

**Hereford Diocesan Board of Finance**

# **Annual Report & Accounts**

**2018**



— Diocese of —  
**Hereford**  
Proclaiming Christ ✦ Growing Disciples

Company limited by guarantee  
Company number 144467  
Charity number 249685

# Hereford Diocesan Board of Finance

Report & Accounts for the year ended 31 December 2018

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# Annual report

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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 2018.

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

This combined report satisfies the legal requirements for a:

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

## 1. 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") voted to simplify its objects in November 2018 and passed a formal resolution in March 2019 to adopt the new objects following Charity Commission Approval. The new objects are as follows:

To promote, aid, and further the religious and other charitable work of the Church of England in the Diocese of Hereford and, at the discretion of the trustees, elsewhere in the world including through:

- i. Supporting financially or otherwise training for ministry, clerical and lay;
- ii. The maintenance and support of clergy and other persons connected with ministry or the work of the Church;
- iii. the provision of pensions for ministers, teachers and workers of the Church, and of persons who have previously held any such position, and dependants of them or any of them and the oversight of such dependants in accordance with and subject to the Clergy Pensions Measure 1961.

The HDBF has the following statutory responsibilities: -

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

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

The HDBF voted to rationalise its governance structure in November 2018. This saw the combination of the Bishop's Council, the standing committee of the Synod, Diocesan Board of Finance Executive Committee and the Diocesan Mission and Pastoral Committee into one body of people that meet conterminously. This body is called the Bishop's Council and acts as the trustees / directors of the Diocesan Board of Finance.

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## 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 a five-year period (2015-2021):

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

- More disciples have been brought to an understanding of God through Jesus
- More lively churches providing inspirational homes for these new disciples
- A more representative church by age and background, reflecting our whole society and 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 21<sup>st</sup> 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

To support the priorities, Bishop's Council and Bishop's Staff formulated plans to:

- Request each Deanery to refresh its own Mission Action Plan to consider how it plans to achieve the shared priorities:
  - All 13 deaneries completed plans.
- Continue to invest in and test our approach to intergenerational mission

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- The 12-month review was extremely positive with many of the targets set exceeded in each of the six locations. The cultural change and positivity that the team have brought to the diocese is possibly even more significant than the exceeded targets (see below)

Description	Total target (over five years)	Actual Sept 2018
Unchurched people reached	1800 Total (900 under 35)	478 (221 under 35) 1506 (under 35) through schools
People becoming 'new disciples'	450 (225 under 35)	8 (3 under 35)
Courses for people to explore faith	12 (two in each location)	1 started, 5 planned to start
New worshipping communities set up	12 (two in each location)	2 started (Ross, Hereford)
Intergenerational Missioner Volunteers trained	12 (two in each location)	110 lay people have started related training

- To continue 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:
  - The introduction of the Parish Giving Scheme has seen the fastest take-up at parish level in the country, led largely by the successful deployment of two parish giving advisers. One post has been added to the establishment on a permanent basis. Levels of planned giving have increased.
- To develop a church building strategy to support parishes in maintaining ancient places of worship and supporting the imaginative re-using of the spaces:
  - The church buildings strategy group reported its findings in July 2018, funding was secured for a toolkit to evaluate church buildings and a further pilot to test the implications of the strategy has commenced in the Abbeydore Deanery.
- To achieve a budget that generates a surplus to be used for mission and growth by 2019;
  - This time period has been extended to 2020. Much work has been done to increase income and reduce costs but the original aim has not been achieved.
- 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.

In direct response to the strategic goals, Hereford Diocese can report:

- Our average attendance at church in the Diocese remains at 2.8% against a national average of 1.7%
- An increase from 994 (2015) to 1,110 (2017) children (under 18) attending weekly church services
- An increase from 12,283 (2015) to 13,436 (2017) across all of our worshipping communities.

### 3.1 Public Benefit

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

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- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers;
  - The Diocese supports 406 buildings in 358 parishes providing regular opportunities for public worship. As well as acts of worship, weddings and funerals, many of our buildings are accessed during the week for a number of reasons, including researching the history of the church building and community activities.
- 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.
  - The following table provides examples of the Diocese’s contribution:

<b>Activity</b>	<b>Number of Volunteers (approx.)</b>	<b>Beneficiaries</b>
Open the Book – 66 Teams	250	Primary school children
Messy Church – 40 currently running	100	Children between 3-11 years of age.
Parent & Toddler Groups – 28 running	70	Pre-school age children and parents
Community Cafes – 44 in existence	140	Whole community
Lunch Clubs – 37 in operation	120	Older people
Youth Work – 18 groups at present	50	Young people 11-18
Money help projects – 9 running or supporting	30	Whole community

- 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 609 weddings, 1,853 funerals and 1,079 baptisms. In 2018, an average of 69 trained stipendiary clergy and 12 curates were deployed in the Diocese; supporting them in their ministry, training and continued development is a key priority for HDBF and represents by far its largest financial commitment. Although the HDBF does not ‘employ’ the parish clergy, it is responsible for training them, paying them, and contributing to their pension fund.

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.

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## **4.2 Mission Action Planning**

A diocese-wide process of refreshing Mission Action Planning was undertaken by Deanery Leadership Teams with all thirteen deaneries 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.

## **4.3 Clergy Development and Re-imagining Ministry**

Rather than implement a radical new approach to the deployment of clergy the Diocese is strategically testing a number of new models of ministry in different areas. This most fundamentally includes the deployment of intergenerational missionaries in six key market towns, the performance of these are outlined above.

### **Abbeydore Mission Co-ordinator & clergy deployment**

The clergy in Abbeydore have been undertaking new Deanery-wide roles for a few months now. Each member of stipendiary clergy in the deanery has a wider remit (for example to reach the missing generations, to maximise 'life events' opportunities) in addition to their parish responsibilities. This is a very collaborative approach and is breaking similar ground to some large projects in other dioceses around creating mission communities. It will be interesting to see the fruits of this approach and ideally apply the learning elsewhere.

Supporting the principle of the deanery-wide deployment is a new Mission Co-ordinator appointment (October). This person is seen similarly to a Practice Manager in a GP surgery in that they are not the 'practitioner' but they are very much the one that organises and enables mission to happen effectively in the Deanery. This post is part funded by the charity Rural Ministries, part funded by the Mission Action Planning fund created by the Diocese and part funded by the Deanery directly.

### **Pontesbury Clergy Deployment**

A similar approach is being developed in Pontesbury Deanery with the Bishop of Ludlow working closely with the Rural Dean to achieve a reorganised deanery with one less stipend and greater deanery collaboration as seen in Abbeydore.

### **Craven Arms Partnership**

Along a similar line, the Bishop of Ludlow has worked with the Methodist community to create a partnership to support ministry in Craven Arms. Once an appointment to this post has been made, this should result in a substantial contribution from the Methodist church to the costs of a stipendiary minister in the area.

### **Hereford City: Resource Church / City Mission / Church Army**

The Hereford Chapter is exploring ways to tackle the relatively low levels of attendance in city based churches and the lack of young people attending church. This work is ongoing and is likely to be a candidate for a future Strategic Development Fund bid, or application to the total return fund. They are also mindful of the 1500 homes planned to be built on Church Commissioner land in the Three Elms area of the city. This is likely to be a significant area of work in 2019.

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## **Clergy appointments, 'Discover' voluntary workers, and ordinands**

Appointing excellent clergy can have a transformative effect on a benefice. This year has seen a number of positive appointments, many being young clergy and a good proportion of Hereford diocesan curates have secured permanent positions within the Diocese. We are continuing to see beneficial outcomes from our DISCOVER intern programme which is effectively a gap year for young people exploring their vocation. The success of the programme is measured by the number of young people coming forwards for ordination training and the high numbers seen to date are helping to bring down significantly the average age of people recommended for training.

## **4.4 Increasing effectiveness**

For the third year in a row, the overall level of Parish Offer in 2018 stagnated with many small increases offset by a few larger decreases. With stipends rising with inflation, the Directors have reduced the operating deficit by cutting costs, leveraged commercial letting opportunities for clergy properties during vacancies, and plan to offset £90k of expenditure against the total return fund in 2019.

The Budget Review Group recommended that a delegation of senior clergy and staff visit deaneries that have seen reductions in Parish Offer to understand the rationale for these decisions. These meetings are intended to be pastorally supportive, exploring not only the priorities emerging from deanery Mission Action Plans but also the resources needed to deliver and sustain these commitments. This series of engagements will be complete by April 2019.

The Deanery Treasurers' Forum meets up to four times a year to facilitate the smooth running of Parish Offer collection and remittance, to act as a clear communication channel between PCCs and the diocesan office, and to share best practice across a wide range of financial management, reporting and stewardship issues. The diocesan office works closely with deanery treasurers to enhance the effectiveness of this key network.

In particular, Deanery Treasurers have provided dedicated support in the progressive roll-out of the diocesan direct debit scheme for transmission of Parish Offer. This approach provides a timely, secure and efficient mechanism, allowing Deanery Treasurers to provide more value-added financial support to parishes.

## **Safeguarding**

We have appointed an internal member of staff to the position of Safeguarding / Disclosure and Barring Service (DBS) Administrator. The staff member has enabled the Diocese to oversee the DBS checking process and move the umbrella body from the cathedral to the diocese. This helps to reduce one of our risks.

