61m). Parish contributions continue to provide the primary source of income for the DBF to pay for local stipendiary ministry and related costs. In some parishes, patterns of worship and attendance had still not recovered fully compared to pre-COVID pandemic levels, resulting in lower cash collections and fundraising. Parish Offer commitments for 2022 were £3.35m (2021: £3.37m), the collection rate was 97.7% (2021: 96.4%) with actual Parish Offer receipts nudging up to £3.29m (2021: £3.26m), although this represented a 6.4% decline in real terms.

Total expenditure for the year rose 2% to £6.87m compared to £6.74m in 2021. This was due primarily to an increase in restricted funds expenditure of £0.27k representing increased spending on mission and ministry projects. Reduced expenditure of £0.18m was also seen on the general fund, £0.07m of this is due to the movement of the Church of England pension scheme.

Net investment losses amounted to £2.3m (2021: £4.0m net gains) and a revaluation of fixed assets, mostly clergy housing resulted in a gain of £3.9m (2021: £5.0m). Gains relating to overage clauses (triggered by conditions that result in an uplift in land asset value subsequent to original sale) in the year amounted to £1.3m (2021: nil). The overall net movement in funds for 2022 after revaluation and overage gains was a surplus of £2.2m (2021: surplus of £7.9m). However, the net cash outflow from operating activities for the year was £(3.0)m (2021: net outflow of £(0.8)m).

The Unapplied Total Return ('UTR') element of the Endowment fund detailed in note 26 decreased by £0.1m (2021: £2.2m increase) during the year, resulting in a UTR of £15.8m as at 31 December 2022.

4.2 Comparison to budget

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

In November 2021, Diocesan Synod approved an overall operating budget deficit (based on the General fund, Diocesan Stipend fund and Pastoral fund) of £1,012k before investment gains & losses. The final management accounts result before year-end accounting adjustments was a deficit of £438k, a positive variance of £575k. In overall terms, this outcome was driven by better than expected levels of statutory fees, rental and investment income, and reduced clergy pension, housing and vacancy costs, as well as lower education and other diocesan support costs.

4.3 Significant property transactions

During the year, the DBF sold one house resulting in net proceeds of £0.39m. The DBF benefited from the activation of an overage clause on two plots of glebe land previously disposed of, generating net proceeds of £1.70m. In addition, the DBF entered into a binding contract in December 2022 for the disposal of a parcel of glebe land due to complete in June 2023, which will generate net proceeds of £0.90m.

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4.4 Balance sheet position

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

Net assets at the balance sheet date totalled £93.2m (2021: £91.0m), although it should be noted that £89.7m (2021: £87.0m) is held in restricted and endowment funds (mainly properties used for ministry and glebe assets) which cannot be used directly for the general purposes of the HDBF. The restrictions that relate to these funds are detailed in note 33 to the accounts. The movement in net assets of £2.2m in the year comprises the fixed asset unrealised revaluation gains of £3.9m, realised overage gains of £1.3m, partially offset by unrealised net investment losses of £(2.2)m and 2022 net operating expenditure of £(0.8)m.

4.5 Review of the Statement of Financial Activities by fund

Unrestricted General fund

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

	2022	2021	Variance
	£'000	£'000	£'000
Income			
Parish Offer contributions	3,287	3,256	31
All other sources of income	1,346	1,290	56
Total income	<u>4,633</u>	<u>4,546</u>	87
Expenditure			
Raising funds and charitable activities before pension adjustments	(5,642)	(5,828)	186
Net gains on investments and disposals of fixed assets	(482)	535	(1,017)
Gains on revaluations of fixed assets	499	-	499
Transfers between funds (excluding pension movements):			
From the DSF ¹ for investment income arising	486	407	79
From HDBF Uniform Statutory Trust	60	60	-
From Pastoral re. St Barnabas Church, Hereford	120	-	120
Other	16	17	(1)
Total transfers between funds (excluding pension movements)	<u>682</u>	<u>484</u>	198
From General to DSF: reduction in pension deficit liability	(152)	(144)	(8)
Net movements in funds as per SoFA	(462)	(407)	(55)
General funds brought forward as at 1 January 2021	<u>3,630</u>	<u>4,037</u>	(407)
General funds carried forward as at 31 December	<u>3,168</u>	<u>3,630</u>	(462)

¹DSF: Diocesan Stipends Fund

Designated funds

In order to encourage mission within the Diocese, the Trustees have agreed to set aside £250k annually into a designated 'Total Return Mission Fund'. During 2022 £208k (2021: £147k) was applied to mission projects with the balance at the year-end standing at £346k (2021: £361k). As at 31 December 2022, commitments for approved projects totalled £1,252k, with future payments expected in the period 1 January 2022 to 31 December 2027.

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Restricted funds

As set out in note 24, the HDBF administers a number of restricted funds. As at 31 December 2022, restricted funds totalled £65.3m (2021: £63.3m). These funds are not available for the general purposes of the HDBF with the exception of surpluses arising on the Pastoral fund as set out in note 33. As at 31 December 2022 the Pastoral Fund surplus, as represented by cash and fixed asset investments, amounted to £6.3m (2021: £7.0m).

