

**Hereford Diocesan Board of Finance**

# **Annual Report & Accounts**

**2020**



— 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 2020

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<b>Contents</b>	<b>Page</b>
<b>1. Foreword by the Bishop of Hereford</b> .....	3
<b>2. Strategic aims</b> .....	4
<b>3. Achievements and performance</b> .....	4
<b>4. Future plans</b> .....	7
<b>5. Financial review</b> .....	8
<b>6. Principal risks &amp; uncertainties</b> .....	13
<b>7. Legal objects and responsibilities</b> .....	14
<b>8. Structure, governance and management</b> .....	14
<b>9. Directors' responsibilities</b> .....	17
<b>10. Statement of disclosure to the auditor</b> .....	17
<b>11. Reference and administrative details</b> .....	18
<b>Independent auditor's report</b> .....	20
<b>Statement of financial activities</b> .....	23
<b>Income and expenditure account</b> .....	24
<b>Balance sheet</b> .....	25
<b>Cash flow statement</b> .....	26
<b>Notes to the accounts</b> .....	27

# Foreword by the Bishop of Hereford

For the year ended 31 December 2020

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## 1. Foreword by the Bishop of Hereford

Dear Friends,

Welcome to this annual report which sets out so much of what has been achieved in our life together over the past year. What a year it's been! I have spent precisely 10 days without restrictions since I've been here. The opportunity to get out and about has been far less than I would have wished, and I have ministered deeply to my computer!

But despite the restrictions on gathering together, there has been much to celebrate. Parishes have been hugely resourceful. Worship has gone online, but with the sensitivity to include those who can't do that for whatever reason. The church has got out of the building, often acting as a catalyst and convener for community action. Churches have acted as food banks, visited the lonely, taken people to hospital visits and so much more. We have engaged with national issues in many ways, not least through Kina Robertshaw's media work in the wake of the death of George Floyd and the Black Lives Matter movement.

Some of our projects have begun to show fruit despite the lockdown. We are seeing new Christians through our Intergenerational Team. The church plant at St. Peter's Hereford is getting under way and we seem to have attracted lots of external funding. Some of this has been from the Culture Recovery Fund. More has come from the central church which has allowed us to welcome a bumper crop of curates to be ordained in 2021. It has also funded parish giving advisers who have made a real difference to our financial position, even allowing for COVID. People have responded through gift days in parishes and at the Cathedral with great generosity. Alongside this, deanery plans are taking shape in Abbeydore and Pontesbury that are reimagining rural ministry in an exciting and collaborative way.

There have been times of sadness too. We said goodbye to Michael Tavinor after a distinguished 19 years as Dean. He leaves the Cathedral in good heart. Bishop Alistair retired in April after a fruitful ministry, always calling us to the priority of evangelism and the transforming power of the scriptures. We shall miss them both. Tragically, we lost Stephen Borthwick suddenly just before Christmas. His passion for education and chairmanship of the Diocesan Board made a huge difference to the life of children in our schools.

One of my hopes for our diocese is that we increasingly use the word to describe 'us', not as a disembodied other. We all are the diocese: the parishes, benefices and deaneries; our schools, chaplaincies, and inter-generational workers; those who work at the diocesan office resourcing and supporting front line ministry and ensuring our affairs are administered responsibly and wisely. Each of us has a part to play as part of the body. I am hugely grateful to my colleagues in the senior staff team for their wisdom and prayerfulness. Leadership in the New Testament is always collaborative and I couldn't ask for a better group of colleagues and support staff.

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

With best wishes,



The Rt. Revd Richard Jackson

# Annual report

For the year ended 31 December 2020

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The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements of the company and its linked charities, for the year ended 31 December 2020.

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

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

## STRATEGIC REPORT

### 2. Strategic aims

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

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

#### **Mission**

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

#### **Ministry for Mission**

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

#### **Resources for Mission**

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

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

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

### 3. Achievements and performance

#### 3.1 Overview

The arrival of the COVID-19 pandemic in 2020 brought huge disruption to the lives and livelihoods of countless millions of people. In the UK alone, tens of thousands of people sadly lost their lives to coronavirus, and many more were left mourning. Unsurprisingly, the Church's established patterns of worship, ministry and outreach were interrupted or suspended, leaving some feeling anxious or isolated, and others in need. And yet the Church – its people, both lay and ordained – responded to the daily challenges of life under COVID-19 restrictions with generosity and imagination. God has not been constrained by the pandemic! The Diocese can still point to some important achievements in 2020 within its key shared priorities of Spiritual and Numerical Growth, Contributing to the Common Good, Re-imagining Ministry, and Resources for Mission – numbered 1 to 4 in the following table:

