Hereford Diocesan Board of Finance

Annual Report & Accounts 2017



Company limited by guarantee Company number 144467 Charity number 249685

Hereford Diocesan Board of Finance

Report & Accounts for the year ended 31 December 2017

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The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited group financial statements of the charity and its subsidiary, for the year ended 31 December 2017.

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

This combined report satisfies the legal requirements for a:

- Directors' Report of a charitable company
- Strategic Report under the Companies Act 2006 and
- Trustees' Annual Report under the Charities Act 2011.

Legal objects

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 Hereford Diocesan Board of Finance ("HDBF")'s principal object is to promote, assist and advance the work of the Church of England in the Diocese of Hereford by acting as the financial executive of the Hereford Diocesan Synod.

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.

STRATEGIC REPORT

2. Strategic aims

The main role of the 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 mission and strategic priorities in the Diocese.

Bishop's Council has agreed the following strategic priorities to direct the activities of the Diocese over the next five years:

By 2021, our **shared vision** is that we will we see a Hereford Diocese where:

More disciples have been brought to an understanding of God through Jesus

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- More lively churches providing inspirational homes for these new disciples
- A more representative church ages and backgrounds reflecting our whole society, connecting the generations
- More visible witness as disciples old and new proclaim the good news of God in Christ Jesus
- New forms of worship and new forms of ministry encourage the curious to explore the Kingdom of God
- A better heard church is listened to by believers and non-believers alike
- A more confident church lives and proclaims the life-giving values of God's kingdom in every community
- A more generous church enables our part in God's mission to grow in new ways and new places
- Better supported ministers are enabled to preach the word of God in new places to new listeners.

Our **shared priorities** are shared not only across the Diocese of Hereford but with the wider Church of England:

Mission

SP1 Growing Christian disciples of all ages and backgrounds – spiritually and numerically

SP2 Serving the common good – transforming lives and communities

Ministry for Mission

SP3 Reimagining, developing, and sharing ministry for mission in the 21st century

Resources for Mission

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

Our mission will have been successful if we achieve our shared goals:

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

3. Objectives for the year and comment on progress

In response to the above strategic priorities, Bishop's Council and Bishop's Staff formulated plans to:

- Request each Deanery to develop its own Mission Action Plan to consider how it plans to achieve the shared priorities:
 - > All 13 deaneries completed plans.
- To submit a strategic development match funding application to the Church Commissioners for six inter-generational missioners to enable the Diocese of Hereford to grow in number and increase the number of young people attending church:
 - > This was submitted and successful. The Diocese now has inter-generational missioners deployed in six strategically chosen market towns.
- To use restructuring funding from the Church Commissioners to target the low levels of giving across the Diocese, strengthen the finances of each parish and encourage a spirit of generosity when contributing to the Parish Offer:
 - > Two Parish Giving Advisers have been appointed and many PCCs have been visited. This has resulted in a lot of positive activity, in particular support for the direct debit-based Parish Giving Scheme, formally launched in March 2018.
- To develop a church building strategy to support parishes in maintaining ancient places of worship and supporting the imaginative re-using of the spaces:

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- > The Church Buildings Strategy pilot was set up and is due to report findings in July 2018.
- To achieve a budget that generates a surplus to be used for mission and growth by 2019;
 - > This is a work in progress. The 2017 accounts demonstrate a significant turnaround from the forecasted position, but there is still much work to be done.
- To significantly increase the number of people exploring their faith and considering vocations in the church.
 - > The church in Hereford is growing unlike many areas of the country. The number of curates and ordinands is increasing and their age profile reducing.

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

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers;
- promoting Christian values, and service by members of the Church in and to their communities, to the benefit of individuals and society as a whole; and
- community engagement, resourcing education and supporting those in need both spiritually and physically.

4. Activities and achievements in the year

4.1 The Christian presence

Clergy form a central part in the life of churches in the Diocese. As well as engaging in a wide variety of community and church projects, last year the clergy carried out 604 weddings, 1,957 funerals and 1,174 baptisms. In 2017, an average of 70 trained stipendiary clergy and 9 curates were deployed in the Diocese; supporting them in their ministry, training and continued development is a key priority for HDBF and represents by far its largest financial commitment. Although the HDBF does not 'employ' the parish clergy, it is responsible for training them, paying them, and paying into their pension fund.

The parsonage serves not only as a home but also as a base for ministry. The HDBF recognises the importance of well-maintained parsonages and strives to continue to improve its housing stock by carrying out a programme of refurbishments and improvements.

4.2 Mission Action Planning

A diocese-wide process of Mission Action Planning was undertaken by Deanery Leadership teams with all thirteen Deanery completing a unique action plan for taking forward mission in their area. The plans came back with the following broad themes that have formed the basis of our refreshed strategy and planned activity over the coming years:

- · Making the most of 'life events'
- Intergenerational mission
- Schools
- Lay leaders
- Church buildings
- Rethinking mission & allocation of resources

Mission Action Plans will be refreshed in 2018 and information will be supplied on progress from actions.

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4.3 Restructuring money

In January 2017 the Diocese received £173k in one-off funding support from the Church Commissioners as a result of the reducing money the Diocese would receive in the longer term. This money is designed to 'restructure' the way the diocese operates and was spent on the following projects:

- 1) Parish Giving Advisers. The main portion of money was used to employ two parish giving advisers to bring about a step change in giving to cover the funding gap from the reducing grants from the Commissioners. The giving advisers have sought to support parishes in making better use of their money and promoted the need to talk about stewardship, generosity and responsibility. The two appointments (one part-time) have so far been very successful with high take-up from parishes and positive feedback. We have yet to see a corresponding increase in giving but we can see more energised and motivated PCC members and support for digital giving, creating legacy policies, direct debits, securing supplier discounts by making use of the Parish Buying service, and claiming Gift Aid.
- 2) Parish Giving Scheme. A particular emphasis of the parish giving advisers has been to encourage sign up to the Parish Giving Scheme. This has been very well received in parishes, with our original plan to pilot with 13 parishes being greatly surpassed by the 70+ parishes that requested to join before the formal launch of the Scheme in March 2018.
- 3) Church Building Strategy. Our 420 church buildings remain a high strategic priority for us in our rural context and this is reflected in the follow-up Peer Review Assessment. The restructuring money has been used to provide the opportunity for key staff to pause and reflect on how best to support parishes with their buildings. This will result in a strategy and tool kit for churches to use and is being delivered through a pilot in Abbeydore Deanery. The conclusion of this work, due in June 2018, is likely to inform a future Strategic Development Fund (SDF) bid.
- 4) Intergenerational Mission Pilot. Our main SDF bid focused on Intergenerational Mission. However, we wanted to use a small amount of restructuring money to pilot the principle and apply the learning to our wider project. This has been successfully completed.
- 5) Mission Action Planning. The final amount of restructuring money was used to fund support for diocesan wide Mission Action Planning. This has been hugely successful with all 13 Deaneries completing plans, as noted above.

4.4 Strategic development project

In the summer of 2017 the Diocese was successful in securing over £500k in match funding from the Church Commissioners to provide intergenerational missioners in six of our market towns. Market towns were chosen on the basis that our church attendance is traditionally less strong than in our more rural areas and because of the higher levels of deprivation. We are currently completely on track with our delivery plan and have recruited all of the missioners who started in post in early January 2018.

4.5 Strategic capacity

Encouraged by the Strategic Investment Board, the Diocese has also recently secured funding for a programme manager. This is in recognition of the amount of project-based work that is going on and the lack of current strategic capacity to oversee this. The individual has been appointed and started in post in early March 2018.

4.6 Increasing effectiveness

Following on from 2016 there has been a lot of work done to look at how we do things with some new internal processes and policies. This has been designed to align resources closely with the strategy, improve effectiveness, efficiency and save money. This has been largely positive and contributed towards the

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improving financial picture. It has started to demonstrate a changing culture, one where the diocese is open to being creative, to listen and evolve. Examples of the work include a Support Minster review, Diocesan Staff review, a positive Safeguarding Audit, a new website and communications strategy, a re-think of governance structures and a change in approach to surveying properties, managing assets and developing land. The 2016 peer review highlighted some key recent appointments and these changes have continued to bear fruit through 2017.

5. Future plans

The Diocese's Mission Action Plan continues to guide our priorities and approach. Particular emphasis will be placed during 2018 on the following areas:

- 1) Communication: "More work is required to communicate the vision and priorities more effectively with parish clergy and church members, and to align education with the strategy".
- 2) Education: The Education team have written a new strategy to demonstrate how their work dovetails with the Diocesan Strategy, but there is still an opportunity to make more of our links with schools.
- 3) Mission Action Planning: "increase the degree of cooperation and buy-in to the [MAP] process and to implement a suitable accountability process that reviews the quality of MAPs and to measure the outcomes planned for over time".
- 4) Re-imagining ministry, clergy deployment and lay ministry / leadership: "further exploration of what effective and sustainable ministry for the Diocese of Hereford would look like in 10/15 years".
- 5) **Church buildings:** "examine [the option to close church buildings] more thoroughly, owing to the risk of already small and aging congregations becoming burdened by their buildings".
- 6) Finances / 'Total Return' (and learning from others): "engage with and learn from other dioceses, such as Leicester, that have already made the most of total returns capital to ensure Hereford's potential return in this area is maximised"
- 7) Glebe land development: the sale of Withington and Pontesbury glebe lands remain incomplete but close. These need to conclude and a strategic plan drawn up to further maximise glebe assets.
- 8) Housing plan: with a new in-house surveyor in place, and with the Mission Action Planning mechanism, we will aim to produce a clearer, longer-term housing plan for the Diocese.