Endowment (Diocesan Stipends) fund

The Endowment fund recorded net income of £360k (2021: 281k) before investment gains. The fund is made up of two components: the Trust for Investment and the Unapplied Total Return. As at 31 December 2022, the balance on the Trust for Investment amounted to £8.6m (2021: £7.8m) and is not available for the general purposes of the HDBF. The balance on the Unapplied Total Return fund at the year-end was £15.8m (2021: £15.9m). The Unapplied Total Return fund is available to support clergy stipends over the long term.

4.6 Investment performance

Overall performance

The total value of all investments (including DSF endowment fund net current assets) at 31 December 2022 was £33.5m (2021: £35.1m) and the total return on investment was -2.5% (2021: +15.6%).

Listed investments for each fund are held with CCLA Investment Management Ltd and Rathbone Investment Management Ltd. Rathbone investment managers have a mandate to generate a return from each portfolio of CPI+4%, with a balance between capital growth and income, managed with a medium risk profile. From 1 January 2019, the Main, Pastoral and Diocesan Stipends Fund portfolios were managed on a total return basis and UST fund portfolio managed on a total return basis from 1 January 2022. In the year to 31 December 2022, the combined Rathbones portfolios achieved a total return of -12.2% (2021: +16.4%) compared to the composite benchmark of -6.3% (2021: 14.7%). The discrete 2022 performance clearly lagged the target level of return expected under the investment mandate of CPI+4% (2022 CPI+4% was +13.1% compared to 2021 CPI+4% of +6.6%), although this target is monitored over the long-term.

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

Agricultural, commercial and industrial land and buildings (excluding school land) were valued at £7.8m at 31 December 2022 (2021: £7.8m). Rents receivable from glebe amounted to £127k (2021: £113k) – an income yield of 1.6% (2021: 1.6%).

4.7 Reserves policy

General unrestricted fund

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

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

- Economic instability giving rise to a significant fall in Parish Offer;

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- Inflationary pressures above expectation;
- Unavoidable increases in expenditure.

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

Based on 2022 budgeted expenditure, the amount of free reserves required under this policy totals £2.0m. As at 31 December 2022, the unrestricted reserves (excluding property) stood at £2.2m, which included approximately £0.5m of Parish Offer monies received in December. This free reserves figure excludes £1.0m of General fund freehold property and office equipment that could only be realised through asset disposal. It also excludes £346k of designated fund, £65.3m of restricted fund and £24.4m endowment fund assets that are not available for the general purposes of the charity. Although the General fund year-end reserves figure of £2.2m is slightly above the minimum level indicated by the policy, the Directors consider this amount to be appropriate in view of future projected operating deficits and liquidity requirements. Management and trustees monitor reserve levels throughout the year and take remedial action as required.

4.8 Grant making policy

The Memorandum of Association of the HDBF permits the company to make grants in pursuance of its objects, and the nature of grants made in 2022 is indicated in note 14 to the financial statements.

4.9 Going concern

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

4.10 Investment policy

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

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

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

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

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

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

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

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For the year ended 31 December 2022

4.11 Total Return accounting

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

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

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

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

4.12 Linked charities: HDBE and UST

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

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

Income arising on the UST during 2022 amounted to £73k (2021: £51k) and was attributable to investment income. Expenditure amounted to £39k (2021: £50k) and was attributable largely to investment management costs and grants to schools. The trustees of the Hereford Diocese Board of Education have the discretionary authority to make grants from UST capital to support school building projects. In 2020 a loan was made from the UST to the Stottesdon School Trust, a Trust accounted for as a branch of HDBF. As at 31 December 2022, the loan stood at £141k (2021: £147k). This loan has been eliminated on consolidation of HDBF branches and repayments appear as a transfer between funds. A further transfer of £60k (2021: £60k) was made from the UST to the HDBF general fund to support the educational work of the Diocese.

The UST receives School Condition Allocations (SCA) funds annually from the Department of Education to fund school capital projects. These funds are not income of UST but rather the UST acts as agent to facilitate

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For the year ended 31 December 2022

the projects. The funds are ring-fenced and shown as a creditor of the UST. At the year-end, the SCA creditor amounted to £283k (2021: £856k).

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

5. Principal risks & uncertainties

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

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

5.1 *Decline in church attendance*

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

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

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

5.3 *Parish Offer and cash flow*

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

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

Annual report

For the year ended 31 December 2022

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

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

6. Legal objects and responsibilities

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

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

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

The HDBF has the following statutory responsibilities: -

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

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

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For the year ended 31 December 2022