# Annual report

For the year ended 31 December 2020

<b>Key achievements</b>	<b>Shared Priority areas:</b>			
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<p><b>Serving our local communities:</b> COVID-19 pandemic responses included:</p> <ul style="list-style-type: none"> <li>❖ migrating services, Alpha and discipleship courses, diocesan meetings, coffee mornings and many other church-led activities online;</li> <li>❖ pioneering new ways of providing pastoral care and support to people in need;</li> <li>❖ using our extensive volunteer network to deliver 'Home Safe from Hospital' initiative in partnership with NHS and local councils, welcoming people home, checking on their well-being, and delivering food parcels and medication;</li> <li>❖ supporting food banks as they coped with unprecedented demand and shielding staff members or closed venues;</li> <li>❖ diocesan staff adapting swiftly to home working and demonstrating resilience in delivering key services to parishes while some colleagues were furloughed.</li> </ul>	✓	✓	✓	✓
<p><b>Education:</b></p> <ul style="list-style-type: none"> <li>❖ delivered significant improvements in performance of church schools;</li> <li>❖ developed partnerships with schools and enhanced oversight of Diocese of Hereford Multi-Academy Trust (DHMAT);</li> <li>❖ supported schools to adjust to remote learning and changing circumstances during the pandemic.</li> </ul>	✓	✓		
<p><b>Safeguarding young people and vulnerable adults:</b></p> <ul style="list-style-type: none"> <li>❖ completed a thorough past cases review ('PCR2') process on time and within budget, achieving a positive outcome;</li> <li>❖ trained &gt;150 parish officers, renewed &gt;1000 DBS checks across all deaneries.</li> </ul>		✓		
<p><b>Mission and outreach:</b></p> <ul style="list-style-type: none"> <li>❖ extended Intergenerational Mission project into Conover, Ledbury, and Pontesbury deaneries;</li> <li>❖ approved project funding for St Peter's &amp; St James Hereford and embarked on ambitious five year project designed to establish a city-based youth church with close links to Hereford's new university, the New Model Institute for Technology &amp; Engineering;</li> <li>❖ commenced Holmer church plant into local housing estates;</li> <li>❖ Bishop Richard visited 38 parishes in a prayer pilgrimage in September.</li> </ul>	✓	✓	✓	✓
<p><b>Learning and leadership:</b></p> <ul style="list-style-type: none"> <li>❖ developed diocesan pioneer learning community to identify new ways of being/doing church, with extensive joint working and best practice sharing;</li> <li>❖ enabled one deanery to run a 'Growing Leaders' course for laity;</li> <li>❖ supported innovative deanery pastoral plan approaches and cross-working within deaneries.</li> </ul>	✓	✓	✓	
<p><b>Supporting our 400 churches:</b></p> <ul style="list-style-type: none"> <li>❖ launched 'Mission &amp; Mortar' toolkit, helping our churches to assess their future needs and aspirations;</li> <li>❖ achieved Parish Giving Scheme roll-out targets; 232 parishes had joined PGS with &gt;2,100 PGS donors by year-end;</li> <li>❖ provided guidance on digital giving solutions;</li> </ul>	✓	✓		✓

# Annual report

For the year ended 31 December 2020

<ul style="list-style-type: none"> <li>❖ bid successfully for C of E Giving Adviser funds to develop Parish Giving Adviser resources;</li> <li>❖ enhanced communications by deepening and widening diocesan social media presence, with regular COVID briefings, and weekly videos from Bishop Richard.</li> </ul>				
<p><b>Caring for the environment:</b></p> <ul style="list-style-type: none"> <li>❖ Diocesan Synod voted to support the Church of England’s net zero carbon by 2030 target, and started to develop plans to achieve this;</li> <li>❖ worked ecumenically to promote A Rocha UK’s Eco Church initiative across deaneries, continuing the journey towards Eco Diocese accreditation.</li> </ul>		✓		
<p><b>Financial stewardship:</b></p> <ul style="list-style-type: none"> <li>❖ encouraged parishes to set aside time to pray and give in a diocesan Gift Day;</li> <li>❖ concluded disposal of remaining commercial glebe assets;</li> <li>❖ entered year two of plans to sell parcels of glebe land with the aim of enabling the development of at least 240 new homes over a six year period. At least 46 of these will be affordable.</li> <li>❖ closed the diocesan office in Ludlow and relocated staff;</li> <li>❖ Careful financial management during the pandemic limited operating losses to approx. £375k (per management accounts), a £350k improvement on mid-year forecasts, although £300k adverse to original (pre-COVID) 2020 budget target.</li> </ul>				✓

### 3.2 The Christian presence

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

### 3.3 Public benefit

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

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

# Annual report

For the year ended 31 December 2020

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## 4. Future plans

### 4.1 *Looking beyond the COVID-19 pandemic*

HDBF trustees are taking steps to ensure that a full range of activities across the Diocese can resume at the earliest opportunity in 2021 in accordance with UK Government guidelines. Trustees expect to work with local church leaders to focus on the following areas:

- a greater emphasis on praying communities
- encouraging fresh expressions of church, and offering a variety of styles of worship in each deanery;
- training local people in leading mission and outreach;
- increasing the number of worshipping Christians, especially those under 35;
- developing confidence in sharing the Christian faith;
- fostering stronger links between church, school and home;
- building robust deanery plans to resource mission;
- promoting a generous giving culture, with more widespread adoption of the Parish Giving Scheme and digital giving solutions, leading in turn to a post-COVID recovery in Parish Offer contribution levels that will sustain frontline ministry;
- raising environmental awareness across the diocese through initiatives such as Eco Church;
- making sound long-term investment allocation decisions so as to grow the value of assets available to resource and serve the future church;
- consulting and supporting a refreshed strategic direction for the next few years.

### 4.2 *A statement by the Bishop of Hereford*

"2021 will be dominated by COVID as was 2020. We hope by the summer things may be approaching a sort of normality, with public worship resuming on a more regular basis, the return of social events and opportunities for service and fund raising.

We are coming to the end of our last five year strategic plan. As this report goes to press, the next steps of our life together are being reviewed. Over the next few months we hope to put these draft plans out for reflection and response.

The national church talks increasingly of the future being a mixed ecology. I'm sure that will be true in our diocese as well. We want to see revitalised, healthy churches confident in the life-transforming power of the gospel. We recognise that in many places we have lost touch with people under 50 and that is going to require imaginative new ways for people to belong. Our intergenerational ministers are pioneering here, with new models of church springing up in a number of places.

I am committed to keeping the numbers of our frontline clergy as high as we can. I agree with the biblical scholar who said, "The local church is the hope of the world and its future lies primarily in the hands of its leaders." We need well trained, well-resourced and supported clergy to do what only clergy can do. But we also need lay leadership at so many levels. Mobilising, encouraging and supporting such leadership will be a key part of our strategy.

Archdeacon Fiona joined the senior staff team at Easter, and now that the team is back up to full strength I intend to work with the Archdeacons to help in the formulation of deanery mission action plans. Good plans energise people to serve, and give sense of ownership of the spiritual and missional life of the church.