## **5. Future plans**

### **5.1 Vacancy in See / Statement of Need**

2019 will see the retirement of Bishop Richard and the Vacancy in See (ViS) Committee will be overseeing the drafting of a Statement of Need and selection of members of the Diocese to support the Crown Nominations Committee in selecting the new Diocesan Bishop

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The Diocese's Mission Action Plan continues to guide our priorities and approach. Particular emphasis in 2019 will mirror much of the activity in 2018 on the following areas:

- 1) **Appointment of a new Diocesan Bishop and to key diocesan vacancies**
- 2) **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".
- 3) **Prepare for the visit of Archbishop Justin Welby (October 2019)**
- 4) **Implement the new governance arrangements**
- 5) **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.
- 6) **Mission Action Planning:** to continue to invest in the MAP process and encourage local leaders to carry out actions that will lead to sustainable growth in their local areas. This will be supported by funds made available through the adoption of total return accounting.
- 7) **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". In particular, to explore the expansion of the intergenerational mission project and a plan for the city of Hereford.
- 8) **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".
- 9) **Finances:** Continue to work towards a balanced budget for 2020.
- 10) **Glebe land development:** To continue with our strategy for land and asset development

## 6. Financial review

### 6.1 Overview

Total income for the year amounted to £7.01m (2017: £6.81m), a rise of 3%, mainly due to an increase of £0.58m in funding from grant-making bodies for specific projects. Excluding both grant income and one-off property and legacy items, underlying income increased 0.8% to £5.99m. Meanwhile, HDBF continued to face rising expenditure, meeting a stipend increase of 2.0% during the year, and other cost pressures (the rate of inflation as measured by CPI stood at 2.1% at December 2018).

2018 was the second full year 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. It was encouraging to note that almost all PCCs were able to meet their Parish Offer commitments in full, with HDBF receiving 99.2% of the parish contributions expected (2017: 99.4%). The Diocese is most grateful to PCCs for their continued partnership in funding parish ministry and mission. However, the 2018 Parish contribution was more or less the same as 2017, representing a real decline (based on CPI) of 2.3%.

The largely rural nature of the Diocese and low population density means that it is now receiving a declining apportionment of central church funds. In order to help PCCs to develop and grow their planned giving base, the Diocese joined the national Parish Giving Scheme ("PGS"), which offers donors and parishes a secure platform for donations, with the benefit of centralised recovery of Gift Aid. It was very pleasing to note that 175 PCCs (48%) had joined PGS by the end of 2018. PGS is already proving to be a useful tool for strengthening local PCC finances, enabling more resources to be allocated to mission and ministry.

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Total expenditure for the year amounted to £6.66m compared with £6.02m in 2017, an increase of £0.64m. Stripping out increases in spend related to grant funded projects of £454k and £61k for new grant match-funding commitments the rise on 2017 is 2.1%, in line with inflation for the year.

The overall surplus for the year before investment gains was £347k (2017: £784k). Investment losses amounted to £1.23m (2017: Investment and property gains of £10.34m). 2017 was particularly high due primarily to the triennial revaluation of houses (£6.02m) and the reclassification of three parcels of glebe from 'agricultural' to 'development' land (£2.45m). The 2018 investment losses reflect external market forces.

### **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 £323k before investment gains & losses. The final position in these statutory adjustments was a net surplus of £347k – a positive variance of £670k 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 £551k.

The remaining variance difference of £119k relates to operational savings, including £97k due to an intentional policy to maximise rental income and concerted efforts across all diocesan departments to constrain costs as far as possible.

#### **6.2.1 Significant Property Transactions**

2018 saw the purchase of a new rectory in Much Wenlock for £357k and the sale of two surplus rectories in Broseley and Cressage totalling £726k.

Westbury School House was brought onto the balance sheet at a valuation of £250k following the closure of Westbury primary school.

#### **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 £78.6m (2017: £79.4m), it should be noted that £74.6m (2017: £74.8m) 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 31 to the accounts.

Fixed asset values stand at £78.0m (2017: £79.5m) and overall balance sheet reserves at £78.6m (2017: £79.3m). This decrease comprised of realised and unrealised losses of £1.2m (2017: £10.4m gains) on property and fixed asset investments, pension actuarial gains of £84k (2017: losses of £46k), and net income in the year of £347k (2017: £784k).

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

##### *Unrestricted general fund*

Net expenditure before investment gains was £136k (2017: net income £276k). £236k was transferred to the endowment fund to reflect the pension deficit contributions made during the year (2017: £283k), and £50k (2017: £140k) was transferred from the restricted UST fund to support the work of the Diocesan Board of

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Education. Net losses on investments were £254k (2017: net gains £250k) and revaluation of fixed assets were £nil (2017: gains £240k) giving rise to a net movement in funds of £576k (2017: £623k).

The change from a surplus before investment gains in 2017 of £276k to a deficit in 2018 of £136k can largely be attributed to the following:

- 2017 included one-off legacy income of £212k;
- 2018 included new match-funding of £61k for grant funded projects;
- 2018 saw an average of 2.3 more clergy and curates in place than 2017 at a cost of £81k;
- 2018 Parish Offer contributions remained static overall whilst stipends and other costs increased.

### *Restricted (pastoral) fund*

Net expenditure was £19k prior to investment gains (2017: £44k net income before gains). Total funds at 31 December amounted to £54.6k (2017: £54.9k).

### *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 £390k prior to investment gains and losses (2017: £514k surplus before gains), due mainly to the transfer to the UST of a school house and related bank account totalling £292k and the transfer to the UST of the assets of the Ludlow Voluntary Schools Association, totalling £66k.

### *Restricted (Brampton Abbots) fund*

Brampton Abbots is a closed church. HDBF has been successful in finding grant funding to carry out structural repairs to the building to bring it into a condition in which it can be re-used. Total grants received during 2018 amounted to £305k (2017: £nil) and expenditure for the year amounted to £198k (2017: £nil) leaving funds carried forward of £107k (2017: £nil).

### *Restricted (Intergenerational Missioners) fund*

This fund relates to monies received from parishes and Archbishops' Council (Strategic Development Funding) towards the cost of employing six full time missioners to work in market towns in Herefordshire and Shropshire. Total grant income received during 2018 amounted to £148k (2017: £nil) and expenditure amounted to £120k (2017: £4k). The balance on the fund at 31 December was £24k (2017: -£4k).

### *Restricted (Restructuring grant) fund*

This fund relates to monies received from Archbishops' Council to restructure the Diocese in preparation for a change in national funding. Income for 2018 amounted to £81k (2017: £94k) and expenditure totalled £86k (2017: £71k). The expenditure was predominantly towards the cost of employing two Parish Giving Advisers and membership of the Parish Giving Scheme. A transfer of £5k was made from the restructuring fund to the Abbeydore Mission Co-ordinator fund, another restricted fund. The balance on the fund at 31 December was £13k (2017: £23k).

### *Restricted (grant) funds – other*

Other smaller restricted funds include: Mission & Ministry fund, Ordinands in Training fund, Programme Manager fund, Camping Pod fund, Building Strategy fund and the Abbeydore Mission Co-ordinator fund. Total grant income for 2018 amounted to £192k (2017: £nil) and expenditure totalled £155k (2017: £nil). The balance on the funds at 31 December was £74k (2017: £nil).

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## *Endowment (diocesan stipends) fund*

The endowment fund recorded a deficit of £56k (2017: deficit of £54k) before investment gains. This includes £25k (2017: £30k) 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. The balance on the fund at the year end was £16.9m (2017: £17.2m).

## **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 2018 was £25.8m (2017: £26.4m) and the total return on investment was 0.3% (2017: 20.6%). The high return in 2017 was due to the revaluation of three parcels of glebe land from an agricultural basis to a development land basis.

### *Endowment investments*

£16.4m (2017: £17.2m) of HDBF investments are in endowment funds, primarily to generate a sustainable income to continue funding clergy stipends.

Agricultural, commercial and industrial land and buildings (excluding school land) were valued at £8.0m at 31 December 2018 (2017: £10.7m). The change during year relates mostly to the sale of glebe land for £2.8m with the proceeds being invested in equities. Rents receivable from glebe amounted to £258k (2017: £255k) – an income yield of 3.2% (2017: 3.2%).

Investment in equity and fixed interest funds were valued at £8.4m at 31 December 2018 (2017: £6.5m). The unrealised loss in the value of investments during the year amounted to £601k (2017: £455k surplus). Dividends receivable amounted to £197k (2017: £217k) – a yield of 2.3% (2017: 3.3%). The 2018 yield was depressed by the increase in equity investments towards the end of the year.

### *Unrestricted and restricted fund investments*

The policy with unrestricted and restricted fund investments is to maintain a balance of income and capital growth. Investment in equity and fixed interest funds were valued at £8.2m at 31 December 2018 (2017: £8.7m). The unrealised loss in the value of investments during the year amounted to £672k (2017: £666k surplus). Dividends and interest receivable totalled £267k (2017: £281k) – an overall yield of 3.3% (2017: 3.3%).

## **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.

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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 2019 budgeted expenditure, the amount required under this policy totals £1.9m. As at 31 December 2018, the unrestricted reserves (excluding property) stood at £3.7m. Although above the minimum reserve level indicated by the policy, the Directors consider this amount is appropriate in view of 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 2019. The Diocese is implementing a 'generous giving' strategy 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.