6. Financial review

6.1 Overview

Total income for the year amounted to £6.81m (2016: £6.46m), a rise of £344k, but this result was flattered by some one-off items: a historical legacy amounting to £212k and two Uniform Statutory Trust (UST) property transactions totalling £502k. Once these one-off items are stripped out, underlying income amounted to £6.09m (2016: £6.04m), a rise of less than 1%. Meanwhile, HDBF continued to face rising expenditure, meeting a stipend increase of 1.5% during the year, and other cost pressures (the rate of inflation as measured by CPI stood at 3.0% at December 2017).

2017 marked the introduction of 'Parish Offer', a system of voluntary contributions from PCCs to a Common Fund to support parish ministry, replacing Parish Share. As in previous years, parish contributions provided the primary source of income for the Diocese to pay for local stipendiary ministry and related costs. (Parish Offer represented 57% of total income in 2017 – due to the one-off sources of income noted above, this was below the level of 62% recorded in 2016). It was encouraging to note that almost all PCCs were able to

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meet their Parish Offer commitments in full, with HDBF receiving 99.4% of the parish contributions expected, a significant improvement on the 93.6% recorded in 2016, the final year of Parish Share. Although this higher contribution rate was welcome, it masked the fact that 2017 Parish Offer levels in cash terms were £117k below 2016. The Directors are most grateful to PCCs for their continued support and for adjusting well to the new Parish Offer system.

The Directors remain very aware of the financial pressures facing many small, rural parishes that have the responsibility for making significant contributions towards parish ministry whilst also maintaining and enhancing the fabric of their church buildings. Careful planning has ensured that the Diocese has maintained a relatively strong financial position over recent years but it does lack the historical resources available to some other dioceses. The largely rural nature of the Diocese and low population density means that it attracts a modest apportionment of central funds. It is hoped that during 2018 many PCCs will adopt and encourage people to give in a planned way via the Parish Giving Scheme. In time, this should strengthen local PCC finances, enabling more resources to be allocated to mission and ministry.

Total expenditure for the year amounted to £6.02m compared with £6.19m in 2016. £126k of this reduction was due to the cessation of grants to The Bishop Anthony Education Trust in February 2017, resulting in a total grant of £18k in 2017 compared with £144k in 2016. Cost control was a high priority in 2017, with most expenditure areas effectively contained, despite absorbing £60k of salary and stipend increases and other inflationary pressures.

The overall surplus for the year before investment gains was £784k (2016: £275k). Investment gains and losses together with gains on the revaluation of fixed assets amounted to £10.34m (2016: £1.99m). This large increase was due primarily to the triennial revaluation of houses (£6.02m), the reclassification of three parcels of glebe from 'agricultural' to 'development' land (£2.45m) and gains in listed investments (£1.05m).

HDBF's financial situation was a particular focus area for the diocesan peer review team in November 2016, and Directors continued to monitor this situation closely during 2017.

6.2 Comparison to budget

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

In October 2017, Synod approved an overall budget deficit of £744k before investment gains & losses. The final position in these statutory accounts was net income of £784k – a substantial positive variance of £1.53m compared with budget, which requires explanation to avoid any sense of complacency about HDBF finances. The following section outlines the differing principles which underpin the two calculations.

First, the budget and statutory accounts were not prepared on the same basis. The statutory accounts include the Uniform Statutory Trust (UST); the budget did not. Furthermore, the budget included the full stipendiary clergy pension cost, whereas the statutory accounts (SoFA) exclude payments that relate to the historical deficit. The total of these and other similar accounting adjustments amounted to £766k.

Second, 'one-off' items were not anticipated in the budget. In 2017, HDBF received CBF Investment Fund shares valued at £212k relating to a historical legacy.

The remaining variance difference of £550k relates to operational savings, including £180k due to higher than expected clergy vacancies, £112k due to lower spends on clergy housing and an intentional policy to maximise rental income, and £60k due to a decision to bring the commercial division of the Education department in-house. Finally, £198k of savings were generated compared to budget due to concerted efforts across all diocesan departments to constrain costs as far as possible.

6.2.1 Significant Property Transactions

2017 saw the completion of two significant projects: a new vicarage at Broseley, and the division of St Martin's Rectory, South Wye into three separate properties. The completion costs of these projects in 2017

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totalled £365k. A member of clergy occupies St Martin's Rectory and the two new properties have been rented.

Whitbourne Primary School was sold in February 2017 resulting in net proceeds of £251k. These monies have been brought into the UST and can only be used for school capital projects.

6.2.2 Balance sheet position

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

Although net assets at the balance sheet date totalled £79.4m (2016: £68.3m), it should be noted that £74.8m (2016: £64.3m) is held in restricted and endowment funds (mainly properties used for ministry and glebe assets) which cannot be used for the general purposes of the HDBF. The restrictions that relate to these funds are detailed in note 30 to the accounts.

Fixed asset values increased by £10.6m (2016: £1.8m increase) and overall balance sheet reserves increased by £11.1m to £79.4m (2016: £2.3m increase). This increase comprised of realised and unrealised gains of £10.39m (2016: £1.86m) on property and fixed asset investments, pension actuarial losses of £46k (2016: gains of £129k), and net income in the year of £784k (2016: £275k).

6.2.3 Review of the Group Statement of Financial Activities by fund

Unrestricted general fund

Net income prior to transfers was £526k (2016: £417k). £283k was transferred to the endowment fund to reflect the pension deficit contributions made during the year (2016: £280k), and £140k (2016: £36k) was transferred from the restricted UST fund to support the work of the Diocesan Board of Education. Gains on the revaluation of fixed assets totalled £240k giving rise to a net movement in funds of £623k (2016: £173k).

Restricted (mission & ministry) fund

Net expenditure was £12k before transfers (2016: £2k net income). 2016 was the last year for direct grants of £40k from Archbishops' Council to support mission and local partnership projects within the Diocese. The remaining reserve of £35k will be utilised to further mission & ministry projects during 2018.

Restricted (ordinands) fund

This restricted fund was introduced in 2017 following a change in the funding arrangements for ordinands. Net expenditure for the year was £3k. This will be offset by grant income in 2018.

Restricted (pastoral) fund

Net income was £44k prior to investment gains (2016: £383k net income before gains).

Restricted (Grants) fund

This restricted fund was set up in 2017 to record grants received for specific purposes. In 2017, this consisted mainly of monies received from the Church Commissioners for restructuring or strategic development activities. Net incoming resources in the year amounted to £19k.

Restricted (UST) fund

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

The UST fund showed a surplus of £514k prior to investment gains and losses (2016: £20k surplus before gains), due mainly to the sale of a closed primary school, and the inclusion of a school house for which ownership by the UST was confirmed during the year.

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Endowment (diocesan stipends) fund

The endowment fund recorded a deficit of £54k (2016: deficit of £145k) before investment gains. This includes £30k (2016: £58k) relating to pension interest costs. The remaining costs relate to planning and professional fees incurred in planning schemes for future development of glebe lands, and investment portfolio management fees.

6.2.4 Investment performance

Overall performance

Investments are held in both glebe and general funds. The total value of investments (including DSF endowment fund net current assets) at 31 December 2017 was £26.4 m (2016: £22.5m) and the total return on investment was 20.6% (2016: 12.2%).

Endowment investments

£17.2m (2016: £14.0m) of HDBF investments are in endowment funds, primarily to generate a sustainable income to continue funding clergy stipends.

Agricultural, commercial and industrial land and buildings (excluding school land) were valued at £10.7m at 31 December 2017 (2016: £8.0m). Rents receivable from glebe amounted to £255k (2016: £236k) – an income yield of 3.2% (2016: 3.0%).

Investment in equity and fixed interest funds were valued at £6.5m at 31 December 2017 (2016: £6.0m). The unrealised surplus in the value of investments during the year amounted to £455k (2016: £668k surplus). Dividends receivable amounted to £217k (2016: £213k) – a yield of 3.3% (2016: 3.5%).

Unrestricted and restricted fund investments

The policy with unrestricted and restricted fund investments is to maintain a balance of income and capital growth. Investment in equity and fixed interest funds were valued at £8.7m at 31 December 2017 (2016: £7.8m). The unrealised surplus in the value of investments during the year amounted to £605k (2016: £898k surplus). Dividends and interest receivable totalled £281k (2016: £266k) – a yield of 3.3% (2016: 3.4%).

6.3 Reserves policy

6.3.1 General unrestricted fund

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

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

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

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

Based on 2018 budgeted expenditure, the amount required under this policy totals £2.0m. As at 31 December 2017, the unrestricted reserves (excluding property) stood at £4.3m. Although above the minimum reserve level indicated by the policy, the Directors consider this amount is appropriate in view of

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projected operating deficits. Reserve levels are monitored throughout the year and remedial action taken as and when required.

The Directors continue to take robust steps to constrain diocesan expenditure and to grow income levels, although a further deficit budget has been approved for 2018. A diocesan giving strategy has been adopted to address all aspects of parish giving and stewardship and, together with careful management of glebe and property assets, the Directors are confident that HDBF can return to a balanced budget position in the medium term, thereby securing the Diocese's strategic objectives.

6.3.2 Restricted and endowment funds

The HDBF holds and administers restricted and endowment funds. As at 31 December 2017 Group restricted funds totalled £57.6m (2016: £51.2m) and the endowment fund totalled £17.2m (2016: £13.2m). Neither are available for the general purposes of the HDBF. Directors seek to maintain cash and readily liquid assets in the restricted pastoral fund sufficient to meet average annual expenditure on essential property improvements.