Hereford Diocese may be the smallest in the Church of England but it is certainly no backwater. My prayer is that we will harness our considerable passion and missional energy to chart a future of growth and health. With God all things are possible."

# Annual report

For the year ended 31 December 2020

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## 5. Financial review

### 5.1 Overview

2020 proved to be a challenging year for the DBF with the COVID-19 pandemic resulting in significant falls in income. This in turn has contributed to an overall general fund deficit of £494k (including fund transfers but excluding investment gains). Although disappointing, the Trustees view the size of the deficit in the light of other assets available for use by the DBF and in particular, the Unapplied Total Return Fund which has increased by £986k over the same period.

Total income for the year amounted to £5.74m (2019: £6.87m). Excluding one-off income relating to property dilapidations, education trusts and grants, the underlying income decreased from £6.39m in 2019 to £5.74m in 2020, a fall of 10.1%.

As in previous years, parish contributions of £3.5m (2019: £3.8m) provided the primary source of income for the Diocese to pay for local stipendiary ministry and related costs. Since introducing the Parish Offer system in 2017, the DBF had seen PCCs contributing at least 99% on average of their commitment for the year. The COVID-19 pandemic and resultant closure of places of worship resulted in dwindling and, in some cases, nil cash collections and fundraising, leaving many PCCs struggling to honour their Parish Offer commitments. In the light of this unexpected situation, it is encouraging to note that the HDBF received 90.8% of the commitments made for the year, testimony to the willingness of PCCs to reach into their reserves. However, this has left many PCCs with weakened finances.

Total expenditure for the year amounted to £6.48m compared with £5.69m in 2019, an apparent increase of £0.79m, but this includes a credit in 2019 against expenditure of £830k relating to movement on the clergy pension scheme deficit payments liability. After adjusting for this credit, the movement between years is a reduction of £50k. This can be further broken down into £167k reduction in general fund arising from concerted efforts by the trustees to reduce costs, and a rise of £117k in designated and restricted fund spending to resource local ministry.

The overall deficit for the year before investment gains was £0.74m (2019: a surplus of £1.17m). Investment gains amounted to £1.4m (2019: £3.4m) and a revaluation of fixed assets, mostly clergy housing resulted in a gain of £2.92m (2019: loss of £3.72m). The net movement in funds for 2020 was a surplus of £3.62m (2019: £0.86m).

### 5.2 Comparison to budget

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

In October 2019, Synod approved an overall budget deficit (based on the General fund, Diocesan Stipend fund and Pastoral fund) of £74k before investment gains & losses. The final outturn before year-end accounting adjustments was a deficit of £366k, a variance of £291k. In overall terms, this was due to the decline in Parish Offer income of £325k, but there were other costs/falls in income, notably parochial fees (£85k below budget) and clergy stipends (£84k more than budget). These were partially offset by HMRC Job Retention Scheme grants (£69k) and other operational savings during the year.

These statutory accounts show a net deficit before investment gains of £736k. The budget and statutory accounts are not prepared on the same basis and therefore a direct comparison is not helpful.

### 5.3 Significant Property Transactions

During the year, the DBF sold two of its three investment properties generating proceeds of £1.2m. It also sold a vicarage and small parcel of land generating proceeds of £344k.



# Annual report

For the year ended 31 December 2020

## 5.4 Balance sheet position

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

Net assets at the balance sheet date totalled £83.1m (2019: £79.5m), although it should be noted that £78.7m (2019: £74.8m) is held in restricted and endowment funds (mainly properties used for ministry and glebe assets) which cannot be used directly for the general purposes of the HDBF. The restrictions that relate to these funds are detailed in note 33 to the accounts.

The movement in net assets of £3.6m is due largely to the fixed asset revaluation gain of £2.9m and gains on investments of £1.4m.

## 5.5 Review of the Statement of Financial Activities by fund

### Unrestricted general fund

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

	<b>2020</b>	<b>2019</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>			
Parish Offer contributions	3,498	3,832	(334)
All other sources of income	1,341	1,372	(31)
Total income	4,839	5,204	(365)
<b>Expenditure</b>			
Raising funds & charitable activities before pension adjustments	5,822	5,985	163
<b>Net gains on investments and disposals of fixed assets</b>	122	602	(480)
<b>Transfers between funds (excluding pension movements):</b>			
From the DSF <sup>1</sup> for all investment income arising	424	561	(137)
From the HDBF Uniform Statutory Trust	60	50	10
Other	5	-	5
Total transfers between funds (excluding pension movements)	489	611	(122)
<b>Net movement in funds as per the SOFA</b>	(372)	432	(804)
General funds brought forward as at 1 January 2020	4,409	3,977	432
<b>General funds carried forward as at 31 December 2020</b>	4,037	4,409	(372)

<sup>1</sup>DSF: Diocesan Stipend Fund

The £365k reduction in income is due largely to the decline in Parish Offer contributions. Operational savings drove the £163k reduction in expenditure, mostly arising from reduced activity levels due to COVID-19.

### Designated funds

In order to encourage mission within the Diocese, the Trustees have agreed to set aside £250k annually into a designated 'Total Return Mission Fund'. During 2020 £95k was applied to mission projects with the balance at the year-end standing at £314k (2019: £159k). As at 31 December 2020, commitments for approved projects totalled £1.3m, with future payments expected in the period 1 January 2021 to 31 December 2025.

# Annual report

For the year ended 31 December 2020

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## *Restricted funds*

As set out in note 24, the HDBF administers a number of restricted funds. As at 31 December 2020, restricted funds totalled £57.6m (2019: £54.8m). These funds are not available for the general purposes of the HDBF with the exception of surpluses arising on the pastoral fund as set out in note 33. As at 31 December 2020, these surpluses, as represented by cash and net current assets, amounted to £4.8m (2019: £4.4m).