### **6.4 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 2018 is indicated in note 14 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 22 provides details of the assets of each fund and note 17 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 are held in agricultural land, commercial and industrial land and buildings, equities and fixed interest securities.

# Annual report

For the year ended 31 December 2018

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

## 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 missionaries to seek church growth, especially in market towns;
- Employ a Parish Giving Adviser on a permanent basis;
- 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);
- Continue to promote 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;
- To monitor the success and explore the expansion of the inter-generational missionaries who have a specific remit to increase worshipping congregations, achieve growth and increase the number of younger people involved in church.

**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, self-supporting ministers, voluntary ministers, supporting retired clergy to stay connected and growing local worship leaders as well as encouraging and recognising the vital ministry of Readers;
- Promote the diocesan School for Ministry offering flexible courses for initial and continuing training for a widening variety of ministries.

# Annual report

For the year ended 31 December 2018

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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.

# Annual report

For the year ended 31 December 2018

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## **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;

## Annual report

For the year ended 31 December 2018

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- 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**

The Bishop's Council has now formally merged with other Diocesan Committees. Under the constitution of the Diocesan Synod, Bishop's Council has the following functions:

#### **Functions as Bishop's Council:**

1. to plan the business of the Synod, to prepare the agenda for its sessions and to circulate to members information about matters for discussion;
2. to initiate proposals for action by the Synod and to advise it on matters of policy which are placed before it;
3. to advise the president (Bishop) on any matters which (s)he may refer to the committee;
4. subject to the directions of the Synod to transact the business of the Synod when it is not in session;
5. to appoint members of committees or nominate members for election to committees, subject to the directions of the Synod;
6. to carry out such other functions as the Synod may designate to it.
7. to receive reports from committees;
8. to receive reports from and strategically oversee the work of diocesan departments.

#### **Functions as Directors of the DBF:**

1. The Members of Bishops Council shall act as directors (for the purposes of company law) and trustees (for the purposes of charity law) of the Hereford Diocesan Board of Finance.
2. When meeting as the Directors, the meeting shall be chaired by the Chair or vice Chair of the DBF directors.
3. Such meetings shall be known as meetings of The Board of Directors.
4. The meeting of the Directors will be accountable for all such matters that company directors are accountable for, such as:
  - a) Sustainability, ensuring the business is financially well placed for the future.
  - b) Risk management
  - c) Compliance with all applicable laws, including public benefit).
  - d) Determining strategy and policy in relation to:
    - i. Clergy stipends (in line with Synodical Ministry deployment policy)
    - ii. Revenue budgets
    - iii. Capital budgets
    - iv. Investments
    - v. Parish Offer system
    - vi. Risk management
  - e) Monitoring the implementation of policy and strategy
  - f) Receiving and approving draft budget submissions and the annual consolidated financial statements for approval by the Diocesan Synod
  - g) Agree financial sub-structures (Finance Committee, BBC, Glebe)
  - h) Considering any business referred by the DBF, Synod, Bishop's Council or the finance sub-structures

## Annual report

For the year ended 31 December 2018

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- i) Act as the Diocesan Glebe Committee in accordance with the Endowments and Glebe Measure 1976
5. Each meeting will receive a report from the Finance Sub-Committee.

Functions as the Diocesan Mission and Pastoral Committee:

- Oversight of diocesan deployment
- Considers and authorises pastoral schemes
- Interacts with the Archdeaconry Mission and Pastoral Committees.

### **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, 25 May 2010 and 2 March 2019.

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

### **8.7 Decision-making structure**

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

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

### **8.8 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 Finance Committee of the Bishop's Council

*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 Diocese. In the Diocese of Hereford this function is carried out by the Finance Committee of the Bishop's Council.

# Annual report

For the year ended 31 December 2018

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*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. In the Diocese of Hereford this function is carried out by the Bishop's Council

*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 finance committee. The terms of reference for this group was established by the Bishop's Council and includes regular appraisals, remuneration and salary benchmarking and consequent recommendation of changes.

## **8.11 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 £4.5m at 31 December 2018 (2017: £5.0m), are available from the HDBF on request.

## **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.

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For the year ended 31 December 2018

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### **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 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 money purchase scheme is available to all employees. HDBF, as employer, contributes up to 10.5% of gross salary. Since August 2015 all new employees have been automatically enrolled in the 'Pension Builder 2014' section of the Church Workers Pension Fund. The Pension Builder 2014 scheme is a hybrid scheme with a guarantee such that on reaching normal retirement age, the employee will receive, as a minimum, the contributions paid into the scheme on their behalf.

Ordained clergy are within the Church of England Clergy Pensions Scheme.

## **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.

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:

# Annual report

For the year ended 31 December 2018

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- 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 2018 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 (to 31 August 2018)  
The Ven D C Chedzey (from 9 September 2018)  
The Very Revd Michael Tavinor (from 1 January 2019)  
Revd Preb Simon Cawdell (from 1 January 2019)  
RAdm Philip Wilcocks (from 1 January 2019)  
Mr Stephen Borthwick (from 1 January 2019)  
Canon R Lording (to 31 December 2018)

Elected Directors: Revd L Cronin (to 31 December 2018)  
Mr A Mence (to 31 December 2018)  
Mr T N Hone (to 31 December 2018)  
Mr C J Whitmey (to 31 December 2018)  
Mr C W Hunter (to 31 December 2018)  
Mrs J Woodroffe (to 31 December 2018)  
Mrs S Lewis (to 31 December 2018)  
Revd Preb W A Buck (from 1 January 2019)  
Revd R Hulse (from 1 January 2019)  
Revd A P Morgan (from 1 January 2019)  
Mrs J C Beavan (from 1 January 2019)  
Major P J A Darling (from 1 January 2019)  
Mr C H E Smith

Nominated Directors: Mr M J C Simmons (from 1 January 2019)  
Mrs K Askew (from 1 January 2019)  
Mr T N Hone (from 1 January 2019)  
Mr N A Sellar (from 1 January 2019)  
The Dowager Countess of Darnley (from 1 January 2019)

# Annual report

For the year ended 31 December 2018

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## 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.

## 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

Carter Jonas  
Canon Court North  
Abbey Lawn  
Shrewsbury  
SY2 5DE

### Auditors

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

### Investment managers

Rathbone Brothers PLC  
8 Finsbury Circus  
London  
EC2M 7AZ

### Insurance agents

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

### Glebe agents – commercial & industrial

Godfrey-Payton  
Old Bablake  
Hill Street  
Coventry  
CV1 4AN

The Directors' annual report is approved by order of the Board of Directors and the Strategic Report (included therein) is approved by the Board of Directors on 17 June 2019 and signed on its behalf by:

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

Chairman  
17 June 2019

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

Director  
17 June 2019

## **Independent auditors' report**

To the members of the Hereford Diocesan Board of Finance

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### **Opinion**

We have audited the financial statements of Hereford Diocesan Board of Finance (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2018 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 2018, 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

## **Independent auditors' report**

To the members of the Hereford Diocesan Board of Finance

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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 20, 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.

## **Independent auditors' report**

To the members of the Hereford Diocesan Board of Finance

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### **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/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.

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**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

20 June 2019

**Group statement of financial activities**

For the year ended 31 December 2018

		Unrestricted	Restricted	Endowment	<b>Total</b>	Total
		General fund	funds	funds	<b>2018</b>	2017
	<b>Note</b>	£'000	£'000	£'000	<b>£'000</b>	£'000
<b>Income and endowments from:</b>						
Donations						
Parish share contributions	<b>2</b>	3,854	-	-	3,854	3,864
Archbishops' Council	<b>3</b>	429	357	-	786	558
Other donations	<b>4</b>	129	375	-	504	392
Charitable activities	<b>5</b>	449	-	-	449	404
Other trading income	<b>6</b>	301	19	-	320	296
Investment income	<b>7</b>	563	159	-	722	753
Other income	<b>8</b>	-	376	-	376	539
<b>Total income and endowments</b>		<b>5,725</b>	<b>1,286</b>	<b>-</b>	<b>7,011</b>	<b>6,806</b>
<b>Expenditure on:</b>						
Raising funds	<b>9</b>	108	44	56	208	232
Charitable activities	<b>10</b>	5,753	703	-	6,456	5,790
<b>Total resources expended</b>		<b>5,861</b>	<b>747</b>	<b>56</b>	<b>6,664</b>	<b>6,022</b>
<b>Net income/(expenditure) before investment gains</b>		<b>(136)</b>	<b>539</b>	<b>(56)</b>	<b>347</b>	<b>784</b>
Net gains/(losses) on investments		(254)	(418)	(556)	(1,228)	4,366
<b>Net income/(expenditure)</b>		<b>(390)</b>	<b>121</b>	<b>(612)</b>	<b>(881)</b>	<b>5,150</b>
<b>Transfers between funds</b>	<b>23</b>	(186)	(50)	236	-	-
<b>Other recognised gains (losses)</b>						
Gains/(losses) on revaluation of fixed assets	<b>15</b>	-	-	-	-	6,020
Actuarial gains/(losses) on defined benefit pension	<b>30</b>	-	-	84	84	(46)
<b>Net movement in funds</b>		<b>(576)</b>	<b>71</b>	<b>(292)</b>	<b>(797)</b>	<b>11,124</b>
Funds brought forward at 1 January		4,553	57,645	17,185	79,383	68,259
<b>Funds carried forward at 31 December</b>		<b>3,977</b>	<b>57,716</b>	<b>16,893</b>	<b>78,586</b>	<b>79,383</b>

All activities derive from continuing activities. The Notes on pages 31 to 62 form part of the financial statements.