6.4 Grant making policy

The Memorandum of Association of the HDBF permits the company to make grants in pursuance of its objects, and the nature of grants made in 2017 is indicated in note 13 to the financial statements. Contributions are also made to the Archbishops' Council to cover a proportion of its central costs and also to cover the cost of training for ministry (note 10.1 to the financial statements).

6.5 Going concern

In view of the satisfactory performance in receipt of Parish Offer, intentional use of reserves to mitigate fluctuations in the Parish Offer, and firm control of annual budgets, the Directors consider the Diocese of Hereford to be financially sustainable for the foreseeable future. After making enquiries the Directors are satisfied that HDBF has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

6.6 Investment policy

The HDBF is empowered by its Memorandum of Association to invest monies not immediately required for its purposes. The HDBF's policy is to review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles. Note 21 to 24 provide details of the assets of each fund, together with the related purposes, and note 16 summarises the movements in investments during the year.

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

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

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Unrestricted fund investments

Funds which may be needed for working capital in the short term are held as deposits with the Central Board of Finance.

7. 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:

7.1 Parish Offer and cash flow

- Invest in inter-generational missioners to seek church growth, especially in market towns;
- Employ two Parish Giving Advisors using Church Commissioners' restructuring funding;
- Encourage open and regular conversations about giving, Parish Offer and stewardship;
- Adjust composition of asset / investment portfolio to lower risk profile (e.g. convert a larger portion to cash or other liquid, low risk assets);
- Seek to sign up to the national Parish Giving Scheme.

7.2 Decline in church attendance

- Every parish, benefice and deanery is being encouraged to consider a Mission Action Plan with a specific remit to consider how to achieve spiritual and numerical growth;
- Some deaneries will partner with the London Institute of Contemporary Christianity to target specific approaches to growth. Others are intentionally making more out of 'life events' that naturally occur in the Diocese;
- The Diocese intends to match fund a bid to the Church Commissioners to employ six intergenerational missioners who will have a specific remit to increase worshipping congregations, achieve growth and increase the number of younger people involved in church.
- **7.3 Availability of stipendiary ministers.** Recognising that the Diocese faces a reduction in the number of ordained ministers over the next few years simply due to the age profile of existing clergy and the difficulties in recruiting to rural ministry, the Diocese is:
 - Continuing to invest in a full-time director of vocations and ordinands to focus on helping (young) people to explore their call to stipendiary ministry, and encouraging all-age vocations in daily life and in church ministries;
 - Maintaining focus of supporting lay leaders, SSM, voluntary ministers, supporting retired clergy to stay connected and growing local worship leaders as well as encouraging and recognising the vital ministry of Readers;
 - Developing a diocesan School for Ministry to offer flexible courses for initial and continuing training for a widening variety of ministries.

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8. Structure, governance and management

8.1 Summary information about the structure of the Church of England

The Church of England is organised as two provinces; each led by an Archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses of which there are 41 in England.

Each diocese in England is divided into parishes. Each parish is overseen by a parish priest (usually called a vicar or rector). From ancient times through to today, they and their bishop are responsible for the 'cure of souls' in their parish.

Her Majesty the Queen, who is the Supreme Governor of the Church of England, appoints archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The two archbishops and 24 senior bishops sit in the House of Lords.

The Church of England is episcopally-led by bishops (including diocesan bishops and assistant and suffragan bishops). It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of Acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the Church.

8.2 The National Church Institutions

The Archbishops' Council, the Church Commissioners and the Church of England Pensions Board are sometimes referred to as the National Church Institutions (NCIs).

The Archbishops' Council was established in 1999 to co-ordinate, promote, aid and further the mission of the Church of England. Its task is to give a clear sense of direction to the Church nationally and support the Church locally by acting as a policy discussion forum.

The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. Episcopal administration costs of the diocesan and suffragan bishops are met by the Church Commissioners.

The Church of England Pensions Board was established by the Church Assembly in 1926 as the Church of England's pension authority and to administer the pension scheme for the clergy. Subsequently it has been given wider powers, in respect of discretionary benefits and accommodation both for those retired from stipendiary ministry and for widow(er)s of those who have served in that ministry, and to administer pension schemes for lay employees of Church organisations.

The Pensions Board, which reports to the General Synod, is trustee of a number of pension funds and charitable funds. Whilst the Church has drawn together under the Board its central responsibilities for retirement welfare, the Board works in close cooperation both with the Archbishops' Council and with the Church Commissioners.

8.3 The Cathedral

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.

For the year ended 31 December 2017

8.4 Scope of report

The information about General Synod, the Church Commissioners, the Archbishops' Council and Hereford Cathedral is included as background only. The financial transactions of these bodies do not form part of these financial statements.

8.5 Organisational structure of the Diocese

8.5.1 Geography

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

8.5.2 Diocesan units

A diocese is the principal pastoral, financial and administrative resource of the Church of England within the diocesan boundary, encompassing the various archdeaconries under the spiritual leadership of the diocesan bishop.

A deanery is a group of parishes over which a rural dean has oversight and an archdeaconry is a group of deaneries for which an archdeacon is responsible.

A benefice is a parish or group of parishes served by an incumbent who typically receives a stipend and the benefit of free occupation and use of a parsonage house from the diocese for carrying out spiritual duties.

The Diocese of Hereford is arranged as two archdeaconries, Hereford covering the southern part with 7 deaneries and Ludlow the northern with 6 deaneries. In total there are some 85 benefices, 358 parishes and 406 churches of which 5 are in the care of the HDBF.

8.5.3 Diocesan Synod

The statutory governing body of the diocese is the Diocesan Synod, which is an elected body with representation from all parts of the diocese. Membership consists of ex officio members, including the bishops and archdeacons, clergy members elected by the houses of clergy in deanery synods, lay persons elected by the houses of laity in deanery synods, up to five persons who may be co-opted by the house of clergy and up to five persons co-opted by the house of laity, and a maximum of ten members nominated by the Diocesan Bishop. The Diocesan Synod normally meets three times a year. Many of Diocesan Synod's responsibilities have been delegated to Bishop's Council or the Standing Committee. The role of Diocesan Synod is to:

- consider matters affecting the Church of England in the diocese;
- act as a forum for debate of Christian opinion on matters of religious or public interest;
- advise the bishop where requested;
- · deal with matters referred by General Synod;
- provide for the financing of the diocese.

8.5.4 Deanery synods

Deanery synods have two houses, laity and clergy, and exist to:

- respond to requests from General Synod;
- give effect to the decisions made by the Diocesan Synod;
- consider matters affecting the Church of England by drawing together the views of the parishes within the deanery;

Hereford Diocesan Board of Finance

Annual report

For the year ended 31 December 2017

- act as a channel of communication to express the views of parishes to Diocesan Synod and thence to General Synod;
- raise with Diocesan Synod such matters as it considers appropriate;
- elect members of the deanery to the Diocesan Synod; and
- elect members of the diocese to General Synod.

8.5.5 The Bishop's Council

Under the constitution of the Diocesan Synod, Bishop's Council has the following functions:

- to plan the business of the Synod, to prepare the agenda for its sessions and to circulate to members information about matters for discussion.
- to initiate proposals for action by the Synod and to advise it on matters of policy;
- to advise the President (i.e. the Bishop) on any matter;
- subject to the directions of the Synod, to transact the business of the Synod when the Synod is not in session;
- subject to the directions of the Synod, to appoint members of committees or nominate individuals for election to committees;
- to carry out such functions as the Synod may delegate to it.

8.5.6 Parochial Church Council (PCC)

The PCC is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. The PCC is made up of the incumbent as chair, the churchwardens and a number of elected and ex officio members. Under the terms of the Charities Act 2011, a PCC is a charity excepted from registration with the Charity Commission unless its income exceeds £100,000. The transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

8.6 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 and 25 May 2010.

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 DBF Executive Committee (DBFX).

8.7 Decision-making structure

The HDBF has delegated to the DBFX all statutory functions under the Diocesan Boards of Finance Measure 1925, the Companies Acts and the Charities Acts as amended. DBFX 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.

For the year ended 31 December 2017

8.8 Committee structure

The following diocesan committees influence the work of HDBF:

Benefice Buildings Committee, which is responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice, including setting the policy for buying, repairing, maintaining and disposing of all parsonage houses, team vicarages and houses owned by HDBF. In the Diocese of Hereford this function is carried out by the Executive Committee of the Diocesan Board of Finance.

Glebe Committee, which is responsible for determining policy and making major decisions concerning the management of glebe property and investments for the benefit of the Diocesan Stipends Fund of the Diocesa. In the Diocesa of Hereford this function is carried out by the Executive Committee of the Diocesan Board of Finance.

Diocesan Mission & Pastoral Committee, which is responsible for planning and approving pastoral reorganisation, taking account of available clergy numbers and making use of new patterns of ministry, and for finding appropriate alternative uses for churches that have been declared redundant.

Diocesan Advisory Committee, which advises on matters affecting churches and places of worship such as the granting of faculties, architecture, archaeology, art and the history of places of worship, the use and care of places of worship and their contents and the care of churchyards.

Hereford Diocesan Board of Patronage, which is constituted under the provisions of the Patronage (Benefices) Measure 1986, is sole patron or joint patron of a number of benefices.

Hereford Diocesan Board of Education, which has responsibility for 78 schools and academies across the Diocese, provides strategic, professional and pastoral support to all its schools, supporting school leadership and has a particular commitment to enhancing the quality of provision for religious education, collective worship and the spiritual, moral, social, and cultural development of all pupils.