## *Endowment (diocesan stipends) fund*

The endowment fund recorded net income of £318k (2019: 814k) before investment gains as shown in note 26. The fund is made up of two components: The Trust for Investment and the Unapplied Total Return. As at 31 December 2020, the balance on The Trust for Investment amounted to £7.5m (2019: £7.4m) and is not available for the general purposes of the HDBF. The balance on the Unapplied Total Return fund at the year-end was £13.6m (2019: £12.7m). The Unapplied Total Return fund is available to support clergy stipends.

## **5.6 Investment performance**

### *Overall performance*

The total value of all investments (including DSF endowment fund net current assets) at 31 December 2020 was £31.5m (2019: £29.7m) and the total return on investment was 5.9% (2019: 18.5%).

Listed investments for each fund are held with Rathbone Investment Management Ltd, with an investment mandate to generate a return from each portfolio of RPI+4%, with a balance between capital growth and income, managed with a medium risk profile. From 1 January 2019, the Main, Pastoral and Diocesan Stipends Fund portfolios were managed on a total return basis. In the year to 31 December 2020, the combined portfolios achieved a total return of 5.6% (2019: 19.2%) compared to the composite benchmark of 1.7% (2019: 17.7%), and slightly ahead of the absolute level of return required under the core investment mandate of RPI+4% (RPI Dec 2020: 1.2%).

Agricultural, commercial and industrial land and buildings (excluding school land) were valued at £6.8m at 31 December 2019 (2019: £8.1m). Rents receivable from glebe amounted to £141k (2019: £224k) – an income yield of 2.1% (2019: 2.8%). The decline in yield is due to the decision by the Board of Trustees to move away from high yielding but higher risk commercial property into equities.

## **5.7 Reserves policy**

### **5.7.1 General unrestricted fund**

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

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

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

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

Based on 2020 budgeted expenditure, the amount required under this policy totals £2.0m. As at 31 December 2020, the unrestricted reserves (excluding property) stood at £3.7m, which included

## Annual report

For the year ended 31 December 2020

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approximately £0.6m of Parish Offer monies received in December. Although above the minimum reserve level indicated by the policy, the Directors consider this amount to be appropriate in view of future projected operating deficits. Reserve levels are monitored throughout the year and remedial action taken as and when required.

### **5.8 Grant making policy**

The Memorandum of Association of the HDBF permits the company to make grants in pursuance of its objects, and the nature of grants made in 2020 is indicated in note 14 to the financial statements.

### **5.9 Going concern**

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. While it remains difficult to estimate with a high degree of confidence the long-term impact of the COVID-19 pandemic on the organisation, the trustees consider that there are no material uncertainties over the charity's financial viability in the short to medium term. Accordingly, they are satisfied it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

### **5.10 Investment policy**

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

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

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

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

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

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

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

### **5.11 Total Return accounting**

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

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

## Annual report

For the year ended 31 December 2020

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

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

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

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

### **5.12 Linked charities: HDBE and UST**

The Hereford Diocesan Board of Education (HDBE) is a separate charity linked under a Charity Commission linking directive to the HDBF with effect from 1 January 2019. The HDBE is accounted for as a 'branch' of HDBF and included within restricted funds. The HDBE has no income/expenditure and the value of the net assets at 31 December 2020 was £nil.

On 2 December 2020 the Charity Commission granted a linking directive to link the Hereford Diocesan Board of Finance Educational Uniform Statutory Trusts Account (UST) to the Hereford Diocesan Board of Finance. The UST had formerly been accounted for as a subsidiary of the HDBF and as such group consolidated accounts were prepared for the year ended 31 December 2019. The UST is now accounted for as a 'branch' of HDBF and included within restricted funds. None of the assets of the UST are available for the general purposes of the HDBF.

Income arising on the UST during 2020 amounted to £55k (2019: £74k) and was attributable to investment income. Expenditure amounted to £13k (2019: £9k) and was attributable to investment management costs. The trustees of the Hereford Diocese Board of Education have the discretionary authority to make grants from UST capital to support school building projects. Grant requests arise on an infrequent basis, and no such grants were made during 2020. However, a loan of £156k was made to the Stottesdon School Trust which in turn made a grant to Stottesdon C of E Primary School as detailed in note 23. This loan has been eliminated on consolidation of HDBF branches and instead appears as a transfer between funds, net of repayments of £4k. A further transfer of £60k (2019: £50k) was made from the UST to the HDBF general fund to support the educational work of the Diocese.

The UST receives School Condition Allocations (SCA) funds annually from the Department of Education to fund school capital projects. These funds are not income of UST but rather the UST acts as agent to facilitate the projects. The funds are ring-fenced and shown as a creditor of the UST. At the year-end, the SCA creditor amounted to £647k (2019: £95k).

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

# Annual report

For the year ended 31 December 2020

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## 6. Principal risks & uncertainties

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

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

### 6.1 *Decline in church attendance*

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

**6.2 *Availability 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 exploring innovative approaches to deployment and:

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

### 6.3 *Parish Offer and cash flow*

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

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

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

## Annual report

For the year ended 31 December 2020

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

### 7. Legal objects and responsibilities

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

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

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

The HDBF has the following statutory responsibilities: -

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

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

### 8. Structure, governance and management

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

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

# Annual report

For the year ended 31 December 2020

## 8.1 Organisational structure of the Diocese

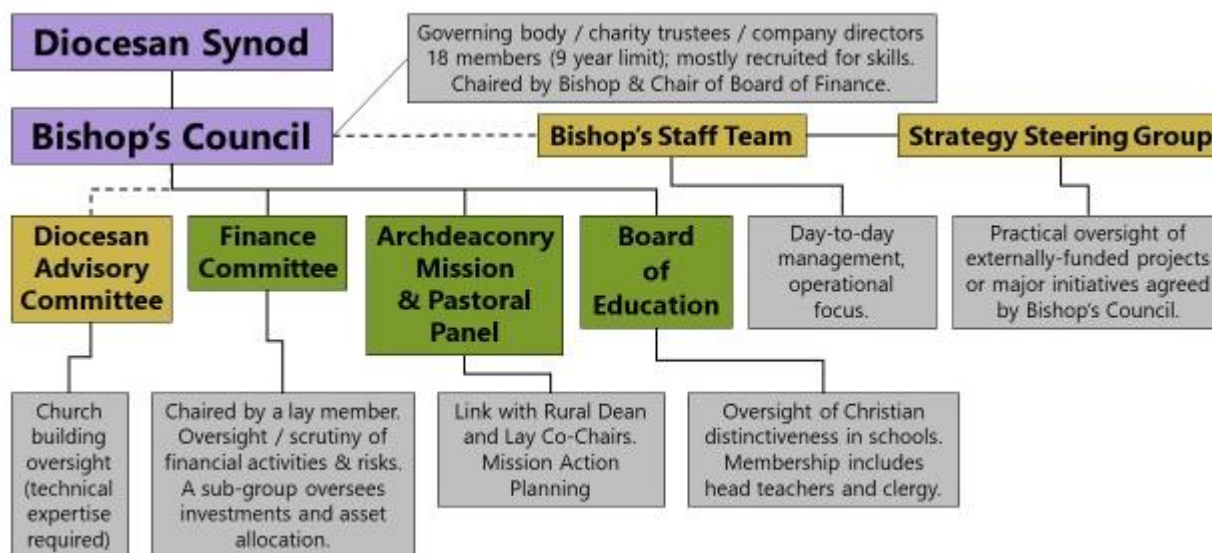
### 8.1.1 Geography

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

### 8.1.2 Overview of Board and Committee structure

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

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



## 8.2 Company status

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

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

## 8.3 Trustee training

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

# Annual report

For the year ended 31 December 2020

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

## **8.4 Remuneration of key management personnel**

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

## **8.5 Directors' insurance**

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

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

The HDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are Parochial Church Councils and others. These assets are not aggregated in the financial statements as the HDBF does not control them, and they are segregated from the HDBF's own assets by means of a separate accounting system. Further details of financial trust assets, whose market value amounted to £5.1m at 31 December 2020 (2019: £4.6m), are available from the HDBF on request.

## **8.7 Related parties**

### **8.7.1 General Synod, Church Commissioners and Archbishops' Council**

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

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

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

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

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



## Annual report

For the year ended 31 December 2020

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### 8.7.4 Pension schemes

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

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

## 9. Directors' responsibilities

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

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

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

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

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

## 10. Statement of disclosure to the auditor

So far as the Directors are aware:

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

# Annual report

For the year ended 31 December 2020

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## 11. Reference and administrative details

### 11.1 Administrative details

Company limited by guarantee, registration number 144467

Charity registration number 249685

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

Telephone: 01432 373300

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

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

### 11.2 Directors

The following served as Directors and Trustees from 1 January 2020 to the date this report was approved (unless shown otherwise):

#### *Ex officio Directors:*

The Rt Revd R C Jackson, Bishop of Hereford (from 7 January 2020) – President

The Rt Revd R M C Frith, Bishop of Hereford (until 1 January 2020) – President

The Rt Revd A Magowan, Bishop of Ludlow (until 30 April 2020)

The Ven D C Chedzey

The Ven F R Gibson (from 25 April 2021)

The Very Revd Michael Tavinor (until 28 February 2021)

Revd Preb Simon Cawdell

RAdm Philip Wilcocks

Mr Stephen Borthwick (until 15 December 2020)

Revd J Rogers – Chair

#### *Elected Directors:*

Revd Preb W A Buck

Revd R Hulse (until 21 July 2020)

Revd A P Morgan

Mrs J C Beavan

Major P J A Darling

Mr C H E Smith – Vice-Chair

Revd Preb J Davies (from 5 November 2020)

#### *Nominated Directors:*

Mr M J C Simmons (until 31 October 2020)

Mrs K Askew (until 20 March 2020)

Mr T N Hone

Mr N A Sellar

The Dowager Countess of Darnley (until 1 January 2020)

Mrs S R Gittins (from 5 November 2020)

Ms S J Smith (from 5 November 2020)

### 11.3 Principal officers

Diocesan Secretary: Mr S R Pratley

Director of Finance: Mr S G P Herbert

### 11.4 Members of the Board

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

# Annual report

For the year ended 31 December 2020

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## 11.5 Agents

### Solicitors / Registrar

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

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

### Bankers

Lloyds Bank PLC  
8 High Town  
Hereford  
HR1 2AE

### Glebe agents – agricultural

Carter Jonas  
Canon Court North  
Abbey Lawn  
Shrewsbury  
SY2 5DE

### Independent auditor

Haysmacintyre LLP  
10 Queen Street Place  
London  
EC4R 1AG

### Investment managers

Rathbone Brothers PLC  
8 Finsbury Circus  
London  
EC2M 7AZ

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

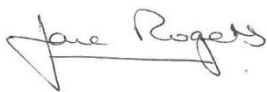
### Insurance agents

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

### Glebe agents – commercial & industrial

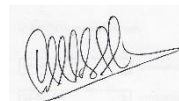
Godfrey-Payton  
Old Bablake  
Hill Street  
Coventry  
CV1 4AN

The Directors' annual report is approved on behalf of the Board of Directors and the Strategic Report (included therein) is approved by the Board of Directors on 10 June 2021 and signed on its behalf by:



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

Chair  
10 June 2021



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

Director  
10 June 2021

## Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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### Opinion

We have audited the financial statements of The Hereford Diocesan Board of Finance for the year ended 31 December 2020, which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2020, and of the charitable company's net movement in funds, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

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

### Other information

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

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

## **Independent auditor's report**

To the members of the Hereford Diocesan Board of Finance

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### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

### **Responsibilities of Trustees for the financial statements**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

Based on our understanding of the charitable company and the environment in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to charity law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Charities Act 2011, payroll tax and sales tax.