## Group income and expenditure account

For the year ended 31 December 2018

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Total incoming resources</b>	7,011	6,786
<b>Resources expended</b>	(6,608)	(5,948)
<b>Operating surplus for the year</b>	403	838
Net gains on investments	(672)	666
<b>Net income for the year</b>	(269)	1,504
<b>Other comprehensive income:</b>		
Revaluation of fixed assets	-	5,881
Net assets transferred from endowments	(236)	(283)
<b>Total comprehensive income</b>	<b>(505)</b>	<b>7,102</b>

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

**Group balance sheet**

As at 31 December 2018

	Note	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Fixed assets</b>						
Tangible assets	15	254	50,801	1,740	52,795	53,166
Investments	17	2,984	5,853	16,415	25,252	26,299
		3,238	56,654	18,155	<b>78,047</b>	79,465
<b>Current assets</b>						
Stocks		3	-	-	3	3
Debtors: amounts falling due within one year	18	227	79	-	306	272
Debtors: amounts falling after one year	19	-	25	-	25	29
Cash at bank & in hand		755	1,071	370	2,196	2,044
		985	1,175	370	<b>2,530</b>	2,348
<b>Creditors: amounts falling due within one year</b>	20	(246)	(113)	(264)	(623)	(809)
<b>Net current assets</b>		739	1,062	106	<b>1,907</b>	1,539
<b>Total assets less current liabilities</b>		3,977	57,716	18,261	<b>79,954</b>	81,004
<b>Creditors: amounts falling due after more than one year</b>						
Pension scheme liabilities	21	-	-	(1,368)	(1,368)	(1,621)
<b>Net Assets</b>		3,977	57,716	16,893	<b>78,586</b>	79,383
<b>Funds</b>						
Unrestricted income fund	24	3,977	-	-	3,977	4,553
Restricted income funds	24	-	57,716	-	57,716	57,645
Endowment funds	24	-	-	16,893	16,893	17,185
<b>Reserves</b>		3,977	57,716	16,893	<b>78,586</b>	79,383

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 17 June 2019 and signed on their behalf by:

..... Revd Jane Rogers  
Chairman

17 June 2019

**Group cash flow statement**

For the year ended 31 December 2018

	Note	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Fixed assets</b>						
Tangible assets	15	254	50,801	1,740	52,795	53,166
Investments	17	2,984	3,266	16,415	22,665	23,860
		3,238	54,067	18,155	<b>75,460</b>	77,026
<b>Current assets</b>						
Stocks		3	-	-	3	3
Debtors: amounts falling due within one year	18	227	64	-	291	282
Debtors: amounts falling due after one year	19	-	25	-	25	29
Cash at bank & in hand		755	660	370	1,785	1,485
		985	749	370	<b>2,104</b>	1,799
<b>Creditors: amounts falling due within one year</b>	20	(246)	(23)	(264)	(533)	(553)
<b>Net current assets</b>		739	726	106	<b>1,571</b>	1,246
<b>Total assets less current liabilities</b>		3,977	54,793	18,261	<b>77,031</b>	78,272
<b>Creditors: amounts falling due after more than one year</b>						
Pension scheme liabilities	21	-	-	(1,368)	(1,368)	(1,621)
<b>Net Assets</b>		3,977	54,793	16,893	<b>75,663</b>	76,651
<b>Funds</b>						
Unrestricted income fund	24	3,977	-	-	3,977	4,553
Restricted income funds	24	-	54,793	-	54,793	54,913
Endowment funds	24	-	-	16,893	16,893	17,185
<b>Reserves</b>		3,977	54,793	16,893	<b>75,663</b>	76,651

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 17 June 2019 and signed on their behalf by:

..... Revd Jane Rogers  
Chairman

17 June 2019

**Group cash flow statement**

For the year ended 31 December 2018

	<b>2018</b>	<b>2018</b>	2017	2017
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
<b>Net cash inflow (outflow) from operating activities</b>		<b>(740)</b>		(201)
<b>Cash flows from investing activities</b>				
Dividends, interest and rent from investments		722		753
Interest paid: Clergy pension scheme		(25)		(30)
Proceeds from the sale of:				
Tangible fixed assets for the use of the HDBF	738		-	
Fixed asset investments	4,769		2,545	
Purchase of:				
Tangible fixed assets for the use of the HDBF	(363)		(395)	
Fixed asset investments	(4,949)		(2,403)	
		195		(253)
<b>Net cash provided by/(used in) investing activities</b>		<b>152</b>		<b>269</b>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>152</b>		<b>269</b>
Net cash funds as at 1 January		2,044		1,775
<b>Net cash funds as at 31 December</b>		<b>2,196</b>		<b>2,044</b>
<b><i>Reconciliation of net movements in funds to net cash flow from operating activities</i></b>				
<b>Net movement in funds for the year ended 31 December</b>		<b>347</b>		<b>784</b>
Add: depreciation & amortisation charges		6		11
Add: interest paid		25		30
Add: actuarial gains/losses		84		(46)
Less: dividends, interest and rent from investments		(722)		(753)
Loss/(profit) on sale of functional assets		(11)		-
(Increase) decrease in stocks		-		2
(Increase) in debtors		(30)		(1)
(Decrease) in creditors		(439)		(228)
<b>Net cash provided by/(used in) operating activities</b>		<b>(740)</b>		<b>(201)</b>

## Notes to the accounts

For the year ended 31 December 2018

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### 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.

## Notes to the accounts

For the year ended 31 December 2018

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### 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, and defined benefit pension interest costs.
- **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure on education and Church of England schools in the Diocese and direct support for parishes and clergy.
- **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the HDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- **Support costs** consist of central management, administration and governance costs. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on a relevant basis as set out in 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 30). 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 capitalise such properties as restricted fund assets and to carry them at their estimated current

## Notes to the accounts

For the year ended 31 December 2018

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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 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	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.

## Notes to the accounts

For the year ended 31 December 2018

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

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

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

**Notes to the accounts**

For the year ended 31 December 2018

**2. Parish Offer contributions**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Parish offer contributions</b>					
Current year Parish Offer committed	3,884	-	-	3,884	3,880
Shortfall in commitments	(33)	-	-	(33)	(22)
	3,851	-	-	3,851	3,858
Arrears for previous years	3	-	-	3	6
	<b>3,854</b>	-	-	<b>3,854</b>	3,864

With effect from 1 January 2017, the majority of donations were collected from the Parochial Church Councils of the diocese through the 'Parish Offer' system. The system is based on annual commitments made by PCCs to contribute to the 'Common Fund' of the Diocese for stipendiary parish clergy. Parish Offer receipts in 2018 represented 99.2% (2017: 99.4%) of the total commitments made.

**3. Archbishops' Council**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Archbishops' Council</b>					
Lowest Income Communities funding (LiNC)	276	-	-	276	267
Transitional support funding	148	-	-	148	164
Ordinands in training	-	89	-	89	27
Restructuring income	-	81	-	81	92
Inter-generational Missioners (SDF)	-	105	-	105	-
Strategic capacity funding	-	52	-	52	-
Other support	5	30	-	35	8
	429	357	-	786	558

The Lowest Income Communities funding supports stipendiary ministry in the most deprived areas of the Diocese. The transitional funding is currently used to fund clergy stipends across the Diocese. SDF refers to Strategic Development Funding.

**4. Other donations**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Other donations</b>					
Trust income and grants	31	375	-	406	59
Ecclesiastical insurance office - share of profits	91	-	-	91	92
Sundry income	1	-	-	1	2
Legacy	-	-	-	-	212
Donations	6	-	-	6	27
	129	375	-	504	392

## Notes to the accounts

For the year ended 31 December 2018

Unrestricted trust income and grants includes grants totalling £31k (2017: £31k) to support the advice and guidance provided by the Diocese's Church Buildings Officer.

Restricted funds includes £45k (2017: £1k) from PCC match funding contributions, £324k (2017: £nil) from various agencies towards grant funded projects and £6k from grant funding bodies towards pastoral fund housing improvements & redundant churches (2017: £27k).

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 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 funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Charitable activities</b>					
Fees for occasional offices	386	-	-	386	361
Church Commissioners - guaranteed annuities	-	-	-	-	-
Income from educational activities	63	-	-	63	43
	<b>449</b>	-	-	<b>449</b>	404

All charitable activities related entirely to unrestricted funds in both the current and prior years.

### 6. Other trading income

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Other trading income</b>					
Rental income from					
- Houses (average 2018: 32, 2017: 28)	292	9	-	301	267
- Rental of church buildings (1)	7	10	-	17	17
- office lettings	2	-	-	2	3
Other trading income	-	-	-	-	9
	<b>301</b>	<b>19</b>	-	<b>320</b>	296

Restricted funds relate to the Pastoral fund for both the current and prior year. (2017 House rental income: £15k, Rental of church buildings: £17k)

**Notes to the accounts**

For the year ended 31 December 2018

**7. Investment income**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Investment income</b>					
<b>Glebe property</b>					
Land and houses	115	-	-	115	123
Commercial property	30	-	-	30	28
Industrial property	113	-	-	113	104
Interest and dividends on endowment funds	197	-	-	197	217
	<b>455</b>	<b>-</b>	<b>-</b>	<b>455</b>	<b>472</b>
<b>Other Dividends and interest</b>					
Equity	106	155	-	261	279
Interest receivable	2	4	-	6	2
	<b>108</b>	<b>159</b>	<b>-</b>	<b>267</b>	<b>281</b>
<b>Total investment income</b>	<b>563</b>	<b>159</b>	<b>-</b>	<b>722</b>	<b>753</b>

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.