8.9 Trustee training

On appointment all trustees 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 also given a one-to-one briefing on the structure and organisation of the Church of England nationally, regionally and locally.

8.10 Remuneration of key management personnel

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

8.11 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 £5.0m at 31 December 2017 (2016: £4.8m), are available from the HDBF on request.

For the year ended 31 December 2017

8.12 Related parties

8.12.1 General Synod, Church Commissioners and Archbishops' Council

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

8.12.2 Uniform Statutory Trust

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

8.12.3 Bishop Anthony Educational Trust (BAET)

HDBF works closely with this multi-academy trust created in 2013 as it seeks to foster, maintain and celebrate the Christian distinctiveness of church schools within the Diocese of Hereford. As part of an interim support arrangement, HDBF has provided financial assistance to BAET during the period March 2015 to February 2017.

8.12.4 Parochial Church Councils (PCCs)

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

8.12.5 Pension schemes

A non-contributory money purchase scheme is available to all employees. HDBF, as employer, contributes up to 10.5% of gross salary to a pension provider of the employee's choice. Ordained clergy are within the Church of England Clergy Pensions Scheme. Since August 2015 all new employees have been automatically enrolled in the 'Pension Builder 2014' section of the Church Workers Pension Fund.

9. Directors' responsibilities

The Trustees (Directors) are responsible for preparing the Annual 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 HDBF and of the surplus or deficit of the HDBF for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable United Kingdom accounting standards and observe methods and principles in the Statement of Recommended Practice (SORP) for charities, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

For the year ended 31 December 2017

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

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

10. Statement of disclosure to the auditors

So far as the Directors are aware:

- there is no relevant information of which the company's auditors are 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 auditors are aware of that information.

11. Reference and administrative details

11.1 Administrative details

Company limited by guarantee, registration number 144467

Charity registration number 249685

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

Telephone: 01432 373300

Email: diooffice@hereford.anglican.org
Website: www.hereford.anglican.org

11.2 Directors

The following served as Directors and Trustees from 1 January 2017 to the date this report was approved (unless shown otherwise):

President: The Rt Revd R M C Frith, Bishop of Hereford

Chairman: Revd J Rogers
Vice-Chair: Mr C H E Smith

Ex officio Directors: The Rt Revd A Magowan, Bishop of Ludlow

The Ven G P Benson Canon R Lording

Elected Directors: Revd L Cronin Mr A Mence

Mr T N Hone Mr C J Whitmey
Mr C W Hunter Mrs J Woodroffe

Mrs S Lewis

11.3 Principal officers

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

11.4 Members of the Board

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

For the year ended 31 December 2017

11.5 Agents

Solicitors

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

Bankers

Lloyds Bank PLC 8 High Town Hereford HR1 2AE

Glebe agents – agricultural

Savills LLP (until 30 June 2017) York House Blackbrook Business Park Taunton TA1 2PX

Carter Jonas (from 1 July 2017) South Pavilion Sansaw Business Park Hadnall Shrewsbury SY4 4AS

Investment managers

Rathbone Brothers PLC 8 Finsbury Circus London EC2M 7AZ

Insurance agents

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

Glebe agents - commercial & industrial

Godfrey-Payton Old Bablake Hill Street Coventry CV1 4AN

Surveyors

Hook Mason Limited 41 Widemarsh Street Hereford HR4 9EA

Auditors

Thorne Widgery Accountancy Ltd 2 Wyevale Business Park Wyevale Way, Stretton Sugwas Hereford HR4 7BS

The Directors' annual report is approved by order of the Board of Directors and the Strategic Report (included therein) is approved by the Board of Directors at a meeting on 8 May 2018 and signed on its behalf by:

Revd Ine Rogers

Chairman

Mr C H E Smith

Director

Independent auditors' report

To the members of the Hereford Diocesan Board of Finance

Opinion

We have audited the financial statements of Hereford Diocesan Board of Finance (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the statement of financial position, income and expenditure accounts, balance sheet, cash flow and notes to the financial statements, 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).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2017, and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our

Hereford Diocesan Board of Finance

Independent auditors' report

To the members of the Hereford Diocesan Board of Finance

opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Hereford Diocesan Board of Finance

Independent auditors' report

To the members of the Hereford Diocesan Board of Finance

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. This description forms part of our auditor's report.

KEVIN TONG FCCA ACA (Senior Statutory Auditor)

For and on behalf of THORNE WIDGERY ACCOUNTANCY LTD, Statutory Auditor

2 Wyevale Business Park Wyevale Way HEREFORD

HR4 7BS

8 5 18

Group statement of financial activities

For the year ended 31 December 2017

		Unrestricted	Restricted	Endowment	Total	Total
Income and endowments from:		General fund	funds	funds	2017	2016
	Note	£'000	£'000	£'000	£'000	£'000
Donations						
Parish share contributions	2	3,864	-	-	3,864	4,014
Archbishops' Council	3	439	119	-	558	489
Other donations	4	364	28	-	392	180
Charitable activities	5	404	-	-	404	389
Other trading income	6	264	32	-	296	239
Investment income	7	581	172	-	753	715
Other income	8	-	519	20	539	436
Total income and endowments		5,916	870	20	6,806	6,462
Expenditure on:						
Raising funds	9	107	51	74	232	331
Charitable activities	10	5,533	257	-	5,790	5,856
Total resources expended		5,640	308	74	6,022	6,187
Net income/(expenditure) before investment gains		276	562	(54)	784	275
Net gains/(losses) on investments		250	416	3,700	4,366	1,858
Net income/(expenditure)		526	978	3,646	5,150	2,133
Transfers between funds	23	(143)	(140)	283	-	-
Other recognised gains (losses) Gains/(losses) on revaluation	14	240	5,641	139	6,020	-
of fixed assets Actuarial gains/(losses) on defined benefit pension	29	-	-	(46)	(46)	129
Net movement in funds		623	6,479	4,022	11,124	2,262
Funds brought forward at 1 January		3,930	51,166	13,163	68,259	65,997
Funds carried forward at 31 Decem	ber	4,553	57,645	17,185	79,383	68,259

All activities derive from continuing activities. The Notes on pages 27 to 52 form part of the financial statements.

Group income and expenditure account

For the year ended 31 December 2017

	2017	2016
	£,000	£'000
Total incoming resources	6,786	6,462
Resources expended	(5,948)	(6,042)
Operating surplus/(deficit) for the year	838	420
Net gains on investments	666	1,044
Net income for the year	1,504	1,464
Other comprehensive income:		
Revaluation of fixed assets	5,881	-
Net assets transferred from endowments	(283)	(280)
Actuarial (losses) on defined Benefit pension schemes	-	-
Total comprehensive income	7,102	1,184

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

Group balance sheet

As at 31 December 2017

Jan Ragios.

		Unrestricted	Restricted	Endowment	Total	Total
		funds	funds	funds	2017	2016
	Note	£'000	£'000	£'000	£'000	£'000
Fixed assets						
Tangible assets	14	253	51,529	1,384	53,166	46,762
Investments	16	3,474	5,652	17,173	26,299	22,074
		3,727	57,181	18,557	79,465	68,836
Current assets						
Stocks		3	_	-	3	5
Debtors: amounts falling due within one year	17	251	21	-	272	266
Debtors: amounts falling after one year	18	-	29	-	29	34
Cash at bank & in hand		785	712	547	2,044	1,775
		1,039	762	547	2,348	2,080
Creditors: amounts falling due within one year	19	(213)	(298)	(298)	(809)	(837)
Net current assets	,	826	464	249	1,539	1,243
Total assets less current liabilities	,	4,553	57,645	18,806	81,004	70,079
Creditors: amounts falling after						
more than one year						
Pension scheme liabilities	20	-	-	(1,621)	(1,621)	(1,820)
Net Assets	,	4,553	57,645	17,185	79,383	68,259
Unrestricted funds						
General reserve	22	4,553	-	-	4,553	3,930
Restricted funds						
Pastoral reserve	22	-	54,862	-	54,862	48,931
Mission and Ministry reserve	22	-	35	-	35	47
Ordinands in training reserve	22	-	(3)	-	(3)	-
Grants fund reserve	22	-	19	-	19	-
Uniform Statutory Trust	22	-	2,732	-	2,732	2,188
Endowment funds						
Diocesan stipends reserve	22	-	-	17,185	17,185	13,163
Reserves		4,553	57,645	17,185	79,383	68,259

The Cash Flow Statement and the Notes form part of these financial statements. The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 8 May 2018 and signed on their behalf by:

Revd Jane Rogers Chairman

Charity balance sheet

As at 31 December 2017

		Unrestricted	Restricted	Endowment	Total	Total
		funds	funds	funds	2017	2016
	Note	£'000	£'000	£'000	£'000	£'000
Fixed assets						
Tangible assets	14	253	51,529	1,384	53,166	46,762
Investments	16	3,474	3,213	17,173	23,860	20,030
		3,727	54,742	18,557	77,026	66,792
Current assets						
Stocks		3	-	-	3	5
Debtors: amounts falling due within one year	17	265	17	-	282	300
Debtors: amounts falling due after one year	18	-	29	-	29	34
Cash at bank & in hand		771	167	547	1,485	1,406
		1,039	213	547	1,799	1,745
Creditors: amounts falling due within one year	19	(213)	(42)	(298)	(553)	(646)
Net current assets		826	171	249	1,246	1,099
Total assets less current liabilities		4,553	54,913	18,806	78,272	67,891
Creditors: amounts falling after						
more than one year						
Pension scheme liabilities	20	-	-	(1,621)	(1,621)	(1,820)
Net Assets		4,553	54,913	17,185	76,651	66,071
II						
Unrestricted funds	22	4.552			4 553	2 020
General reserve	22	4,553	-	-	4,553	3,930
Restricted funds	22		F 4 0 C 2		F 4 9 C 2	40.021
Pastoral reserve	22	-	54,862	-	54,862	48,931
Mission and Ministry reserve	22	-	35	-	35	47
Ordinands in training reserve	22	-	(3)	-	(3)	-
Grants fund reserve	22	-	19	-	19	-
Endowment funds Diocesan stipends reserve	22	_	-	17,185	17,185	13,163
Reserves		4,553	54,913	17,185	76,651	66,071
I/e3el Ac3		4,333	24,313	17,103	10,031	00,071