7. Structure, governance and management

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

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

7.1 Organisational structure of the Diocese

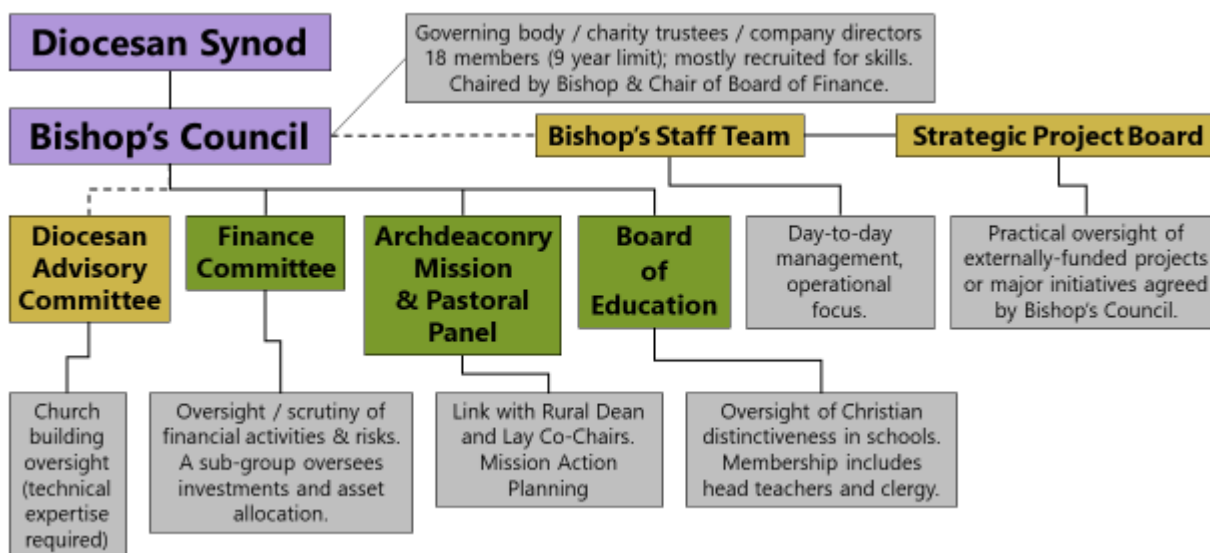
7.1.1 Geography

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

7.1.2 Overview of Board and Committee structure

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

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



7.2 Company status

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

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For the year ended 31 December 2022

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

7.3 Trustee training

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

7.4 Remuneration of key management personnel

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

7.5 Directors' insurance

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

7.6 Funds held as custodian trustee

The HDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements as the HDBF does not control them, and they are segregated from the HDBF's own assets by means of a separate accounting system. Further details of financial trust assets, whose market value amounted to £5.2m at 31 December 2022 (2021: £5.6m), are available from the HDBF on request.

7.7 Related parties

7.7.1 General Synod, Church Commissioners and Archbishops' Council

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

7.7.2 Diocese of Hereford Multi-Academy Trust (DHMAT)

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

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For the year ended 31 December 2022

7.7.3 Parochial Church Councils (PCCs)

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

7.7.4 Pension schemes

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

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

8. Directors' responsibilities

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

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

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

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

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

9. Statement of disclosure to the auditor

So far as the Directors are aware:

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

Annual report

For the year ended 31 December 2022

10. Reference and administrative details

10.1 Administrative details

Company limited by guarantee, registration number 144467

Charity registration number 249685

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

Telephone: 01432 373300

Email: diooffice@hereford.anglican.org

Website: www.hereford.anglican.org

10.2 Directors

The following served as Directors and Trustees from 1 January 2022 to the date this report was approved (unless shown otherwise):

Ex officio Directors:

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

Revd C J Rogers – Chair

The Very Revd S R D Brown

The Ven D C Chedzey

The Ven F R Gibson

RAdm P Wilcocks (until 9 April 2023)

Elected Directors:

Revd Preb W A Buck

Mrs J C Beavan

Revd G S Cole

Preb J A Davies (unit 13 Oct 2022)

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

Revd G P Smith

Ms S J Smith (until 13 October 2022)

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

Nominated Directors:

Mrs R Gittins (until 13 Oct 2022)

Mr M R Hall

Mr T N Hone (until 9 December 2022)

Mr N A Sellar

Principal officers

Diocesan Secretary: Mr S R Pratley

Director of Finance: Mr S G P Herbert

10.3 Members of the Board

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

10.4 Agents

Solicitors / Registrar

Gabbs Solicitors

14 Broad Street

Hereford

HR4 9AP

Investment managers

Rathbone Brothers PLC

8 Finsbury Circus

London

EC2M 7AZ

CCLA Investment Management Limited

One Angel Lane

London

EC4R 3AB

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For the year ended 31 December 2022

Bankers

Lloyds Bank PLC
8 High Town
Hereford
HR1 2AE

Glebe agents – agricultural

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

Insurance agents

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

Independent auditor

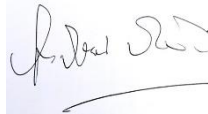
Crowe UK LLP
Round Greens Road
Oldbury
West Midlands
B69 2DG

The Directors' annual report is approved on behalf of the Board of Directors and the Strategic Report (included therein) is approved by the Board of Directors on 22 June 2023 and signed on its behalf by:



.....
Revd Jane Rogers

Chair
22 June 2023



.....
Mr Andrew Wood

Director
22 June 2023

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

Opinion

We have audited the financial statements of The Hereford Diocesan Board of Finance for the year ended 31 December 2022, which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2022, and of the charitable company's net movement in funds, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Trustees for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Based on our understanding of the charitable company and the environment in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to safeguarding vulnerable beneficiaries, health and safety, and employment (including taxation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Charities Act 2011 and Church of England Measures.

Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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

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

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

Use of our report

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



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

For and on behalf of Crowe UK LLP, Statutory Auditor

Round Greens Road, Oldbury, West Midlands B69 2DG

12 July 2023

Statement of financial activities

For the year ended 31 December 2022

		Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	funds	funds	2022	2021
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:							
Donations							
Parish Offer contributions	3	3,287	-	-	-	3,287	3,256
Archbishops' Council	4	393	9	625	-	1,027	729
Other donations	5	109	19	127	1	256	244
Charitable activities	6	411	-	-	-	411	403
Other trading income	7	352	-	17	-	369	305
Investment income	8	81	-	213	415	709	566
Other income	9	-	-	56	-	56	107
Total income and endowments		4,633	28	1,038	416	6,115	5,610
Expenditure on:							
Raising funds	10	109	-	52	56	217	242
Charitable activities: excl. pension deficit	11	5,598	208	910	-	6,716	6,486
Charitable activities: remeasurement of pension deficit liability	32	(65)	-	-	-	(65)	8
Total expenditure		5,642	208	962	56	6,868	6,736
Net (expenditure)/income before investment gains		(1,009)	(180)	76	360	(753)	(1,126)
Net gains/(losses) on investments		(482)	-	(1,214)	(558)	(2,254)	4,036
Net (expenditure)/income		(1,491)	(180)	(1,138)	(198)	(3,007)	2,910
Transfers between funds	23	530	165	(133)	(562)	-	-
Other recognised gains							
Gains on revaluation of fixed assets	15	499	-	3,300	133	3,932	5,009
Overage gains		-	-	64	1,250	1,314	-
Net movement in funds		(462)	(15)	2,093	623	2,239	7,919
Funds brought forward at 1 January		3,630	361	63,264	23,732	90,987	83,068
Funds carried forward at 31 December		3,168	346	65,357	24,355	93,226	90,987

All activities derive from continuing activities. The Notes on pages 29 to 62 form part of the financial statements.

Income and expenditure account

For the year ended 31 December 2022

	2022	2021
	£'000	£'000
Total income	5,699	5,257
Total expenditure	(6,812)	(6,664)
Operating deficit for the year	(1,113)	(1,407)
Net gains on investments	(1,696)	1,355
Net expenditure for the year	(2,809)	(52)
Other comprehensive income:		
Revaluation of fixed assets	3,799	4,843
Overage gains	64	-
Net assets transferred from endowments	562	513
Total comprehensive income	1,616	5,304

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

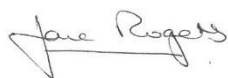
Balance sheet

For the year ended 31 December 2022

Company Number: 144467

	Note	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
		General	Designated			£'000	£'000
		£'000	£'000	£'000	£'000		
Fixed assets							
Tangible assets	15	998	-	55,923	2,069	58,990	54,818
Investment property	17	-	-	518	7,781	8,299	8,263
Other investments	18	2,015	70	8,633	12,392	23,110	26,708
		3,013	70	65,074	22,242	90,399	89,789
Current assets							
Stocks		2	-	-	-	2	3
Debtors: amounts falling due within one year	19	305	9	55	829	1,198	289
Debtors: amounts falling after one year	20	9	-	4	-	13	8
Cash at bank & in hand		27	272	875	1,329	2,503	2,419
		343	281	934	2,158	3,716	2,719
Creditors: amounts falling due within one year	21	(188)	(5)	(651)	(45)	(889)	(1,521)
Net current assets/(liabilities)		155	276	283	2,113	2,827	1,198
Total assets less current liabilities		3,168	346	65,357	24,355	93,226	90,987
Creditors: amounts falling due after more than one year	22	-	-	-	-	-	-
Net Assets		3,168	346	65,357	24,355	93,226	90,987
Funds							
Unrestricted income fund	24	3,168	-	-	-	3,168	3,630
Designated funds	24	-	346	-	-	346	361
Restricted income funds	24	-	-	65,357	-	65,357	63,264
Endowment funds	24	-	-	-	24,355	24,355	23,732
Total funds		3,168	346	65,357	24,355	93,226	90,987

The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 22 June 2023 and signed on their behalf by:



.....
Revd Jane Rogers

Chair

22 June 2023

Cash flow statement

For the year ended 31 December 2022

	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Net cash outflow from operating activities		(3,041)		(785)
Cash flows from investing activities				
Dividends, interest and rent from investments		709		566
Proceeds from the sale of:				
Tangible fixed assets for the use of HDBF	387		1,550	
Fixed asset investments	11,357		4,290	
Proceeds from overage gains	1,315			
Purchase of:				
Tangible fixed assets for the use of HDBF	(598)		(10)	
Fixed asset investments	(10,049)		(4,813)	
Net cash provided by investing activities		2,412		1,017
Cash flows from financing activities				
Loan repaid to HDBF		4		4
Change in cash and cash equivalents in the reporting period		84		802
Net cash funds as at 1 January		2,419		1,617
Net cash funds as at 31 December		2,503		2,419
Notes to the cash flow statement				
<i>Reconciliation of net movements in funds to net cash flow from operating activities</i>				
Net movement in funds for the year ended 31 December		(753)		(1,126)
Add: depreciation & amortisation charges		10		10
Less: dividends, interest and rent from investments		(709)		(566)
(Loss)/profit on sale of functional assets		(40)		(92)
(Increase)/Decrease in stocks		1		(1)
Decrease/(Increase) in debtors		(918)		698
Increase in creditors		(632)		292
Net cash used in operating activities		(3,041)		(785)