All Glebe property income relates to the unrestricted fund for both the current and prior year. The restricted element of Other Dividends and Interest relates to the Pastoral fund (2017: Equity £170k, Interest receivable: £2k).

**8. Other income**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Other income</b>					
<b>UST: Closed schools</b>					
- sale proceeds	-	-	-	-	251
- assets receivable: school houses	-	292	-	292	251
<b>Pastoral fund: Redundant churches</b>					
- costs recovered	-	18	-	18	17
Other income	-	66	-	66	20
	<b>-</b>	<b>376</b>	<b>-</b>	<b>376</b>	<b>539</b>

Other income relates to a one-off transfer to the UST from the Ludlow Voluntary Schools Association. The 2017 other income of £20k related to the Endowment fund.

**Notes to the accounts**

For the year ended 31 December 2018

**9. Fund raising costs**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Fund raising costs</b>					
Property agents' fees	42	1	-	43	40
Glebe land agents' fees	11	-	-	11	14
Glebe land maintenance	21	-	-	21	4
Glebe commercial property costs	2	-	-	2	5
Glebe land development costs	-	-	-	-	13
Investment portfolio mgt fees	15	15	31	61	61
UST Investment portfolio mgt fees	-	9	-	9	9
UST Costs of maintaining properties	-	5	-	5	3
Board property rental running costs	-	14	-	14	24
Defined benefit pension interest cost	-	-	25	25	30
	91	44	56	191	203
Support costs (see note 11)	17	-	-	17	29
	108	44	56	<b>208</b>	232

The investment portfolio management fees relate to the Rathbones cost of maintaining the HDBF portfolio of listed investments, excluding CBF shares. (2017: Unrestricted fund £15k, Restricted funds (Pastoral) £15k, Endowment fund £31k).

**10. Charitable activities****10.1 Contributions to Archbishops' Council**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Contributions to Archbishops' Council</b>					
Residential training for ministry	167	-	-	167	165
National Church responsibilities	148	-	-	148	145
Mission agencies' pension contrib's	2	-	-	2	2
Retired clergy housing costs	56	-	-	56	54
Ordinand candidates' costs	33	-	-	33	31
	406	-	-	406	397
Support costs (see note 11)	-	-	-	-	4
	406	-	-	<b>406</b>	401

**Notes to the accounts**

For the year ended 31 December 2018

**10.2 Resourcing ministry and mission**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Resourcing ministry and mission</b>					
Parish ministry:					
Stipends and national insurance	2,322	-	-	2,322	2,240
Housing costs - repairs & running costs	597	-	-	597	609
Housing costs - upgrades	-	61	-	61	48
Housing - loss on disposal/impairments	-	34	-	34	-
Removals, resettlements & grants	74	-	-	74	69
Clergy pension contributions	509	-	-	509	479
Interregnum expenses	62	-	-	62	66
	3,564	95	-	3,659	3,511
Support for ministry					
Diocesan support ministry	325	134	-	459	350
Other support ministers & committee	12	-	-	12	17
Ministry development & training	460	87	-	547	505
Conferences and other expenses	2	-	-	2	2
Mission and ministry projects	98	121	-	219	34
	897	342	-	1,239	908
Support costs (see note 11)	364	-	-	364	401
	4,825	437	-	<b>5,262</b>	4,820

Diocesan support ministry relates to the costs of supporting Parochial Church Councils and deaneries in terms of parish development, safeguarding, communications, buildings and faculty support, and community partnership & funding activities, community links development, and oversight by Archdeacons. The restricted fund element relates to the grant funded cost of increasing the Diocese's ability to support PCCs in the areas of Christian giving and stewardship, building conservation and development, and project management (2017: Unrestricted fund £294k, Restricted funds £56k).

Ministry development & training relates to the support that the Diocese provides to parish clergy and those seeking a vocation in ministry. In particular, training, local ministry development, evangelistic outreach and children's/youth work. The restricted fund element relates to the cost of training new ordinands funded by central church (2017: Unrestricted fund £471k, Restricted funds £30k).

Mission and ministry projects relate to Diocesan funded projects within parishes. These include the 'Discover' voluntary worker experience scheme, funding towards a local youth worker, various small grants and the cost of employing seven inter-generational mission workers (2017: unrestricted £34k, restricted £nil).

**Notes to the accounts**

For the year ended 31 December 2018

**10.3 Education**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Education</b>					
Salaries/stipends, pensions and NIC	212	-	-	212	214
Administration	26	-	-	26	22
Grants for educational purposes	-	-	-	-	18
Uniform Statutory Trust costs	-	-	-	-	-
	238	-	-	238	254
Support costs (see note 11)	83	-	-	83	37
	321	-	-	<b>321</b>	291

**10.4 Parochial support**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Parochial support</b>					
Church inspection fees	42	-	-	42	32
Faculty fees	24	-	-	24	19
Salaries	68	-	-	68	34
Travel & administration	2	-	-	2	4
Church Buildings Officer	4	-	-	4	23
Redundant churches	-	225	-	225	37
	140	225	-	365	149
Support costs (see note 11)	54	-	-	54	37
	194	225	-	<b>419</b>	186

£198k of the parochial support for redundant churches related to grant funded repairs to Brampton Abbots church (2017: £nil).

**10.5 Other grants and donations**

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	<b>Total 2018 £'000</b>	Total 2017 £'000
<b>Other Grants and donations</b>					
Mission & Ministry projects	-	19	-	19	30
Grants for school building projects	-	22	-	22	55
Churches Together in Herefordshire	3	-	-	3	3
Churches Together in Shropshire	3	-	-	3	3
Other grants less than £1,000 each	1	-	-	1	1
	7	41	-	48	92
Support costs (see note 11)	-	-	-	-	-
	7	41	-	<b>48</b>	92
<b>Total expenditure on charitable activities</b>	<b>5,753</b>	<b>703</b>	<b>-</b>	<b>6,456</b>	<b>5,790</b>

**Notes to the accounts**

For the year ended 31 December 2018

**11. Allocation of support costs**

Support cost category	Basis of allocation	Fund raising costs	Contribution to Archbishops' Council	Resourcing Ministry & Mission	Education	Parochial support	Grants & donations	Total 2018	Total 2017
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Diocesan support: general fund</b>									
Salaries, pensions and NIC	% of time	12.8	-	229.6	57.4	19.1	-	318.9	314.4
<b>Property expenses</b>									
Repairs, renewals and decorations	Head count	0.7	-	18.5	3.9	1.5	-	24.6	7.6
Rent and water rates	Head count	0.4	-	10.9	2.3	0.9	-	14.5	14.5
Light and heat	Head count	0.1	-	3.4	0.7	0.3	-	4.5	4.6
Insurance	Head count	0.4	-	10.1	2.1	0.8	-	13.4	9.1
Office cleaning	Head count	0.2	-	3.9	0.9	0.3	-	5.3	5.0
<b>General expenses</b>									
Postage and telephone	% of time	0.2	-	3.3	0.8	0.3	-	4.6	7.4
General printing / stationery	% of time	0.3	-	4.8	1.2	0.4	-	6.7	7.6
Depreciation - office equipment	Estimated usage	0.3	-	4.4	1.0	0.6	0.1	6.4	10.8
Travelling	% of time	0.1	-	2.2	0.5	0.2	-	3.0	3.4
Staff advertising & interviews	% of time	-	-	0.8	0.2	0.1	-	1.1	1.7
Staff training & welfare	% of time	0.1	-	1.7	0.4	0.1	-	2.3	2.2
IT repairs / sundry	Head count	0.2	-	4.4	1.0	0.4	-	6.0	4.2
Equipment maintenance	% of time	0.5	-	9.2	2.3	0.8	-	12.8	22.0
Diocesan website	Estimated usage	0.1	-	1.8	0.4	0.3	-	2.6	3.4
Bank charges	% of time	0.1	-	1.4	0.3	0.1	-	1.9	1.6
Eco Park offices	Head count Eco	-	-	12.0	4.6	-	-	16.6	14.6
		16.5	-	322.4	80.0	26.2	0.1	445.2	434.1
<b>Diocesan support: professional fees</b>									
Diocesan Registrar's remuneration	Estimated direct	-	-	21.8	-	21.5	-	43.3	39.5
Chancellor's retainer	Estimated direct	-	-	5.2	-	5.3	-	10.5	10.5
Legal and professional fees	Estimated direct	-	-	0.8	-	-	-	0.8	1.3
Consultancy	Estimated direct	-	-	0.6	-	-	-	0.6	0.7
		-	-	28.4	-	26.8	-	55.2	52.0
<b>National support</b>									
General Synod representation	% Synod time	-	0.4	2.7	-	-	-	3.1	6.2
<b>Governance</b>									
Audit fee	% of time	0.6	-	10.5	2.7	0.9	-	14.7	14.3
<b>Total support costs: General (rounded)</b>		17	-	364	83	54	-	518	507
2017 support costs: general		29	4	400	37	37	-	507	
<b>Support costs: Restricted funds</b>									
General expenses	Estimated direct	-	-	-	0.1	-	-	0.1	1.0
<b>Total support costs: Restricted (rounded)</b>		-	-	-	-	-	-	-	1
2017 support costs: restricted funds		-	-	1	-	-	-	1	

During the year, the allocation of support costs was reviewed. Absolute head count is now used instead of floor space and the apportionment based on % of time has been recalculated. The prior year support costs remain as per the 2017 statutory accounts. However, in order to provide a comparison between years, the 2017 support costs have been re-analysed using the revised allocation and are shown in note 12.