The Notes form part of these financial statements. The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 8 May 2018 and signed on their behalf by:

Revd Jane Rogers Chairman

Group cash flow statement

For the year ended 31 December 2017

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Net cash inflow (outflow) from operating activities		(201)		(975)
Cash flows from investing activities Dividends, interest and rent from investments Interest paid: Clergy pension scheme		753 (30)		715 (58)
Proceeds from the sale of: Tangible fixed assets for the use of the HDBF Fixed asset investments	- 2,545		831 2,393	
Purchase of: Tangible fixed assets for the use of the HDBF Fixed asset investments	(395) (2,403)		(500) (2,238)	
Net cash provided by/(used in) investing activities		(253) 269	-	486 168
Change in cash and cash equivalents in the reporting period Net cash funds as at 1 January Net cash funds as at 31 December	<u> </u>	269 1,775 2,044	_	168 1,607 1,775
Reconciliation of net movements in funds to net cash flow from operating activities				
Net movement in funds for the year ended 31 December		784		275
Add: depreciation & amortisation charges Add: interest paid Add: actuarial gains/losses Less: dividends, interest and rent from investments		11 30 (46) (753)		12 58 129 (715)
Loss/(profit) on sale of functional assets (Increase) decrease in stocks (Increase) in debtors Increase in creditors Net cash provided by/(used in) operating activities		2 (1) (228) (201)	_	(424) 1 23 (334) (975)

For the year ended 31 December 2017

1. Accounting policies

1.1 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 1.5, 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 2015), the Companies Act 2006 and applicable accounting standards (FRS 102).

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

1.2 Basis of consolidation

The consolidated financial statements of the group incorporate the financial statements of Hereford Diocesan Board of Finance and its subsidiary undertaking, the HDBF Uniform Statutory Trust. The Charity has taken advantage of the exemption afforded by section 408 of the Companies Act 2006 and therefore, a separate Statement of Financial Activities and Income and Expenditure Account for the Charity has not been presented. The subsidiary has been consolidated in these financial statements on a line by line basis.

1.3 Incoming resources

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

- Parish Offer is recognised as income in the year in which it is received. Parish Offer relating to the
 year but received between 1 January and 31 January after the year end is included within other
 debtors.
- Rent receivable 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. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

For the year ended 31 December 2017

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, defined benefit pension interest costs together with the Parish Share rebate.
- 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. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. 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 note 11.
- **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 29). 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 Tangible fixed assets and depreciation

Freehold properties

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 have been included at their fair value.

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

For the year ended 31 December 2017

capitalise such properties as restricted fund assets and to carry them at their estimated current market value. Parsonage houses are revalued at least once every five years, the last valuation having been carried out as at 31 December 2017.

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 other fixed assets over their currently expected useful economic lives on a straight line basis as follows:

Improvements to leasehold property 8 years
Office Fixtures and fittings 7-10 years
Computer equipment 3-4 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.

1.6 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 first break clause.

1.7 Stocks

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

1.8 Fund balances

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

- **1.8.1 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.
- **1.8.2 Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

For the year ended 31 December 2017

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.

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

1.9 Connected charities

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

1.10 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).

1.11 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 qualification might be misleading, this information is shown in a note to the accounts.

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

For the year ended 31 December 2017

2. Parish Offer contributions

ι	Inrestricted	Restricted	Endowment	Total	Total
	funds	funds	funds	2017	2016
	£'000	£'000	£'000	£'000	£'000
Parish offer/share contributions					
Current year Share allocation	-	_	-		4,248
Current year Parish Offer committed	3,880	-	-	3,880	-
Shortfall in commitments/contrib's	(22)	_	-	(22)	(273)
	3,858	-	-	3,858	3,975
Arrears for previous years	6	-	-	6	39
	3,864	-	-	3,864	4,014

With effect from 1 January 2017, the majority of donations were collected from the parishes of the diocese through the Parish Offer system. The system is based on commitments made by Parishes to contribute to the Common Fund of the Diocese. Parish Offer receipts represent 99.4% of the total commitments made. Prior to 2017, the majority of donations were received through the Parish Share allocation.

3. Archbishops' Council

	Unrestricted	Restricted	Endowment	Total	Total
	funds	funds	funds	2017	2016
•	£'000	£'000	£'000	£'000	£'000
Archbishops' Council					
Ministry grants received	439	119	_	558	489

This is the annual grant for the parish mission fund, which may be used for specific parish mission and development projects or for clergy stipends.

4. Other donations

	Unrestricted	Restricted	Endowment	Total	Total
	funds	funds	funds	2017	2016
	£'000	£'000	£'000	£'000	£'000
Other donations					
Trust income and grants	31	28	_	59	74
Ecclesiastical insurance office - share of profits	92	-	-	92	91
Sundry income	2	-	-	2	5
Legacy	212	-	-	212	-
Donations	27		_	27	10
	364	28	_	392	180

Trust income and grants includes a grant of £23,017 (2016: £22,143) received from English Heritage to support the advice and guidance provided by the Diocese's Church Buildings Officer.

In the early 1960s, a legacy was received in the form of various cash and investment holdings. The legacy was treated as a separate trust, grouped within the Custodian Trustee accounts which do not form part of the HDBF accounts. The income from the investments was credited to HDBF unrestricted funds. During 2017 it transpired that the original will did not leave the legacy in trust, but rather directly to the HDBF. For this reason the investments, valued at £212k, were brought into the accounts during 2017 by crediting the general reserve – other donations. The terms of the will restrict the use of the legacy for augmenting livings

For the year ended 31 December 2017

in the Diocese and as such must be used for the payment of stipends. However, as income was fully expended on clergy stipends in the year, the legal restrictions have been satisfied.

5. Charitable activities

	Unrestricted	Restricted	Endowment	Total	Total
	funds	funds	funds	2017	2016
	£'000	£'000	£'000	£'000	£'000
Charitable activities					
Fees for occasional offices	361	-	-	361	380
Church Commissioners	-	-	-		1
- guaranteed annuities					
Income from educational activities	43	_	844	43	8
	404	-	-	404	389

6. Other trading income

L	Inrestricted	Restricted	Endowment	Total	Total
	funds	funds	funds	2017	2016
	£'000	£'000	£,000	£'000	£'000
Other trading income					
Rental income from					
- Houses (average 2017: 28, 2016: 22)	252	15	-	267	200
- Rental of church buildings (1)	-	17	-	17	28
- office lettings	3	-	-	3	1
Other trading income	9	-	-	9	10
	264	32	-	296	239

7. Investment income

	Unrestricted funds	Restricted funds	Endowment funds	Total 2017	Total 2016
Investment income	£'000	£'000	£'000	£'000	£'000
Glebe property					
Land and houses	123	-	-	123	105
Commercial property	28	-	-	28	33
Industrial property	104	-	-	104	98
Interest and dividends on endowment funds	217	-	-	217	213
	472	_	-	472	449
Other Dividends and interest					
Equity	109	170	-	279	262
Interest receivable	_	2	-	2	4
	109	172	-	281	266
Total investment income	581	172		753	715

For the year ended 31 December 2017

The Hereford Diocesan Board of Finance (general fund) makes use of commercial property owned by the Diocesan Stipend Fund. If the offices were rented out, they would generate an income of approximately £24k per annum.

8. Other income

I	Unrestricted funds	Restricted funds	Endowment funds	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000
Other income					
Closed schools					
- sale proceeds	-	251	-	251	-
- assets receivable: school houses	-	251	-	251	-
Redundant churches					
- costs recovered	-	17	-	17	12
- sale proceeds	***	-	-	the profile.	-
Gains on the disposal	-	-	-		424
of fixed assets					
Other income		-	20	20	
	_	519	20	539	436

9. Fund raising costs

	Unrestricted	Restricted	Endowment	Total	Total
	funds	funds	funds	2017	2016
	£'000	£'000	£'000	£'000	£'000
Fund raising costs					
Property agents' fees	40	-	-	40	24
Glebe land agents' fees	14	-	-	14	11
Glebe land tree maintenance	4	-	-	4	11
Glebe commercial property costs	5	-	-	5	3
Glebe land development costs	-	-	13	13	59
Investment portfolio mgt fees	15	15	31	61	56
UST Investment portfolio mgt fees	-	9	-	9	8
UST Costs of maintaining properties	-	3	-	3	11
Board property rental running costs	-	24	-	24	36
Defined benefit pension interest cost	-	-	30	30	58
Parish share rebate	-	-	-		27
Support costs (see note 11)	29	-	_	29	27
	107	51	74	232	331