## Independent auditor's report

To the members of the Hereford Diocesan Board of Finance

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

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted that significantly impact on the result for the year, posting in areas subject to significant judgements or estimates, postings in accounts that are considered higher risk; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

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

### Use of our report

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



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

For and on behalf of Haysmacintyre LLP, Statutory Auditor

10 Queen Street Place, London EC4R 1AG

10 June 2021

**Statement of financial activities**

For the year ended 31 December 2020

	Note	Unrestricted funds		Restricted funds	Endowment funds	Total 2020 £'000	Total 2019 £'000
		General	Designated				
		£'000	£'000	£'000	£'000		
<b>Income and endowments from:</b>							
Donations							
Parish Offer contributions	3	3,498	-	-	-	3,498	3,832
Archbishops' Council	4	423	-	285	-	708	713
Other donations	5	194	2	77	-	273	271
Charitable activities	6	321	-	-	-	321	384
Other trading income	7	325	-	11	-	336	329
Investment income	8	78	-	154	368	600	814
Other income	9	-	-	3	-	3	526
<b>Total income and endowments</b>		<b>4,839</b>	<b>2</b>	<b>530</b>	<b>368</b>	<b>5,739</b>	<b>6,869</b>
<b>Expenditure on:</b>							
Raising funds	10	94	-	40	50	184	185
Charitable activities: excl. pension deficit	11	5,485	76	729	-	6,290	6,340
Charitable activities: remeasurement of pension deficit liability	32	1	-	-	-	1	(830)
<b>Total expenditure</b>		<b>5,580</b>	<b>76</b>	<b>769</b>	<b>50</b>	<b>6,475</b>	<b>5,695</b>
<b>Net (expenditure)/income before investment gains</b>		<b>(741)</b>	<b>(74)</b>	<b>(239)</b>	<b>318</b>	<b>(736)</b>	<b>1,174</b>
Net gains/(losses) on investments		122	-	248	1,064	1,434	3,412
<b>Net (expenditure)/income</b>		<b>(619)</b>	<b>(74)</b>	<b>9</b>	<b>1,382</b>	<b>698</b>	<b>4,586</b>
<b>Transfers between funds</b>	23	247	183	2	(432)	-	-
<b>Other recognised gains/(losses)</b>							
Gains/(losses) on revaluation of fixed assets	15	-	-	2,825	95	2,920	(3,722)
<b>Net movement in funds</b>		<b>(372)</b>	<b>109</b>	<b>2,836</b>	<b>1,045</b>	<b>3,618</b>	<b>864</b>
Funds brought forward at 1 January		4,409	202	54,767	20,072	79,450	78,586
<b>Funds carried forward at 31 December</b>		<b>4,037</b>	<b>311</b>	<b>57,603</b>	<b>21,117</b>	<b>83,068</b>	<b>79,450</b>

All activities derive from continuing activities. The Notes on pages 27 to 59 form part of the financial statements.

## Income and expenditure account

For the year ended 31 December 2020

	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Total income</b>	5,371	6,005
<b>Total expenditure</b>	(6,425)	(5,645)
<b>Operating (deficit)/surplus for the year</b>	(1,054)	360
Net gains on investments	370	1,241
<b>Net (expenditure)/income for the year</b>	(684)	1,601
<b>Other comprehensive income:</b>		
Revaluation of fixed assets	2,825	(3,657)
Net assets transferred to endowments	432	(259)
<b>Total comprehensive income</b>	<b>2,573</b>	<b>(2,315)</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.



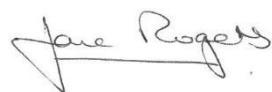
**Balance sheet**

For the year ended 31 December 2020

Company Number: 144467

		Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2020</b>	Total 2019
	<b>Note</b>	General £'000	Designated £'000	£'000	£'000	<b>£'000</b>	£'000
<b>Fixed assets</b>							
Tangible assets	<b>15</b>	382	-	49,399	1,770	51,551	49,022
Investment property	<b>17</b>	-	-	481	6,832	7,313	8,585
Other investments	<b>18</b>	3,636	74	7,032	12,073	22,815	21,127
		4,018	74	56,912	20,675	<b>81,679</b>	78,734
<b>Current assets</b>							
Stocks		2	-	-	-	2	3
Debtors: amounts falling due within one year	<b>19</b>	172	-	52	763	987	274
Debtors: amounts falling after one year	<b>20</b>	-	-	12	-	12	16
Cash at bank & in hand		69	237	1,311	-	1,617	1,494
		243	237	1,375	763	<b>2,618</b>	1,787
<b>Creditors: amounts falling due within one year</b>	<b>21</b>	(224)	-	(684)	(265)	(1,173)	(773)
<b>Net current assets/(liabilities)</b>		19	237	691	498	<b>1,445</b>	1,014
<b>Total assets less current liabilities</b>		4,037	311	57,603	21,173	<b>83,124</b>	79,748
<b>Creditors: amounts falling due after more than one year</b>							
Pension deficit payments liability	<b>22</b>	-	-	-	(56)	(56)	(298)
<b>Net Assets</b>		4,037	311	57,603	21,117	<b>83,068</b>	79,450
<b>Funds</b>							
Unrestricted income fund	<b>24</b>	4,037	-	-	-	4,037	4,409
Designated funds	<b>24</b>	-	311	-	-	311	202
Restricted income funds	<b>24</b>	-	-	57,603	-	57,603	54,767
Endowment funds	<b>24</b>	-	-	-	21,117	21,117	20,072
<b>Total funds</b>		4,037	311	57,603	21,117	<b>83,068</b>	79,450

The financial statements were approved by the Directors of the Hereford Diocesan Board of Finance and authorised for issue on 10 June 2021 and signed on their behalf by:



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

Chair

10 June 2021

**Cash flow statement**

For the year ended 31 December 2020

	2020 £'000	2020 £'000	2019 £'000	2019 £'000
<b>Net cash outflow from operating activities</b>		<b>(1,770)</b>		(550)
<b>Cash flows from investing activities</b>				
Dividends, interest and rent from investments		600		814
Proceeds from the sale of:				
Tangible fixed assets for the use of the HDBF	284		375	
Fixed asset investments	7,017		2,866	
Purchase of:				
Tangible fixed assets for the use of the HDBF	(10)		(293)	
Fixed asset investments	(5,998)		(3,914)	
		1,293		(966)
<b>Net cash provided by/(used in) investing activities</b>		<b>123</b>		<b>(702)</b>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>123</b>		<b>(702)</b>
Net cash funds as at 1 January		1,494		2,196
<b>Net cash funds as at 31 December</b>		<b>1,617</b>		<b>1,494</b>
<b>Notes to the cash flow statement</b>				
<b><i>Reconciliation of net movements in funds to net cash flow from operating activities</i></b>				
<b>Net movement in funds for the year ended 31 December</b>		<b>(736)</b>		1,174
Add: depreciation & amortisation charges		10		8
Less: dividends, interest and rent from investments		(600)		(814)
(Loss)/profit on sale of functional assets		107		(39)
Decrease in stocks		1		-
(Increase)/decrease in debtors		(709)		41
Increase/(decrease) in creditors		157		(920)
<b>Net cash used in operating activities</b>		<b>(1,770)</b>		<b>(550)</b>

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

# Notes to the accounts

For the year ended 31 December 2020

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## 1. Accounting policies

### 1.1 General information

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

### 1.2 Accounting convention and basis of accounting

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

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

During the year the HDBF received direction from the Charity Commission that the Hereford Diocesan Board of Finance Educational Uniform Statutory Trusts Account ("the UST") has been linked with the DBF. As set out in Note 1.15 this means that the UST is treated as a branch of HDBF and its income, expenditure, assets and liabilities are aggregated with those of HDBF and its other linked charities. The funds of the UST are presented separately within the HDBF's restricted funds. In the prior year the HDBF presented consolidated accounts but, following the issue of the linking direction, there is no longer any requirement to prepare consolidated financial statements. The comparative figures presented in these financial statements are prepared as if the linking direction has always been in place and in effect are those from the 2019 consolidated financial statements.

### 1.3 Income

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

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

## Notes to the accounts

For the year ended 31 December 2020

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- **Diocesan Stipends Fund** (endowment fund). The endowment fund is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends.

### 1.4 Expenditure

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

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

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

### 1.6 Tangible fixed assets and depreciation

#### *Freehold properties*

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

#### *Investment properties*

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

## Notes to the accounts

For the year ended 31 December 2020

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### *Parsonage houses*

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

### *Other tangible fixed assets*

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

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

### *Fixed asset investments*

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

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

## **1.7 Financial instruments**

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

## **1.8 Debtors**

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

## Notes to the accounts

For the year ended 31 December 2020

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### 1.9 Creditors and provisions

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

### 1.10 Equity share loan

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

### 1.11 Leases

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

### 1.12 Stocks

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

### 1.13 Fund balances

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

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

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

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

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

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

## Notes to the accounts

For the year ended 31 December 2020

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### **1.14 Trust funds**

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

### **1.15 Linked charities**

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

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

### **1.16 Going concern**

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

### **1.17 Accounting for open schools and related Trust property**

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

### **1.18 Accounting for closed schools and related Trust property**

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

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

## Notes to the accounts

For the year ended 31 December 2020

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

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

### **2. Critical accounting judgements and estimates**

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

#### **2.1 Critical judgements**

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

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

#### **2.2 Estimation uncertainty**

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

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

The HDBF Educational Uniform Statutory Trust, a linked charity, has one loan for which the settlement proceeds are based on the value of the equity in a property. As required by FRS 102 this loan has been stated in accordance with an estimate of fair value. The HDBF makes use of the in-house Diocesan surveyor in arriving at this fair value. The loan is repayable on the earlier of the death of the borrowers or the vacation of the related property. The property was vacated during 2020 and is currently being marketed therefore this equity share loan is measured as a proportion of the fair value at the reporting date and has not been discounted.



**Notes to the accounts**

For the year ended 31 December 2020

**3. Parish Offer contributions**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2020</b>	Total 2019
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Current year Parish Offer committed	3,854	-	-	-	3,854	3,857
Shortfall in commitments	(356)	-	-	-	(356)	(29)
	<b>3,498</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,498</b>	<b>3,828</b>
Received for previous years	-	-	-	-	-	4
	<b>3,498</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,498</b>	<b>3,832</b>

The Parish Offer system is based on annual commitments made by PCCs to contribute to the 'Common Fund' of the Diocese. Parish Offer receipts in 2020 represented 90.8% (2019: 99.3%) of the total commitments made. All Parish Offer receipts in 2019 related to the general fund.

**4. Archbishops' Council**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2020</b>	Total 2019
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Lowest Income Communities funding (LiNC)	288	-	-	-	288	284
Transitional support funding	114	-	-	-	114	132
Ordinands in training	-	-	146	-	146	141
Other grant funding	21	-	139	-	160	156
	<b>423</b>	<b>-</b>	<b>285</b>	<b>-</b>	<b>708</b>	<b>713</b>

The Lowest Income Communities (LiNC) funding supports stipendiary ministry in the most deprived areas of the Diocese. The transitional funding is currently used to fund clergy stipends across the Diocese. In 2019 the LiNC income and Transitional support funding was attributable to the general fund, the ordinands in training income was attributable to restricted funds, and other grant funding was attributable £3k to the general fund and £153k to restricted funds.

**5. Other donations**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2020</b>	Total 2019
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Trust income and grants	89	2	77	-	168	151
Ecclesiastical insurance office - share of profits	84	-	-	-	84	88
Donations & sundry income	21	-	-	-	21	32
	<b>194</b>	<b>2</b>	<b>77</b>	<b>-</b>	<b>273</b>	<b>271</b>

In 2019, £22k of Trust income and grants was attributable to the general fund, £20k to designated funds and £109k to restricted funds. All other donations in 2019 were attributable to the general fund.