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

Notes to the accounts

For the year ended 31 December 2022

1. Accounting policies

1.1 General information

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

1.2 Accounting convention and basis of accounting

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

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

1.3 Income

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

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

1.4 Expenditure

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

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

Notes to the accounts

For the year ended 31 December 2022

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

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

1.6 Tangible fixed assets and depreciation

Freehold properties

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

Investment properties

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

Notes to the accounts

For the year ended 31 December 2022

Parsonage houses

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

Other tangible fixed assets

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

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

Fixed asset investments

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

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

1.7 Financial instruments

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

1.8 Debtors

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

Notes to the accounts

For the year ended 31 December 2022

1.9 **Creditors and provisions**

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

1.10 **Equity share loan**

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

1.11 **Leases**

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

1.12 **Stocks**

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

1.13 **Fund balances**

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

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

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

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

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

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

Notes to the accounts

For the year ended 31 December 2022

1.14 Trust funds

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

1.15 Linked charities

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

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

1.16 Going concern

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

1.17 Accounting for open schools and related Trust property

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

1.18 Accounting for closed schools and related Trust property

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

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

Notes to the accounts

For the year ended 31 December 2022

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

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

2. Critical accounting judgements and estimates

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

2.1 Critical judgements

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

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

2.2 Estimation uncertainty

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

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

Notes to the accounts

For the year ended 31 December 2022

3. Parish Offer contributions

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	General	Designated				
	£'000	£'000				
Current year Parish Offer committed	3,350	-	-	-	3,350	3,370
Shortfall in commitments	(77)	-	-	-	(77)	(123)
	3,273	-	-	-	3,273	3,247
Received for previous years	14	-	-	-	14	9
	3,287	-	-	-	3,287	3,256

The Parish Offer system is based on annual commitments made by PCCs to contribute to the 'Common Fund' of the Diocese. Parish Offer receipts in 2022 represented 97.7% (2021: 96.4%) of the total commitments made. All Parish Offer receipts in 2021 related to the General fund.

4. Archbishops' Council

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	General	Designated				
	£'000	£'000				
Lowest Income Communities funding (LInC)	368	-	-	-	368	298
Transitional support funding	12	-	-	-	12	92
Other grant funding	12	9	626	-	647	339
	392	9	626	-	1,027	729

The Lowest Income Communities (LInC) funding supports stipendiary ministry in the most deprived areas of the Diocese. The transitional funding is currently used to fund clergy stipends across the Diocese. In 2021 the LInC income and Transitional support funding was attributable to the General fund, other grant funding was attributable £23k to the General fund and £316k to Restricted funds.

5. Other donations

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	General	Designated				
	£'000	£'000				
Trust income and grants	24	-	80	1	105	99
PCC partnership income	-	19	47	-	66	59
Benefact Trust (Ecclesiastical Ins.) - share of profits	77	-	-	-	77	80
Donations & sundry income	8	-	-	-	8	6
	109	19	127	1	256	244

In 2021, £24k of Trust income and grants was attributable to the General fund, £8k to Designated funds, £60k to Restricted funds and £7k to Endowment funds. PCC partnership income in 2021 was attributable £14k to Designated funds and £45k to Restricted funds. All other donations in 2021 were attributable to the General fund.

Notes to the accounts

For the year ended 31 December 2022

6. Charitable activities

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	General	Designated				
	£'000	£'000				
Fees for occasional offices	360	-	-	-	360	360
Income from educational activities	51	-	-	-	51	43
	411	-	-	-	411	403

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

7. Other trading income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	General	Designated				
	£'000	£'000				
Rental income	352	-	15	-	367	304
Other trading income	-	-	2	-	2	1
	352	-	17	-	369	305

In 2021, £293k of the rental income was attributable to the General fund and £11k to Restricted funds. All of the other trading income in 2021 was attributable to Restricted funds.

8. Investment income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	General	Designated				
	£'000	£'000				
Rents receivable	-	-	14	126	140	122
Interest & dividends receivable	81	-	199	289	569	444
	81	-	213	415	709	566

£9k of the rents receivable in 2021 were attributable to Restricted funds, with the remainder attributable to Endowment funds. £71k of the interest & dividends receivable in 2021 were attributable to the General fund, £140k to Restricted funds and £233k to Endowment funds.

9. Other income

	Unrestricted funds		Restricted funds	Endowment funds	Total 2022	Total 2021
	General	Designated				
	£'000	£'000				
Redundant church costs recovered	-	-	17	-	17	15
Gain on disposal of fixed assets	-	-	39	-	39	92
	-	-	56	-	56	107

All other income in 2021 was attributable to Restricted funds.