**Notes to the accounts**

For the year ended 31 December 2018

**12. Re-analysis of 2017 support costs using revised basis of allocation for comparison purposes:**

	<b>2018</b>	2017	2017
	<b>As stated</b>	Revised	As stated
	<b>£'000</b>	allocation	£'000
<b>Fund raising</b>	17	17	29
<b>Charitable activities - general fund</b>			
Archbishops' Council	-	1	4
Resourcing ministry & mission	364	356	400
Education	83	81	37
Parochial support	54	52	37
Grants & donations	-	-	-
	501	490	478
<b>Charitable activities - restricted funds</b>			
Resourcing ministry & mission	-	1	1
<b>Total charitable activities</b>	501	491	479
<b>Total support costs</b>	<b>518</b>	<b>508</b>	<b>508</b>

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

	Activities	Grant	Support	<b>Total</b>
	Undertaken	Funding of	Costs	<b>2018</b>
	Directly	Activities	£'000	£'000
	£'000	£'000	£'000	£'000
Raising funds:	191	-	17	208
Charitable activities:				
Contributions to Archbishops' Council	1	405	-	406
Resourcing ministry and mission	4,738	160	364	5,262
Education	216	22	83	321
Parochial support	323	42	54	419
Other grants and donations	22	26	-	48
	5,491	655	518	6,664

**Notes to the accounts**

For the year ended 31 December 2018

**14. Analysis of grants made**

	<i>Number</i>	Individuals £'000	Institutions £'000	<b>Total 2018</b> £'000	Total 2017 £'000
<b>From unrestricted funds:</b>					
National church responsibilities:					
Contributions to Archbishop's Council	5	-	405	405	397
Clergy resettlement grants	13	31	-	31	26
Clergy removal expenses	14	27	-	27	29
Clergy first appointment grants	6	15	-	15	14
Ministry experience scheme	7	13	-	13	14
Cleobury Mortimer youth project	1	-	14	14	17
Support for Ordinands in training	7	60	-	60	47
PCCs for church inspection fees	99	-	42	42	32
Bishop Anthony Educational Trust	-	-	-	-	18
Churches Together	2	-	6	6	7
Other grants	1	-	1	1	1
	<b>155</b>	<b>146</b>	<b>468</b>	<b>614</b>	<b>602</b>
<b>From restricted funds:</b>					
<b>Mission &amp; ministry</b>					
Institutional grants to support mission & ministry:					
Grants less than £1,000	15	-	3	3	1
Grants between £1,000 and £1,999	-	-	-	-	1
Grants between £2,000 and £4,999	4	-	11	11	10
	<b>19</b>	<b>-</b>	<b>14</b>	<b>14</b>	<b>12</b>
<b>Restructuring grant fund</b>					
Intergenerational missionary pilot project	1	-	5	5	-
<b>Uniform Statutory Trust</b>					
To support school building projects	3	22	-	22	55
	<b>178</b>	<b>168</b>	<b>487</b>	<b>655</b>	<b>669</b>

**Notes to the accounts**

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

	Unrestricted funds					<b>Total £'000</b>
	Freehold properties £'000	Leasehold		Restricted funds £'000	Endowment fund £'000	
		improvements £'000	property £'000			
<b>Cost or valuation</b>						
At 1 January 2018	240	53	151	51,533	1,384	53,361
Additions	-	-	7	-	356	363
Disposals	-	-	-	(728)	-	(728)
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
<b>At 31 December 2018</b>	<b>240</b>	<b>53</b>	<b>158</b>	<b>50,805</b>	<b>1,740</b>	<b>52,996</b>
<b>Accumulated depreciation</b>						
At 1 January 2018	-	53	138	4	-	195
Charge for the year	-	-	6	-	-	6
Disposals	-	-	-	-	-	-
<b>At 31 December 2018</b>	<b>-</b>	<b>53</b>	<b>144</b>	<b>4</b>	<b>-</b>	<b>201</b>
<b>Net book value</b>						
At 1 January 2018	240	-	13	51,529	1,384	53,166
<b>At 31 December 2018</b>	<b>240</b>	<b>-</b>	<b>14</b>	<b>50,801</b>	<b>1,740</b>	<b>52,795</b>

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

As at 31 December 2018, 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.

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.

**16. Capital commitments**

There were no capital commitments as at 31 December 2018 (2017: £nil).

**Notes to the accounts**

For the year ended 31 December 2018

**17. Fixed asset investments**

	As at 1 January 2018 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2018 £'000
<b>Unrestricted funds</b>						
Listed investments	3,259	319	(567)	215	(242)	2,984
Unlisted investments	215	-	-	(215)	-	-
	<b>3,474</b>	<b>319</b>	<b>(567)</b>	<b>-</b>	<b>(242)</b>	<b>2,984</b>
<b>Restricted funds</b>						
<b>Pastoral fund</b>						
Listed investments	3,213	753	(434)	-	(266)	3,266
Buildings	-	-	-	-	-	-
	<b>3,213</b>	<b>753</b>	<b>(434)</b>	<b>-</b>	<b>(266)</b>	<b>3,266</b>
<b>Endowment funds</b>						
Listed investments	6,508	3,267	(795)	-	(601)	8,379
Land	8,758	57	(2,673)	-	(13)	6,129
Buildings	1,907	-	-	-	-	1,907
	<b>17,173</b>	<b>3,324</b>	<b>(3,468)</b>	<b>-</b>	<b>(614)</b>	<b>16,415</b>
<b>Total - Charity</b>	<b>23,860</b>	<b>4,396</b>	<b>(4,469)</b>	<b>-</b>	<b>(1,122)</b>	<b>22,665</b>
<b>UST restricted fund</b>						
Listed investments	1,932	303	(253)	72	(152)	1,902
Unlisted investments	73	-	-	(72)	-	1
Buildings	434	250	-	-	-	684
	<b>2,439</b>	<b>553</b>	<b>(253)</b>	<b>-</b>	<b>(152)</b>	<b>2,587</b>
<b>Total group</b>	<b>26,299</b>	<b>4,949</b>	<b>(4,722)</b>	<b>-</b>	<b>(1,274)</b>	<b>25,252</b>

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 2018 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 2018. A discount was applied to 1986 Act holdings of 33% and Farm Business Tenancies of 22%. This constitutes an average yield of 1.6%. Other amenity tenancies/licences were discounted at 12.5% and vacant land was discounted at 5% to reflect the time taken to realise a value and reflect any restrictions on sale. Land for which planning permission has been received is valued according to its market value as determined by the Directors.

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For the year ended 31 December 2018

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.

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

	<b>Group</b>		<b>Charity</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Unrestricted funds</b>				
Other debtors	120	130	120	130
Prepayments & accrued income	107	121	107	121
Church schools	-	-	-	14
	<b>227</b>	<b>251</b>	<b>227</b>	<b>265</b>
<b>Restricted funds</b>				
Pastoral fund - Loan to Bishop Mascall Centre <sup>1</sup>	4	4	4	4
Pastoral fund - Other debtors	32	13	32	13
Other restricted funds - other debtors	28	-	28	-
UST - Other debtors (group only)	15	4		
	<b>79</b>	<b>21</b>	<b>64</b>	<b>17</b>
	<b>306</b>	<b>272</b>	<b>291</b>	<b>282</b>

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

	<b>Group</b>		<b>Charity</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Restricted funds</b>				
Pastoral fund - Loan to Bishop Mascall Centre <sup>1</sup>	20	24	20	24
Pastoral fund - Loan to Pensions Board <sup>2</sup>	5	5	5	5
	<b>25</b>	<b>29</b>	<b>25</b>	<b>29</b>

<sup>1</sup>The loan to the Bishop Mascall Centre of £23,980 (2017: £27,980) is being repaid at £4,000 per annum, with interest chargeable at the Church of England's Central Board of Finance (CBF) rates.

<sup>2</sup>The loan to the Pensions Board of £5,000 (2017: £5,000) is towards the cost of a property, occupied by a retired clergyman until his death in March 2019. The loan will be repaid in due course.