For the year ended 31 December 2017

10. Charitable activities

10.4 Contributions to Archbishops' Council

	Unrestricted	Restricted	Endowment	Total	Total
	funds	funds	funds	2017	2016
	£'000	£'000	£'000	£'000	£'000
Contributions to Archbishops' Counci	1				
Residential training for ministry	165	-	-	165	159
National Church responsibilities	145	-	-	145	135
Mission agencies' pension contrib's	2	~	-	2	9
Retired clergy housing costs	54	-	-	54	52
Ordinand candidates' costs	31	-		31	22
	397	-	-	397	377
Support costs (see note 11)	4	-	-	4	4
	401	_	-	401	381

10.5 Resourcing ministry and mission

U	Inrestricted	Restricted	Endowment	Total	Total
	funds	funds	funds	2017	2016
	£'000	£'000	£'000	£'000	£'000
Resourcing ministry and mission					
Parish ministry:					
Stipends and national insurance	2,240	-	-	2,240	2,223
Housing costs	609	48	-	657	756
Removals, resettlements & grants	69	-	-	69	65
Clergy pension contributions	479	-	-	479	471
Interregnum expenses	66	-	-	66	77
,	3,463	48	-	3,511	3,592
Support for ministry					
Diocesan support ministers	225	56	-	281	197
Archdeacon costs	70	-	-	70	68
Other support ministers & committee	16	-	-	16	21
Ministry development & training	471	30	-	501	467
Publications	4	-	-	4	14
Conferences and other expenses	2	-	-	2	1
Mission and ministry projects	34	-	-	34	45
Support costs (see note 11)	400	1	-	401	409
	4,685	135	-	4,820	4,814

For the year ended 31 December 2017

10.6 Education

	Unrestricted	Restricted	Endowment	Total	Total
	funds	funds	funds	2017	2016
	£'000	£'000	£'000	£'000	£'000
Education					
Salaries/stipends, pensions and NIC	214	-	-	214	204
Administration	22	-	-	22	27
Grants for educational purposes	18	-	-	18	144
Uniform Statutory Trust costs	-	-	-	144 334	3
Support costs (see note 11)	37	_	_	37	35
	291	-	_	291	413

10.7 Parochial support

	Unrestricted	Restricted	Endowment	Total	Total
	funds	funds	funds	2017	2016
	£'000	£'000	£'000	£'000	£'000
Parochial support					
Church inspection fees	32	-	-	32	29
Faculty fees	19	-	-	19	19
Salaries	34	-	-	34	34
Travel & administration	4	-	-	4	4
Church Buildings Officer	23	-	-	23	24
Redundant churches	_	37	_	37	35
	112	37	-	149	145
Support costs (see note 11)	37	_	_	37	34
	149	37	-	186	179

10.8 Other grants and donations

	Unrestricted funds	Restricted funds	Endowment funds	Total 2017	Total 2016
	£'000	£'000	£'000	£.000	£'000
Other Grants and donations					
Mission & Ministry projects	-	30	- 1	30	38
Grants for school building projects	-	55		55	23
Churches Together in Herefordshire	3	-	-	3	4
Churches Together in Shropshire	3	-	-	3	3
Other grants less than £1,000 each	1	-	-	1	1
	7	85	•	92	69
Support costs (see note 11)	De-	-	-		
	7	85		92	69
Total expenditure on charitable activities	5,533	257	-	5,790	5,856

For the year ended 31 December 2017

11. Allocation of support costs

Allocation £'000			Fund raising	Contribution to Archbishops'	Resourcing Ministry &		Parochial	Grants &	Total	Total
Diocesan support: general Salaries, pensions and NIC Woftime 22.0 3.1 251.5 31.5 6.3 - 314.4 36	Support cost category	Basis of	costs	Council	Mission	Education	support	donations	2017	2016
Salaries, pensions and NIC Softme		allocation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property expenses Repairs, renewals and decorations Fiborspace 0.3 - 6.7 - 0.6 - 7.6	Diocesan support: general	Ti e	ĺ							
Repairs, renewals and decorations Fiberspace 0.3 - 6.7 - 0.6 - 7.6	Salaries, pensions and NIC	% of time	22.0	3.1	251.5	31.5	6.3	-	314.4	308.5
Rent and water rates	Property expenses				-			- 1		
Light and heat Floor space 0.2 - 4.0 - 0.4 - 4.6	Repairs, renewals and decorations	Floorspace	0.3	-	6.7	-	0.6	-	7.6	0.9
Insurance	Rent and water rates	Fioorspace	0.6	-	12.7	-	1.2	-	14.5	14.7
Office cleaning	Light and heat	Floorspace	0.2	-	4.0	-	0.4	-	4.6	4.1
General expenses Postage and telephone %oftime 0.5 0.1 6.0 0.7 0.1 - 7.4	Insurance	Floorspace	0.4	-	8.0	-	0.7	-	9.1	7.0
Postage and telephone % of time 0.5 0.1 6.0 0.7 0.1 - 7.4	Office cleaning	Floorspace	0.2	-	4.4	-	0.4	-	5.0	4.7
General printing / stationery Softime Depreciation - office equipment Estimated usage D.4 - 10.4 10.8 10	General expenses				-			- 1	No. of the	
Depreciation - office equipment Estimated usage Company Co	Postage and telephone	% of time	0.5	0.1	6.0	0.7	0.1	-	7.4	5.5
Travelling	General printing / stationery	% of time	0.5	0.1	6.0	0.8	0.2	-	7.6	8.7
Staff advertising & interviews Estimated direct - - 1.7 - - - 1.7	Depreciation - office equipment	Estimated usage	0.4	-	10.4	-	-	-	10.8	11.9
Staff training & welfare Estimated direct - - 2.2 - - - 2.2 IT repairs / sundry Estimated direct - - 4.2 - - 4.2 Equipment maintenance % of time 1.6 0.2 17.6 2.2 0.4 - 22.0 18.4 Diocesan website Estimated usage 0.1 - 3.3 - - 3.4 Bank charges % of time 0.1 - 1.3 0.2 - - 1.6 Eco Park offices Floor space 0.6 - 12.8 - 1.2 - 14.6 18.5 27.5 3.5 356.2 35.4 11.5 - 434.1 41.5 Diocesan support: Restricted funds	Travelling	Estimated direct	-	-	3.4	-	-	-1	3.4	4.0
Trepairs / sundry	Staff advertising & interviews	Estimated direct	-	-	1.7	-	-	-	1.7	7.7
Equipment maintenance % of time Diocesan website Estimated usage Bank charges % of time Diocesan website Month of time Diocesan support: Restricted funds Staff advertising & interviews Estimated direct Diocesan support: professional fees Diocesan support: professional fees Diocesan Registrar's remuneration Chancellor's retainer % of time Stimated direct Diocesan Registrar's remuneration Chancellor's retainer Stimated direct Diocesan Support Stimated direct Diocesan Registrar's remuneration Chancellor's retainer Stimated direct Diocesan Registrar's remainer Diocesan Registrar's remainer Diocesan Registrar's remainer Diocesan Registrar's remainer Stimated direct Diocesan Registrar's remainer Diocesan Registrar's remainer Stimated direct Diocesan Registrar's remainer Diocesan Registrar's Diocesan Registrar's Diocesan Registrar's Diocesan Registrar's Diocesan Registrar's Diocesan	Staff training & welfare	Estimated direct	-	-	2.2	-	-	-	2.2	1.4
Diocesan website	IT repairs / sundry	Estimated direct	-	-	4.2	-		-	4.2	2.8
Bank charges	Equipment maintenance	% of time	1.6	0.2	17.6	2.2	0.4	-	22.0	14.8
Eco Park offices	Diocesan website	Estimated usage	0.1	-	3.3	-	-	-	3.4	2.0
27.5 3.5 356.2 35.4 11.5 - 434.1 41	Bank charges	% of time	0.1	-	1.3	0.2	-	-	1.6	-
Diocesan support: Restricted funds Estimated direct - - 1.1 - -	Eco Park offices	Floorspace	0.6		12.8		1.2	-	14.6	15.3
Staff advertising & interviews Estimated direct - - 1.1 - - 1.1			27.5	3.5	356.2	35.4	11.5		434.1	414.0
Staff advertising & interviews Estimated direct - - 1.1 - - 1.1	Diocesan support: Restricte	d funds								
Diocesan Registrar's remuneration % of time - - 19.7 - 19.8 - 39.5 39.5 10.5		1		_	1.1	-	_		1.1	-
Diocesan Registrar's remuneration % of time - - 19.7 - 19.8 - 39.5 39.5 10.5	Diocesan support: profession	nal fees						1		
Chancellor's retainer		1	_	_	19.7	_	19.8	- [39.5	36.1
Estimated direct	•	% of time	-	_	5.3	-	5.2	-1	10.5	9.9
27.0 - 25.0 - 52.0 7 National support General Synod representation % Synod time - 0.7 5.5 6.2 Governance Audit fee % Synod time 1.0 0.1 11.5 1.4 0.3 - 14.3 1 Total support costs 29 4 401 37 37 - 508 5	Legal and professional fees	Estimated direct	-	_	1.3	-	-	-	1.3	6.9
National support General Synod representation % Synod time - 0.7 5.5 - - - 6.2 Governance Audit fee % Synod time 1.0 0.1 11.5 1.4 0.3 - 14.3 1 Total support costs 29 4 401 37 37 - 508 5	Consultancy	Estimated direct	-	_	0.7	_	-	-	0.7	20.4
General Synod representation % Synod time -			-	-	27.0		25.0	- 1	52.0	73.3
General Synod representation % Synod time -	National support									
Audit fee		% Synod time	-	0.7	5.5	-	_	-	6.2	7.4
Total support costs 29 4 401 37 37 - 508										
	Audit fee	% Synod time	1.0	0.1	11.5	1.4	0.3	-	14.3	14.7
2016 support costs 27 // 409 35 34 - 509	Total support costs		29	4	401	37	37	-1	508	509
	2016 cupport costs	1	27	4	400	25	2.4		500	