Notes to the accounts

For the year ended 31 December 2022

10. Fund raising costs**10.1 Fund raising costs 2022**

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

10.2 Fund raising costs 2021

	Unrestricted funds		Restricted funds £'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	19	-	-	-	19
	97	-	73	72	242

Notes to the accounts

For the year ended 31 December 2022

11. Charitable activities**11.1 Charitable activities excluding remeasurement of pension deficit liability 2022**

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

11.2 Charitable activities excluding remeasurement of pension deficit liability 2021

	Unrestricted funds		Restricted funds £'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

Notes to the accounts

For the year ended 31 December 2022

12. Analysis of support costs

	Unrestricted funds		Restricted funds £'000	Endowment funds £'000	Total 2022 £'000	Total 2021 £'000
	General	Designated				
	£'000	£'000				
Salary and employment costs	346	-	-	-	346	355
Property costs	48	-	-	-	48	43
Office costs	71	-	1	-	72	62
Legal and professional fees	74	-	-	-	74	73
General Synod representation	8	-	-	-	8	6
Governance costs	32	-	-	-	32	25
	579	-	1	-	580	564

All support costs in 2021 were attributable to the general fund except for £1k of office costs attributable to restricted funds.

13. Analysis of expenditure including allocation of support costs**13.1 Analysis 2022**

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

13.2 Analysis 2021

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

Notes to the accounts

For the year ended 31 December 2022

14. Analysis of grants made**14.1 Analysis 2022**

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

14.2 Analysis 2021

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

Notes to the accounts

For the year ended 31 December 2022

15. Tangible fixed assets

	Freehold properties £'000	Leasehold property improvements £'000	Plant & equipment £'000	Total £'000
Cost or valuation				
At 1 January 2022	54,787	53	101	54,941
Additions	593	-	5	598
Disposals	(347)	-	-	(347)
Transfers	(1)	-	-	(1)
Revaluation	3,933	-	-	3,933
At 31 December 2022	58,965	53	106	59,124
Accumulated depreciation				
At 1 January 2022	-	53	71	124
Charge for the year	-	-	10	10
Disposals	-	-	-	-
At 31 December 2022	-	53	81	134
Net book value				
At 1 January 2022	54,787	-	31	54,818
At 31 December 2022	58,965	-	25	58,990

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

As at 31 December 2022, the Board was responsible for eight redundant churches. The value of these churches at this date is considered uncertain and not material and accordingly no value related to them has been included in these accounts. The Board was also responsible for St Barnabas Church, Hereford, and further details about this site are provided in note 34.

The Board and benefice houses were valued by the Board as at 31 December 2022 by taking advice from the employed Diocesan Property Surveyor (MCIQB). On 31 December 2022 there was a housing stock of 118 properties (2021: 117).

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

16. Capital commitments

There were no capital commitments as at 31 December 2022 (2021: £nil).

Notes to the accounts

For the year ended 31 December 2022

17. Investments held as Fixed Assets – Investment property

	As at 1 January 2022 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2022 £'000
Endowment funds						
Land	7,269	6	(852)	2	913	7,338
Buildings	506	-	-	-	(63)	443
	7,775	6	(852)	2	850	7,781
Restricted funds						
Buildings	488	-	-	-	30	518
Total	8,263	6	(852)	2	880	8,299

Endowment fund buildings at the year-end consists of one commercial property, which has been informally valued by the directors as at 31 December 2022.

Restricted fund buildings consist of houses held as investment properties. These have been valued by the Diocesan Surveyor (MCIOB) as at 31 December 2022.

The value of rural land was determined by the Directors. Due to the multiplicity of holdings and varying sizes and terms of occupation the cost of a professional valuation is deemed to be an imprudent use of charitable funds. The Directors used a variety of land market surveys to determine average land values at 31 December 2022. A discount was applied to 1986 Agricultural Holdings Act tenancies of 48% and Farm Business Tenancies of 26%. This constitutes an average yield of 1.5%. Other amenity tenancies/licences were discounted at 12.5% and vacant land was discounted at 5% to reflect the time taken to realise a value and reflect any restrictions on sale. Land for which planning permission has been received is valued according to its market value as determined by the Directors.

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

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

18. Investments held as Fixed Assets – Other investments

	As at 1 January 2022 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2022 £'000
Listed investments						
Unrestricted general fund	3,454	1,227	(1,284)	(900)	(482)	2,015
Designated funds	70	-	-	-	-	70
Restricted funds	9,151	3,122	(3,296)	900	(1,244)	8,633
Endowment funds	14,033	5,694	(5,405)	-	(1,930)	12,392
	26,708	10,043	(9,985)	-	(3,656)	23,110
Equity share loan						
Restricted fund - UST	-	-	-	-	-	-
Total	26,708	10,043	(9,985)	-	(3,656)	23,110

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

The historical cost of listed investments held as at 31 December 2022 was £21.7m (2021: £20.3m).

Notes to the accounts

For the year ended 31 December 2022

19. Debtors: due within one year

	2022 £'000	2021 £'000
Other debtors	991	137
Prepayments & accrued income	187	148
Loan to Ludlow Mascall Centre ²	4	4
Loan to Stottesdon PCC ¹	16	0
	1,198	289

20. Debtors: due after one year

	2022 £'000	2021 £'000
Loan to Stottesdon PCC ¹	9	-
Loan to Ludlow Mascall Centre ²	4	8
	13	8

¹ The loan to the Stottesdon PPC of £25,343 (2021: £nil) is being repaid at £5,350 per month starting in October 2023, with interest chargeable at the bank base rate.

²The loan to the Ludlow Mascall Centre of £7,980 (2021: £11,980) is being repaid at £4,000 per annum, with interest chargeable at the Church of England's Central Board of Finance (CBF) rates.

21. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Other creditors and accruals	860	1,340
Taxation & Social Security	29	29
Pension deficit payments liability	-	152
	889	1,521

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

There were no amounts falling due after more than one year in either 2022 or 2021.

Notes to the accounts

For the year ended 31 December 2022

23. Analysis of transfers between funds

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

Comparatives for 2021 can be found in note 39 to these accounts.

Notes to the accounts

For the year ended 31 December 2022

24. Summary of assets by fund

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

Comparatives for 2021 can be found in note 38 to these accounts.

Notes to the accounts

For the year ended 31 December 2022

25. Analysis of movements in funds

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

Comparatives for 2021 can be found in note 40 to these accounts.

Notes to the accounts

For the year ended 31 December 2022

26. Endowment Fund – Total Return

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

The trustees adopted a Total Return accounting approach under the Diocesan Stipend Funds (Amendment) Measure 2016 with effect from 1 January 2019. Comparatives for 2021 can be found in note 41.

Notes to the accounts

For the year ended 31 December 2022

27. Net income for the year

Net income for the year is stated after charging:

	2022	2021
	£'000	£'000
Depreciation of tangible fixed assets	10	10
Rentals charged under operating leases	16	16
Amounts payable to external auditors for:		
- statutory audit	27	26
- tax advisory services	-	-

28. Financial commitments – operating leases

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

	2022	2021
	£'000	£'000
Minimum lease payments payable:		
Within one year of the balance sheet date	2	1
Within two to five years of the balance sheet date	7	-

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

	2022	2021
	£'000	£'000
Minimum lease payments receivable		
Within one year of the balance sheet date	24	24
Within two to five years of the balance sheet date	38	62

29. Post balance sheet events and contingent liabilities

There were no post balance sheet events or contingent liabilities as at 31 December 2022.

30. Staff costs

Staff costs were as follows:

	2022	2021
	£'000	£'000
Gross salaries and wages	1,160	1,128
Social Security costs	113	104
Pension contributions	114	122
	1,387	1,354

Included in staff costs in 2021 is an amount of £8,168 relating to compulsory redundancy payments.

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

Notes to the accounts

For the year ended 31 December 2022

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

	2022		2021	
	Number Full-time	Number Part-time	Number Full-time	Number Part-time
Support ministers / staff	7.7	11.8	10.0	9.0
Education	2.0	2.0	2.0	2.0
Diocesan officers	3.0	1.0	3.0	1.0
Diocesan administration staff	3.3	5.6	2.0	6.3
Grant funded Intergenerational Missioners	2.4	2.3	3.5	3.0
Grant funded support staff	0.3	1.0	-	1.0
Grant funded deanery staff	-	1.0	-	1.0
	18.6	24.7	20.5	23.3

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

	2022 Number	2021 Number
Support ministers / staff	15.3	15.1
Education	3.2	3.2
Diocesan officers	3.8	3.8
Diocesan administration staff	6.9	6.0
Grant supported Intergenerational Missioners	3.8	5.3
Grant funded support staff	1.1	0.8
Grant funded deanery staff	0.7	0.7
	34.7	34.9

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

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

	2022 Number	2021 Number
£70,000 - £80,000	1	1

30.1 Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2022 they were:

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

Remuneration (including employer's National Insurance) and pensions for these employees amounted to £225,486 (2021: £223,200).

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For the year ended 31 December 2022

30.2 Trustees' emoluments

No Trustee received any remuneration for services as Trustee. Four Trustees received travelling and out-of-pocket expenses totalling £2,359 (2021: £1,469 4 trustees) in respect of General Synod duties, duties as Archdeacon or Rural Dean, and other duties as Trustees.

The Church Commissioners are responsible for the stipends and housing of the Diocesan Bishop and the stipend of the Archdeacon of Ludlow (ex officio trustees). Parochial clergy, the Archdeacon of Hereford and support ministers who are trustees of the HDBF, whether ex officio, elected, appointed or co-opted, are in receipt of a stipend, housing and training/sabbatical grants paid via the Board by virtue of their office. One trustees received a CME grant totalling £225 (2021: 2 trustees received a clergy resettlement grants of £5,054).

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

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

The Board also met the stipends, pensions and social security costs of an average of 82 (2021: 83) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2022 £'000	2021 £'000
Stipends	2,310	2,308
National insurance contributions including Apprenticeship levy	205	197
Pension costs - current year	747	690
- deficit reduction	87	152
	3,349	3,347

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

31. Related parties

Herefordshire Vennture, a charitable organisation of which Revd J Rogers (HDBF Chair of Trustees) and Mr S Pratley (Diocesan Secretary) are trustees, leased office space within the HDBF St Barnabas Church property at Enil for the year (2021: £4,590). The balance outstanding at the end of the year was £nil (2021: £nil).

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

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

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For the year ended 31 December 2022

During the year, invoices net of VAT totalling £7,350 (2021: £6,375) for partnership costs were raised from HDBF to DHMAT. The balance outstanding at the end of the year was £nil (2021: £6,375).

During the year, invoices net of VAT totalling £60,637 (2021: £62,364) were raised from DHMAT to HDBF for salary and administration costs. The balance outstanding at the year-end was £nil (2021: £nil).