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For the year ended 31 December 2018

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

	<b>Group</b>		<b>Charity</b>	
	<b>2018</b> £'000	2017 £'000	<b>2018</b> £'000	2017 £'000
<b>Unrestricted funds</b>				
Other creditors	143	101	143	101
Taxation & Social Security	35	32	35	32
Accruals	68	80	68	80
	<b>246</b>	<b>213</b>	<b>246</b>	<b>213</b>
<b>Restricted funds</b>				
Pastoral fund: Other creditors	18	38	18	38
UST: Other creditors (group only)	90	256		
Other funds: Other creditors	5	4	5	4
	<b>113</b>	<b>298</b>	<b>23</b>	<b>42</b>
<b>Endowment funds</b>				
Other creditors	24	16	24	16
Defined benefit pension liability	240	282	240	282
	<b>264</b>	<b>298</b>	<b>264</b>	<b>298</b>
<b>Total creditors falling due within one year</b>	<b>623</b>	<b>809</b>	<b>533</b>	<b>553</b>

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

	<b>Group</b>		<b>Charity</b>	
	<b>2018</b> £'000	2017 £'000	<b>2018</b> £'000	2017 £'000
<b>Endowment funds</b>				
Defined benefit pension liability	<b>1,368</b>	1,621	<b>1,368</b>	1,621

**Notes to the accounts**

For the year ended 31 December 2018

**22. Summary of assets by fund**

	Tangible		Current	Creditors	Net
	Fixed assets	Investments	Assets		Assets
	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted General fund</b>	254	2,984	985	(246)	3,977
<b>Restricted funds</b>					
Pastoral fund	50,801	3,266	526	(18)	54,575
Mission and Ministry fund	-	-	21	-	21
Ordinands in training fund	-	-	(1)	-	(1)
Restructuring fund	-	-	13	-	13
Intergenerational missioner fund	-	-	25	(1)	24
Programme manager fund	-	-	11	-	11
Camping pod fund	-	-	30	-	30
Brampton Abbots fund	-	-	111	(4)	107
Building strategy fund	-	-	11	-	11
Abbeydore Mission Co-ordinator	-	-	2	-	2
Uniform Statutory Trust	-	2,587	426	(90)	2,923
<b>Endowment funds</b>					
Diocesan stipends fund	1,740	16,415	370	(1,632)	16,893
<b>Total funds</b>	<b>52,795</b>	<b>25,252</b>	<b>2,530</b>	<b>(1,991)</b>	<b>78,586</b>

Comparatives for 2017 can be found in note 36 to these accounts.

**23. Analysis of transfers between funds**

	Unrestricted	Restricted	Endowment	Total
	General	funds	funds	2018
	£'000	£'000	£'000	£'000
Uniform Statutory Trust to unrestricted General Fund to support education	50	(50)	-	-
From General fund to Endowment reduction in pensions deficit	(236)	-	236	-
From restructuring fund to Abbeydore Mission Co-ordinator fund		(5) 5		-
	(186)	(50)	236	-

Comparatives for 2017 can be found in note 37 to these accounts.

**Notes to the accounts**

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**24. Analysis of movements in funds**

	Balance at 1 Jan 2018 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	<b>Balance at 31 Dec 2018 £'000</b>
<b>Unrestricted funds</b>						
<b>Group and Charity</b>						
General reserve	4,553	5,725	(5,861)	(186)	(254)	3,977
<b>Restricted funds</b>						
Pastoral reserve	54,862	132	(151)	-	(268)	54,575
Mission and Ministry reserve	35	-	(14)	-	-	21
Ordinands in training fund	(3)	89	(87)	-	-	(1)
Restructuring fund	23	81	(86)	(5)	-	13
Intergenerational missionary fund	(4)	148	(120)	-	-	24
Programme manager fund	-	52	(41)	-	-	11
Camping pod fund	-	30	-	-	-	30
Brampton Abbots fund	-	305	(198)	-	-	107
Building strategy fund	-	20	(9)	-	-	11
Abbeydore Mission Co-ordinator	-	1	(4)	5	-	2
<b>Total restricted funds - Charity</b>	54,913	858	(710)	-	(268)	54,793
Uniform Statutory Trust	2,732	428	(37)	(50)	(150)	2,923
<b>Total restricted funds - Group</b>	57,645	1,286	(747)	(50)	(418)	57,716
<b>Endowment funds</b>						
<b>Group and Charity</b>						
Diocesan stipends fund	17,185	-	(56)	236	(472)	16,893
<b>Total Charity</b>	76,651	6,583	(6,627)	50	(994)	75,663
<b>Total Group</b>	79,383	7,011	(6,664)	-	(1,144)	<b>78,586</b>

Comparatives for 2017 can be found in note 38 to these accounts.

**Notes to the accounts**

For the year ended 31 December 2018

**25. Subsidiary: HDBF Uniform Statutory Trust**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Income and costs</b>		
Income and endowments	428	582
Expenditure	(87)	207
<b>Net income/(expenditure) before investment gains/(losses)</b>	<b>341</b>	<b>789</b>
Net gains/(losses) on investment assets	(150)	170
<b>Net income/(expenditure)</b>	<b>191</b>	<b>959</b>
<b>Assets and liabilities</b>		
Assets	3,026	3,002
Liabilities	103	270
<b>Net assets</b>	<b>2,923</b>	<b>2,732</b>

**26. Statutory disclosures****26.1 Net incoming resources for the year**

These are after charging:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Depreciation of tangible fixed assets	6	11
Rentals charged under operating leases	17	17
Amounts payable to external auditors for:		
- External scrutiny	14	14
- Other work	-	-

**26.2 Financial commitments – operating leases**

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

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Land and buildings:</b>		
within one year of the balance sheet	-	-
within two to five years of the balance sheet date	-	-
<b>Other operating leases:</b>		
within one year of the balance sheet	2	2
within two to five years of the balance sheet date	2	5

**27. Post balance sheet events and contingent liabilities**

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

**Notes to the accounts**

For the year ended 31 December 2018

**28. Staff costs**

Staff costs were as follows:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Gross salaries and wages	1,211	1,000
Social Security costs	113	93
Pension contributions	107	94
	<b>1,431</b>	1,187

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

	<b>2018</b>		2017	
	<b>Number Full-time</b>	<b>Number Part-time</b>	Number Full-time	Number Part-time
Support ministers / staff	10.0	9.5	8.4	10.9
Education	3.7	1.0	4.0	0.8
Diocesan officers	4.0	1.0	3.1	1.0
Diocesan administration staff	2.0	6.0	3.0	6.0
Other ancillary staff	-	-	-	1.5
Grant funded Intergenerational Missioners	5.0	2.0	-	-
Grant funded support staff	1.7	2.0	0.8	1.3
Grant funded deanery staff	-	0.2	-	-
	<b>26.4</b>	21.7	<b>19.3</b>	21.5

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

	<b>2018</b>	2017
	<b>Number</b>	Number
Support ministers / staff	15.4	15.5
Education	4.9	4.7
Diocesan officers	4.2	3.9
Diocesan administration staff	5.7	6.5
Other ancillary staff	-	0.6
Grant supported Intergenerational Missioners	6.0	-
Grant funded support staff	2.8	1.5
Grant funded deanery staff	0.1	-
	<b>39.1</b>	<b>32.7</b>

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:

	<b>2018</b>	2017
	<b>Number</b>	Number
£60,000 - £70,000	1	1
£70,000 - £80,000	-	1

## Notes to the accounts

For the year ended 31 December 2018

Pension payments of £7,610 (2017: £13,860) were made for these employees.

### 28.1 Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2018 they were:

Diocesan Secretary	Mr S R Pratley
Director of Finance	Mr S G P Herbert
Director of Education (to 31 August 2018)	Mr P J G Sell

Remuneration (including employer's National Insurance), pensions and expenses for these employees amounted to £206,924 (2017: £229,244).

From 1 September 2018 the position of Director of Education was filled by Mr A Teale on a part-time basis. Mr Teale is employed by St Pauls CofE Primary School, and his employment costs are recharged to Hereford Board of Finance on a subcontractor basis.

### 28.2 Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £1,771 (2017: £1,429) in respect of General Synod duties, duties as Archdeacon or Rural Dean, and other duties as Trustees.

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

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

	Stipend	Housing	Training/ sabbatical grant
The Ven G P Benson	Yes	Yes	No
Revd Revd L Cronin	Yes	Yes	Yes
The Ven D Chedzey	Yes	Yes	No
The Rt Revd A Magowan	No	No	Yes

The Board also met the stipends, pensions and social security costs of an average of 82 (2017: 80) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2018 £'000	2017 £'000
Stipends	2,168	2,094
National insurance contributions	172	168
Pension costs - current year	492	491
- deficit reduction	236	283
	<b>3,068</b>	<b>3,036</b>

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

## Notes to the accounts

For the year ended 31 December 2018

### 29. Related parties

Herefordshire Vennture, a charitable organisation of which Revd J Rogers the HDBF Chair of Trustees and Mr S Pratley, the Diocesan Secretary are Trustees, leased office space within the HDBF St Barnabas church property at £6,700 for the year (2017: £6,000).

During 2018 the following transaction took place between the Charity and its subsidiary, HDBF UST:

- A grant from UST to HDBF for £50,000 (2017: £140,000)

The Bishop Anthony Education Trust (BAET) is a related party to HDBF by virtue of the following:

- Mr A Teale is a member of the key management personnel of both entities.
- Mr S Pratley, Diocesan Secretary and Mr S Borthwick, trustee of HDBF are also members of BAET with the power, among other things, to appoint and remove trustees.

The following invoices were raised from HDBF to BAET during the year (net of VAT):

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Rent and utility recharges	11,091	7,338
Academy conversion recharges	1,500	4,326
Membership of HDBF Education Partnership	3,000	5,067
	<b>15,591</b>	<b>16,731</b>

Furthermore, an interim support grant of £18k was made from HDBF to BAET during 2017.