12. Analysis of expenditure including allocation of support costs

	Activities	Grant		
	Undertaken	Funding of	Support	Total
	Directly	Activities	Costs	2017
	£'000	£'000	£'000	£'000
Raising funds	203	-	29	232
Charitable activities:				
Contributions to Archbishops' Council	-	397	4	401
Resourcing ministry and mission	4,272	147	401	4,820
Education	181	73	37	291
Parochial support	117	32	37	186
Other grants and donations	72	20	-	92
	4,845	669	508	6,022

For the year ended 31 December 2017

13. Analysis of grants made

	Number	Individuals £'000	Institutions £'000	Total 2017 £'000	Total 2016 £'000
From unrestricted funds for national					
church responsibilities:	-		207	207	277
Contributions to Archbishops' Council	5		397	397	377
From unrestricted funds:					
To PCCs to support rural mission	_	_	-		-
Clergy resettlement grants	11	26	_	26	23
Clergy removal expenses	12	29	-	29	22
Clergy first appointment grants	6	14	-]	14	19
Ministry experience scheme	8	14	- 1	14	13
Cleobury Mortimer youth project	1	-	17	17	21
Support for Ordinands in training	6	47	-1	47	31
PCCs for church inspection fees	75	-	32	32	29
Bishop Anthony Educational Trust	1	-	18	18	144
Churches Together	2	-	7	7	7
Other grants	4	-	1	1	1
	126	130	75	205	279
From restricted funds:					
Mission & ministry					
Institutional grants to support mission &	ministry:				
Grants less than £1,000	2	-	1	1	2
Grants between £1,000 and £1,999	1	-	1	1	3
Grants between £2,000 and £4,999	3	_	10	10	21
Grants between £5,000 and £10,000	-	-	-		13
	6	-	12	12	39
Uniform Statutory Trust					
To support school building projects	2	-	55	55	46
	139	130	539	669	741

For the year ended 31 December 2017

14. Tangible fixed assets - group and charity

	Unrestricted funds					
	2	Leasehold				
	Freehold	property	Office	Restricted	Endowment	
	properties	improvements	equipment	funds	fund	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 January 2017	0	53	201	45,508	1,245	47,007
Additions		-	11	384	-	395
Disposals	-	-	(61)	-	-	(61)
Transfers	-	-	-	-	-	
Revaluation	240			5,641	139	6,020
At 31 December 2017	240	53	151	51,533	1,384	53,361
Accumulated deprecia	tion					
At 1 January 2017	-	53	188	4	-	245
Charge for the year	-	-	11	-	-	11
Disposals	-	-	(61)	-	-	(61)
At 31 December 2017	-	53	138	4	-	195
Net book value						
At 1 January 2017	-	-	13	45,504	1,245	46,762
At 31 December 2017	240		13	51,529	1,384	53,166

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 2017, the Board was responsible for 5 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. As at 31 December 2016, freehold land and buildings held in the general unrestricted fund were shown in the accounts at a nominal value of £1. This included St Barnabas church. This church is now being leased to two charitable organisations and has therefore been revalued by the Directors at £240k.

The Board uses an index of house price movements produced by Nationwide Building Society to value its properties at least every 5 years in accordance with accounting policy note 1.5.

15. Capital commitments

Other contracts
House build
House development

5
)
-
5
3
3
֡

The capital commitments relate to amounts contracted for at the year end but not provided in the financial statements.

For the year ended 31 December 2017

16. Fixed asset investments

Unrestricted funds Listed investments Unlisted investments	As at 1 January 2017 £'000 3,026	Additions £'000 417 212	Disposals £'000 (415)	Transfers £'000 - -	Value £'000 231 3	As at 31 December 2017 £'000 3,259 215
	3,026	629	(415)		234	3,474
Restricted funds Pastoral fund Listed investments Buildings	2,992	375 -	(383)	-	229	3,213
- Landings		375			229	3,213
	2,992	3/3	(383)		229	3,213
Endowment funds Listed investments Land	6,009 6,133	827 60	(783) (256)	-	455 2,821	6,508 8,758
Buildings	1,870	-	-	-	37	1,907
10.7	14,012	887	(1,039)	-	3,313	17,173
Total - Charity	20,030	1,891	(1,837)	-	3,776	23,860
UST restricted fund						
Listed investments	1,812	261	(277)	_	136	1,932
Unlisted investments	67	-	-	~	6	73
Buildings	165	251	-	-	18	434
	2,044	512	(277)	-	160	2,439
Total group	22,074	2,403	(2,114)	-	3,936	26,299

Details of all listed investments are included in the annual report of the Board's Investment Advisory Group. Listed investments are traded on London or comparable international stock exchanges.

The value of commercial buildings is based on an informal opinion of value expressed by the Board's commercial property agent Godfrey-Payton as at 31 December 2017 and does not constitute a formal valuation.

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 the RICS rural land market survey to determine average land values at 31 December 2017. A discount was applied to 1986 Act holdings of 37% and Farm Business Tenancies of 24%. This constitutes an average yield of 1.7%. Other holdings were discounted at 10% 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.

For the year ended 31 December 2017

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.

17. Debtors: due within one year

	Group		Charity	
	2017	2016	2017	2016
	£,000	£'000	£'000	£'000
Unrestricted funds				
Other debtors	130	123	130	123
Prepayments & accrued income	121	125	121	125
Church schools		_	14	40
	251	248	265	288
Restricted funds				
Pastoral fund				
Loan to Bishop Mascall Centre	4	4	4	4
Other debtors	13	8	13	8
UST restricted fund				
Advances to schools	*	3		
Other debtors	4	3		
	21	18	17	12
	272	266	282	300

18. Debtors: due after one year

	Group		Charity	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Restricted funds				
Pastoral fund				
Loan to Bishop Mascall Centre	24	29	24	29
Loan to Pensions Board	5	5	5	5
	29	34	29	34

Restricted funds include a loan to the Bishop Mascall Centre of £23,980 (2016: £28,980). Repayments are being made at £4,000 per annum, with interest chargeable at the Church of England's Central Board of Finance (CBF) rates. In addition, the Board has made a loan of £5,000 to the Pensions Board towards the cost of a property being occupied by a retired clergyman.

For the year ended 31 December 2017

19. Creditors: amounts falling due within one year

	Grou	ıp	Charity		
	2017	2016	2017	2016	
	£'000	£'000	£'000	£'000	
Unrestricted funds					
Other creditors	101	152	101	152	
Taxation & Social Security	32	29	32	29	
Accruals	80	105	80	105	
	213	286	213	286	
Restricted funds			ACCESS OF		
Other creditors: Pastoral fund	38	60	38	60	
Other creditors: Grant fund	4	-	4	-	
Other creditors: UST	256	191			
	298	251	42	60	
Endowment funds					
Other creditors	16	10	16	10	
Defined benefit pension liability	282	290	282	290	
	298	300	298	300	
Total creditors falling due	809	837	553	646	
within one year	-				

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

	Group		Charity	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Endowment funds				
Defined benefit pension liability	1,621	1,820	1,621	1,820

For the year ended 31 December 2017

21. Summary of assets by fund

	Tangible		Current		Net
	Fixed assets	Investments	Assets	Creditors	Assets
	£'000	£'000	£'000	£'000	£'000
Unrestricted General fund	253	3,474	1,039	213	4,553
Restricted funds					
Pastoral fund	51,529	3,213	158	38	54,862
Mission and Ministry fund	-	-	35	- 1	35
Ordinands in training fund	-	_	(3)	- 1	(3)
Grants fund	-	-	23	4	19
Uniform Statutory Trust	-	2,439	549	256	2,732
Endowment funds					
Diocesan stipends fund	1,384	17,173	547	1,919	17,185
Total funds	53,166	26,299	2,348	2,430	79,383

22. Analysis of movements in funds

Unrestricted funds Group and Charity General reserve	Balance at 1 Jan 2017 £'000 3,930	Surplus (deficit) for the year £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	Balance at 31 Dec 2017 £'000 4,553
Restricted funds					
Pastoral reserve	48,931	44	-	5,887	54,862
Mission and Ministry reserve	47	(12)	-	-	35
Ordinands in training fund	-	(3)	-	-	(3)
Grants fund	-	19	-	-	19
Total restricted funds - Charity	48,978	48	-	5,887	54,913
Uniform Statutory Trust	2,188	514	(140)	170	2,732
Total restricted funds - Group	51,166	562	(140)	6,057	57,645
Endowment funds Group and Charity Diocesan stipends fund	13,163	(54)	283	3,793	17,185
Total Charity	66,071	270	140	10,170	76,651
				10,170	
Total Group	68,259	784	-	10,340	79,383

For the year ended 31 December 2017

23. Analysis of transfers between funds

	Unrestricted	Restricted	Endowment	Total
	General	funds	funds	2017
	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted	140	(140)	-	al Control
General Fund to support education From General fund to Endowment reduction in pensions deficit	(283)	-	283	
·	(143)	(140)	283	

24. Subsidiary: HDBF Uniform Statutory Trust

	2017	2016
	£'000	£'000
Income and costs		
Income and endowments	582	65
Expenditure	207	81
Net income/(expenditure) before investment gains/(losses)	375	(16)
Net gains/(losses) on investment assets	170	247
Net income/(expenditure)	545	231
Assets and liabilities		
Assets	3,002	2,418
Liabilities	270	232
Net assets	2,732	2,186

25. Statutory disclosures

25.4 Net incoming resources for the year

These are after charging:

	£'000	£'000
Depreciation of tangible fixed assets	11	12
Rentals charged under operating leases	17	13
Amounts payable to external auditors for:		
- External scrutiny	14	14
- Other work		2

2017

2016

For the year ended 31 December 2017

25.5 Financial commitments – operating leases

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

	2017	2016
	£,000	£'000
Land and buildings:		
within one year of the balance sheet		-
within two to five years of the balance sheet date		-
Other operating leases:		
within one year of the balance sheet	2	1
within two to five years of the balance sheet date	5	3

26. Post balance sheet events and contingent liabilities

There were no post balance sheet events or contingent liabilities at the balance sheet date.