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

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

Hereford Cathedral is a related party of HDBF. Bishop's Council select two members to sit on the Cathedral Council for a period of 5 years and the Dean of Hereford Cathedral is also an ex-officio Director of HDBF. During the year, invoices net of VAT totalling £3,816 were raised from HDBF to the Cathedral for safeguarding costs (2021: £1,381). The balance outstanding at the year-end was £389 (2021: £nil). During the year, invoices net of VAT totalling £7,167 (2021: £4,686) were raised from the Cathedral to HDBF for salary and administration costs. The balance at the year-end was £nil (2021: £nil)

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

The Ven D Chedzey (an HDBF Trustee) is also a Trustees of LEAF – Locally Encouraging All to Flourish. During 2021, HDBF made a grant to LEAF – Locally Encouraging All to Flourish for £13,500 (2021: £10,000). The balance at the year-end was £nil (2021: £nil)

N Sellar (an HDBF Trustee) is also a Trustees of Halo Leisure Services Ltd. During 2021, HDBF paid £227 (2021: £nil) to Halo Leisure Services in relation to room hire. The balance at the year-end was £nil (2021: £nil).

32. Pension commitments

32.1 Church of England Funded Pension Scheme (CEFPS)

The Hereford Diocesan Board of Finance participates in the Church of England Funded Pension Scheme for stipendiary clergy, a defined benefit pension scheme, and as at 31 December 2022 had 80 members in the scheme (2021: 87). This scheme is administered by the Church of England Pensions Board, which holds the assets of the Scheme separately from those of the Responsible Bodies.

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

The Scheme is considered to be a multi-employer scheme as described in section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to each specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year £765k (2021: £703k), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £696k for 2022 (2021: £711k).

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

- An average discount rate of 2.7% p.a.;
- RPI inflation of 3.6% p.a. (and pension increases consistent with this);
- CPIH inflation in line with RPI less 0.8% pre 2030 moving to RPI with no adjustment from 2030 onwards;
- Increase in pensionable stipends in line with CPIH;
- Mortality in accordance with 90% of the S3NA tables, with allowance for improvements in mortality

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rates in line with the CMI2020 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter of 7, an initial addition to mortality improvements of 0.5% pa and an allowance for 2020 data of 0%

Following the 31 December 2018 valuation, a deficit recovery plan was put in place until 31 December 2022 and the deficit recovery contributions (as a percentage of pensionable stipends) were as set out in the table below. An interim reduction to deficit contributions to 3.2% of pensionable stipends was made with effect from 1 April 2022. Following finalisation of the 31 December 2021 valuation, deficit contributions ceased with effect from 1 January 2023, since the Scheme was in surplus.

As at 31 December 2020 and 31 December 2021 the deficit recovery contributions under the recovery plan in force were as set out in the table below. For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

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

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability.

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

	2022 £'000	2021 £'000
Balance sheet liability as at 1 January	152	296
Deficit contribution paid	(87)	(152)
Interest cost (recognised in the SOFA)	-	-
Remaining change to the balance sheet liability* (recognised in SoFA)	(65)	8
Balance sheet liability as at 31 December	-	152

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

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

	December 2022	December 2021	December 2020
Discount rate	n/a	0.0% p.a.	0.2% p.a.
Price inflation	n/a	n/a	3.1% p.a.
Increase to total pensionable payroll	n/a	-1.5% p.a.	1.6% p.a.

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For the year ended 31 December 2022

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

32.2 Church of England Pension Builder Scheme

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

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

Pension Builder Scheme

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

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

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

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

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

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

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

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

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

32.3 Hereford Diocesan Board of Finance: other staff pension arrangements

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

Contributions to the various schemes during the year totalled £24,030 (2021: £22,941) and were charged to the Income and Expenditure Account. Contributions outstanding at the year-end amounted to £1,384 (2021: £1,384).

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For the year ended 31 December 2022

33. Description of funds

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

Designated funds

Total Return Mission Funds

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

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

Endowment fund

Diocesan Stipends Fund

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

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

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

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

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

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

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

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

Restricted funds:

Pastoral Fund

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

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

Notes to the accounts

For the year ended 31 December 2022

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

Mission and Ministry Fund

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

Ordinands in Training Fund

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

Education Funds

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

Strategic Development Fund

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

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For the year ended 31 December 2022

Strategic Capacity Fund

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

Other Grant Funds

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

Uniform Statutory Trust Fund

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

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

In addition, the income may be applied as follows:

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

34. St. Barnabas Church, Hereford

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

35. Corporation tax

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

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For the year ended 31 December 2022

36. Closed schools

36.1 *Sarn School*

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

36.2 *Westbury and Hope Primary Schools*

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

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For the year ended 31 December 2022

37. Prior year comparative SoFA: year ended 31 December 2021

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

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38. Prior year: Summary of assets by fund as at 31 December 2021

	Tangible		Current	Creditors	Net
	Fixed assets	Investments	Assets		Assets
	£'000	£'000	£'000	£'000	£'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

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For the year ended 31 December 2022

39. Prior year: Analysis of transfers between funds: year ended 31 December 2021

	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	(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)	-

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40. Prior year: Analysis of movements in funds: year ended 31 December 2021

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

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41. Prior year: Endowment Fund – Total Return: year ended 31 December 2021

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