On 1 January 2019, The Dowager Countess of Darnley became a Director and Trustee of HDBF. The Dowager Countess of Darnley's son, Lord Darnley, is an external director of Rathbones Brothers PLC, the investment managers for HDBF.

During the year, HDBF bought services from CPAS, a mission enabling society of which the Rt Revd A Magowan is a trustee totalling £5,456.

During the year, trustees and key management personnel made donations to HDBF totalling £3,160.

### 30. Pension commitments

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

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, a defined benefit pension scheme, and as at 31 December 2018 had 86 members in the

## Notes to the accounts

For the year ended 31 December 2018

scheme (2017: 87). This scheme is administered by the Church of England Pensions Board, which holds the assets of the Scheme separately from those of the Responsible Bodies.

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

The Scheme is considered to be a multi-employer scheme as described in section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to each specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2018: £509k, 2017 £479k), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £450k for 2018 (2017: £555k).

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. A valuation at 31 December 2018 is currently under way, but the results of this are yet to be determined. 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 (with the remainder in return-seeking assets); 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%.

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

The deficit recovery contributions under the recovery plan in force as at 31 December 2016, 31 December 2017 and 31 December 2018 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:

	<b>2018</b> <b>£'000</b>	2017 £'000
Balance sheet liability as at 1 January	1,903	2,110
Deficit contribution paid	(236)	(283)
Interest cost (recognised in the SoFA)	25	30
Remaining change to balance sheet liability* (recognised in SoFA)	(84)	46
Balance sheet liability as at 31 December	<b>1,608</b>	<b>1,903</b>

## Notes to the accounts

For the year ended 31 December 2018

\* 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 2018	December 2017	December 2016
Discount rate	2.1% p.a.	1.4% p.a.	1.5% p.a.
Price inflation	3.1% p.a.	3.0% p.a.	3.1% p.a.
Increase to total pensionable payroll	1.6% p.a.	1.5% p.a.	1.6% 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.

### 30.2 Church of England Pension Builder Scheme

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

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

#### Pension Builder Scheme

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

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

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 as it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers. This means that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2018: £73k, 2017: £58k).

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

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

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

## Notes to the accounts

For the year ended 31 December 2018

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At 31 December 2018, HDBF had 31 active members (2017: 30) in the Pension Builder 2014. Contributions outstanding at the year end amounted to £nil (2017: £4,887).

### **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 £34,778 (2017: £36,648) and were charged to the Income and Expenditure Account. Contributions outstanding at the year end amounted to £2,042 (2017: £2,405).

## **31. 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.

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

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

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

### **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

## Notes to the accounts

For the year ended 31 December 2018

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

**Ordinands in training** 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.

**Grant funds** The following restricted funds consist 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 specific purposes.

### **Restructuring grant**

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

### **Intergenerational Missioners Fund**

This fund relates to restricted income received from both parishes and the Archbishops' Council Strategic Development Fund to fund the employment of seven Intergenerational Missioners across six market towns in the Diocese. The Intergenerational Missioner project is funded 25% by local PCC contributions, 50% from Archbishops' Council (SDF), and 25% by HDBF.

### **Programme Manager Fund**

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

### **All Churches Trust: Camping Pods Fund**

Funding received from the All Churches Trust via the Archbishops' Council to pilot the installation of a timber-framed completely removable pod into a church to provide quality space as a holiday let within the nave of the church.

### **Brampton Abbots Project**

Brampton Abbots is a closed church building vested in the DBF for the 'use seeking period' under s.61 of the Mission and Pastoral Measure 2011. Under this Measure HDBF is responsible for finding a suitable alternative use for the building.

## Notes to the accounts

For the year ended 31 December 2018

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HDBF has been successful in finding grant funding to carry out structural repairs to the building to bring it into a condition in which it can be re-used. The principal grant funder is the Heritage Lottery Fund. Repairs are under way and should be complete by the end of April 2019. The total costs of the delivery phase are expected to be in the region of £350k.

A local regeneration group, Brampton Abbotts Church Regeneration Group (BACRG), is also seeking funding and planning permission to convert the church into a bakery, café and community venue. The intention is that if BACRG is successful in getting planning permission and funding, and if suitable terms can be agreed, the HDBF will grant a lease of the building to BACRG for those purposes.

### **Building Strategy: The Encounter Project**

Grant receivable from the Heritage Lottery Fund to contribute towards the delivery of the HDBF building strategy. In particular, to support a funding officer to release the existing officer to develop the project and the development of a digital building strategy tool.

### **Abbeydore Deanery Mission Co-Ordinator**

Funding receivable from Abbeydore Parishes to contribute towards the employment of a deanery mission Co-Ordinator.

### **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.

### **32. 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.

## Notes to the accounts

For the year ended 31 December 2018

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### **33. 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.

### **34. Closed schools**

#### **34.1 Sarn School**

Sarn School closed in August 2006 and was subject to the Reverter of Sites Act. An agreement was reached between the Trustee and the Reverter in February 2010, the net proceeds to be divided equally with any Capital Gains Tax to be met by the Trustee. A charitable scheme was established during 2017 to receive the proceeds.

#### **34.2 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 are at the disposal of Hereford Diocesan Board of Finance Educational Uniform Statutory Trust with no reverters having a claim.

#### **34.3 Westbury and Hope Primary Schools**

Westbury and Hope Primary Schools were closed during 2017 with pupils transferred to Worthen Primary School. Westbury Primary School will be sold with the whole of the proceeds flowing to the UST via a s.554 order. Hope Primary School will also be sold but, as the school was built and funded by the Local Authority, proceeds from the sale of the school will flow to the Local Authority. Westbury Primary School has not been brought onto the balance sheet as the trustee is currently not able to value the site with any certainty.

**Notes to the accounts**

For the year ended 31 December 2018

**35. Prior year comparative SoFA**

	Unrestricted General fund £'000	Restricted funds £'000	Endowment funds £'000	<b>Total funds 2017 £'000</b>
<b>Income and endowments from:</b>				
Donations				
Parish share contributions	3,864	-	-	3,864
Archbishops' Council	439	119	-	558
Other donations	364	28	-	392
Charitable activities	404	-	-	404
Other trading income	264	32	-	296
Investment income	581	172	-	753
Other income	-	519	20	539
<b>Total income and endowments</b>	<b>5,916</b>	<b>870</b>	<b>20</b>	<b>6,806</b>
<b>Expenditure on:</b>				
Raising funds	107	51	74	232
Charitable activities	5,533	257	-	5,790
<b>Total resources expended</b>	<b>5,640</b>	<b>308</b>	<b>74</b>	<b>6,022</b>
<b>Net income/(expenditure) before investment gains</b>	<b>276</b>	<b>562</b>	<b>(54)</b>	<b>784</b>
Net gains/(losses) on investments	250	416	3,700	4,366
<b>Net income/(expenditure)</b>	<b>526</b>	<b>978</b>	<b>3,646</b>	<b>5,150</b>
Transfers between funds	(143)	(140)	283	-
<b>Other recognised gains (losses)</b>				
Gains/(losses) on revaluation of fixed assets	240	5,641	139	6,020
Actuarial gains/(losses) on defined benefit pension	-	-	(46)	(46)
<b>Net movement in funds</b>	<b>623</b>	<b>6,479</b>	<b>4,022</b>	<b>11,124</b>
Funds brought forward at 1 January 2017	3,930	51,166	13,163	68,259
<b>Total funds at 31 December 2017</b>	<b>4,553</b>	<b>57,645</b>	<b>17,185</b>	<b>79,383</b>

**Notes to the accounts**

For the year ended 31 December 2018

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

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

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

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

**Notes to the accounts**

For the year ended 31 December 2018

**38. Prior year: Analysis of movements in funds**

	Balance at 1 Jan 2017 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	<b>Balance at 31 Dec 2017 £'000</b>
<b>Unrestricted funds</b>						
<b>Group and Charity</b>						
General reserve	3,930	5,916	(5,640)	(143)	490	4,553
<b>Restricted funds</b>						
Pastoral reserve	48,931	168	(124)	-	5,887	54,862
Mission and Ministry reserve	47	-	(12)	-	-	35
Ordinands in training fund	-	27	(30)	-	-	(3)
Restructuring fund	-	94	(71)	-	-	23
Intergenerational missionary fund	-	-	(4)	-	-	(4)
<b>Total restricted funds - Charity</b>	<b>48,978</b>	<b>289</b>	<b>(241)</b>	<b>-</b>	<b>5,887</b>	<b>54,913</b>
Uniform Statutory Trust	2,188	581	(67)	(140)	170	2,732
<b>Total restricted funds - Group</b>	<b>51,166</b>	<b>870</b>	<b>(308)</b>	<b>(140)</b>	<b>6,057</b>	<b>57,645</b>
<b>Endowment funds</b>						
<b>Group and Charity</b>						
Diocesan stipends fund	13,163	20	(74)	283	3,793	17,185
<b>Total Charity</b>	<b>66,071</b>	<b>6,225</b>	<b>(5,955)</b>	<b>140</b>	<b>10,170</b>	<b>76,651</b>
<b>Total Group</b>	<b>68,259</b>	<b>6,806</b>	<b>(6,022)</b>	<b>-</b>	<b>10,340</b>	<b>79,383</b>