27. Staff costs

Staff costs were as follows:

	1,187	1,080
Pension contributions	94	88
Social Security costs	93	83
Gross salaries and wages	1,000	909
	£'000	£'000
	2017	2016

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

	2017		2016	
	Number Full-time	Number Part-time	Number Full-time	Number Part-time
Support ministers / staff	9	12	7	12
Education	4	1	4	-
Diocesan officers	3	1	4	1
Diocesan office staff	3	6	4	6
Other ancilliary staff	ty Borne in the	2		3
	19	22	19	22

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

	2017 Number	2016 Number
Support ministers / staff	17.0	14.3
Education	4.7	4.5
Diocesan officers	3.9	4.5
Diocesan office staff	6.5	6.9
Other ancilliary staff	0.6	1.0
	32.7	31.2

For the year ended 31 December 2017

These staff numbers include personal assistants, but do not include the Archdeacon of Hereford, who is paid through the Church Commissioners.

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

	2017	2016
	Number	Number
£60,000 - £70,000	1	2
£70,000 - £80,000	1	

Pension payments of £13,860 (2016: £6,305) were made for these employees.

27.4 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 2017 they were:

Diocesan Secretary Mr S R Pratley
Director of Finance Mr S G P Herbert
Director of Education Mr P J G Sell

Remuneration (including employer's National Insurance), pensions and expenses for these employees amounted to £229,244 (2016: £227,386).

27.5 Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £1,429 (2016: £1,561) in respect of General Synod duties, duties as archdeacon or rural dean, and other duties as Trustees.

The Church Commissioners are responsible for the stipends and housing of the diocesan and suffragan bishops (ex officio trustees). Archdeacons, parochial clergy and support ministers who are trustees of the HDBF, whether ex officio, elected, appointed or co-opted, are in receipt of a stipend and housing paid via the Board by virtue of their office.

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

	Stipend	Housing
The Ven G P Benson	Yes	Yes
Revd I Cronin	Yes	Yes

The Board also met the stipends, pensions and social security costs of an average of 80 (2016: 80) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

2017

2016

	2017	2010
	£'000	£'000
Stipends	2,094	2,084
National insurance contributions	168	174
Pension costs - current year	491	482
- deficit reduction	283	280
	3,036	3,020

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

For the year ended 31 December 2017

28. Related parties

Herefordshire Vennture, a charitable organisation of which the Diocesan Secretary is a Trustee, leased office space within the HDBF St Barnabas church property at £500 per month, totalling £6,000 for the year (2016: £6,000).

During 2017 the following transaction took place between the Charity and its subsidiary, HDBF UST:

A grant from UST to HDBF for £140,000 (2016: £36,000)

29. Pension commitments

29.4 Church of England Funded Pension Scheme (FEFPS)

With effect from 1 January 1998, diocesan clergy became members of the Church of England Funded Pensions Scheme. This defined benefit scheme provides benefits based on the National Minimum Stipend in the year before their date of retirement and provides for that part of the benefit that relates to pensionable service after 1 January 1998. Benefits are currently being accrued on the basis of half of the National Minimum Stipend (NMS) being paid as the normal pension on reaching the age of 68 on completion of maximum service of 41.5 years, or 1.25 times this amount for archdeacons, plus a lump sum of three times the pension based on the previous year's NMS payable from the Scheme. Pensions in respect of pensionable service before 1 January 1998 will be provided for by the Church Commissioners under the previous arrangements.

The Hereford Diocesan Board of Finance participates in the Church of England Funded Pension Scheme for stipendiary clergy and as at 31 December 2017 had 87 members in the scheme (2016: 85). This 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 Bodies.

Each participating 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 specific Responsible Bodies, 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 (2017: £479k, 2016 £471k), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £555k for 2017 (2016: £400k).

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 2015. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

An investment strategy of:

- for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030; and
- a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- Investment returns of 2.6% p.a. on gilts and 4.6% p.a. on return-seeking assets;
- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% p.a.;
- Mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance for improvements in mortality rates in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.5%.

For the year ended 31 December 2017

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the deficit recovery contributions (as a percentage of pensionable stipends) are as set out in the table below. Contributions since 2015 are shown for reference:

	Jan 2016 to	Jan 2018 to Dec
% of pensionable stipends	Dec 2017	2025
Deficit repair contributions	14.1%	11.9%

As at December 2015, the deficit recovery contributions under the recovery plan in force at that time were 14.1% of pensionable stipends until December 2025. As at December 2016 and December 2017 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

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

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below:

2017

	2017	2016
	£'000	£'000
Balance sheet liability as at 1 January	2,110	2,461
Deficit contribution paid	(283)	(280)
Interest cost (recognised in the SoFA)	30	58
Remaining change to balance sheet liability*	46	(129)
(recognised in SoFA)	gradition design	
Balance sheet liability as at 31 December	1,903	2,110

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

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

	December 2017	December 2016	December 2015
Discount rate	1.4% p.a.	1.5% p.a.	2.5% p.a.
Price inflation	3.0% p.a.	3.1% p.a.	2.4% p.a.
Increase to total pensionable payroll	1.5% p.a.	1.6% p.a.	0.9% p.a.

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

29.5 Church of England Pension Builder Scheme

Hereford Diocesan Board of Finance participates in the Pension Builder Scheme section (PB 2014) of The Church Workers Pension Fund 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.

For the year ended 31 December 2017

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.

Pension Builder Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the Church of England Pensions Board from time to time. Bonuses may also be declared, depending upon the investment returns and other factors.

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

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2017: £58k, 2016: £45k).

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 2013. This revealed, on the ongoing assumptions used, a surplus of £0.5m. There is no requirement for deficit payments at the current time.

Pension Builder 2014 will be valued in relation to the lump sum payable to members at normal pension age. There are no annual pension benefits. Pension Builder 2014 commenced in February 2014 so the first full valuation of that section will be carried out at the next CWPF valuation date, 31 December 2016.

At 31 December 2017, HDBF had 30 active members (2016: 22) in the Pension Builder 2014. Contributions outstanding at the year end amounted to £4,887 (2016: £4,434).

29.6 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 £36,648 (2016: £42,527) and were charged to the Income and Expenditure Account. Contributions outstanding at the year end amounted to £2,405 (2016: £2,461).

30. 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.

Endowment 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.

For the year ended 31 December 2017

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. At the balance sheet date all but one stipendiary clergy in the Diocese had 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.

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:

- 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 The Mission and Ministry reserve is a restricted fund available for deanery and diocesan mission-focused initiatives.

Grants fund

This restricted fund consists of grants receivable by the HDBF where the grantor has placed restrictions on the use of the grants or where the grant has been made for Monies received from the Church Commissioners for restructuring purposes and from Strategic Development Fund bids have been included in the Grants fund.

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

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UST

The Uniform Statutory Trust (UST) is a registered charity (charity number 1073330) of which the HDBF is the sole trustee. The principal activity of the UST is the advancement of Christian education in the Diocese. 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.

31. St. Barnabas Church

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

32. 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.

33. Closed schools

33.4 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.

33.5 Whitbourne Primary School

Whitbourne Primary School ceased to be used as a school in 2014. The property was sold on 9 February 2017 with net proceeds received of £251,000. The whole proceeds will be at the disposal of Hereford Diocesan Board of Finance Educational Uniform Statutory Trust with no reverters having a claim.

For the year ended 31 December 2017

34. Prior year comparative SoFA

	Unrestricted	Restricted	Endowment	Total funds
	General fund	funds	funds	2016
	£'000	£'000	£'000	£'000
Income and endowments from:				
Donations				
Parish share contributions	4,014	-	- 1	4,014
Archbishops' Council	449	40	-	489
Other donations	155	25	-	180
Charitable activities	389	-	-	389
Other trading income	207	32	-	239
Investment income	551	164	-	715
Other income	-	436	-	436
Total income and endowments	5,765	697	-	6,462
Expenditure on:				
Raising funds	117	69	145	331
Charitable activities	5,632	224	-	5,856
Total resources expended	5,749	293	145	6,187
Net income/(expenditure) before	16	404	(145)	275
investment gains			,	
Net gains/(losses) on investments	401	643	814	1,858
Net income/(expenditure)	417	1,047	669	2,133
Transfers between funds	(244)	(36)	280	Salt pools
Other recognised gains (losses) Gains/(losses) on revaluation of fixed assets	-	-	-	stauppi Kamana
Actuarial gains/(losses) on defined benefit pension	-	-	129	129
Net movement in funds	173	1,011	1,078	2,262
Funds brought forward at 1 January 2016	3,757	50,155	12,085	65,997
Total funds at 31 December 2016	3,930	51,166	13,163	68,259