**Notes to the accounts**

For the year ended 31 December 2020

**6. Charitable activities**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2020</b>	Total 2019
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Fees for occasional offices	288	-	-	-	288	339
Income from educational activities	33	-	-	-	33	45
	<b>321</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>321</b>	<b>384</b>

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

**7. Other trading income**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2020</b>	Total 2019
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Rental income	325	-	10	-	335	327
Other trading income	-	-	1	-	1	2
	<b>325</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>336</b>	<b>329</b>

In 2019, £317k of the rental income was attributable to the general fund and £10k to restricted funds. All of the Other trading income in 2019 was attributable to restricted funds.

**8. Investment income**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2020</b>	Total 2019
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
Rents receivable	-	-	11	141	152	227
Interest & dividends receivable	78	-	143	227	448	587
	<b>78</b>	<b>-</b>	<b>154</b>	<b>368</b>	<b>600</b>	<b>814</b>

£3k of the rents receivable in 2019 were attributable to restricted funds, with the remainder attributable to endowment funds. £110k of the interest & dividends receivable in 2019 were attributable to the general fund, £183k to restricted funds and £294k to endowment funds.

**9. Other income**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2020</b>	Total 2019
	General	Designated				
	£'000	£'000	£'000	£'000	£'000	£'000
HDBF UST:						
assets receivable: school houses	-	-	-	-	-	(292)
Redundant church costs recovered	-	-	3	-	3	6
Gain on disposal of fixed assets	-	-	-	-	-	39
Funds recognised from linked charity	-	-	-	-	-	427
Liquidated damages for dilapidations	-	-	-	-	-	346
	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>526</b>

**Notes to the accounts**

For the year ended 31 December 2020

In 2018, £292k of assets relating to Westbury School House were brought onto the balance sheet as Other Income. It subsequently transpired that a S.554 Order is required by the Secretary of State for Education and the assets should not be recognised by the HDBF UST until such a time as the S.554 Order has been granted. The assets, valued at £292k, were therefore reversed out of Other income in 2019. All other income in 2019 was attributable to restricted funds, with the exception of £346k of liquidated damages for dilapidations which was attributable to endowment funds.

**10. Fund raising costs****10.1 Fund raising costs 2020**

	Unrestricted funds		Restricted funds £'000	Endowment funds £'000	<b>Total 2020 £'000</b>
	General	Designated			
	£'000	£'000			
Land & property agents' fees	55	-	1	-	56
Glebe land maintenance & development	5	-	-	-	5
Property rental & other trading costs	1	-	10	-	11
Investment portfolio mgt fees	15	-	29	50	94
	76		40	50	166
Support costs (see note 12)	18	-	-	-	18
	94	-	40	50	<b>184</b>

**10.2 Fund raising costs 2019**

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

**Notes to the accounts**

For the year ended 31 December 2020

**11. Charitable activities****11.1 Charitable activities excluding remeasurement of pension deficit liability 2020**

	Unrestricted funds		Restricted funds	Endowment funds	<b>Total 2020</b>
	General	Designated			
	£'000	£'000	£'000	£'000	£'000
Resourcing ministry and mission:					
Stipends and national insurance	2,398	-	-	-	2,398
Clergy pension contributions	536	-	-	-	536
Clergy Housing	610	-	156	-	766
Clergy moves & interregnums	69	-	-	-	69
Support for ministry	620	76	393	-	1,089
Allocated support costs	390	-	1	-	391
	4,623	76	550	-	5,249
Contributions to Archbishop's Council	405	-	-	-	405
Education	273	-	156	-	429
Parochial support	177	-	23	-	200
Grants and donations	7	-	-	-	7
<b>Total expenditure on charitable activities excluding remeasurement of pension deficit liability</b>	<b>5,485</b>	<b>76</b>	<b>729</b>	<b>-</b>	<b>6,290</b>

**11.2 Charitable activities excluding remeasurement of pension deficit liability 2019**

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

**Notes to the accounts**

For the year ended 31 December 2020

**12. Analysis of support costs**

	Unrestricted funds		Restricted funds £'000	Endowment funds £'000	<b>Total 2020</b> £'000	Total 2019 £'000
	General	Designated				
	£'000	£'000				
Salary and employment costs	350	-	-	-	350	339
Property costs	42	-	-	-	42	46
Office costs	64	-	1	-	65	54
Legal and professional fees	86	-	-	-	86	64
General Synod representation	3	-	-	-	3	9
Governance costs	20	-	-	-	20	21
	565	-	1	-	566	533

All support costs in 2019 were attributable to the general fund except for £1k of office costs attributable to restricted funds.

**13. Analysis of expenditure including allocation of support costs****13.1 Analysis 2020**

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

**13.2 Analysis 2019**

	Activities	Grant	Support Costs £'000	<b>Total 2019</b> £'000
	Undertaken	Funding of		
	Directly £'000	Activities £'000		
Raising funds:	168	-	17	185
Charitable activities:				
Contributions to Archbishops' Council	-	391	5	396
Resourcing ministry and mission	4,961	149	362	5,472
Education	160	7	79	246
Parochial support	116	31	70	217
Other grants and donations	2	7	-	9
Charitable activities: pension deficit	(830)	-	-	(830)
	4,577	585	533	5,695

**Notes to the accounts**

For the year ended 31 December 2020

**14. Analysis of grants made****14.1 Analysis 2020**

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

**14.2 Analysis 2019**

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

**Notes to the accounts**

For the year ended 31 December 2020

**15. Tangible fixed assets**

	Freehold properties £'000	Leasehold property improvements £'000	Plant & equipment £'000	<b>Total £'000</b>
<b>Cost or valuation</b>				
At 1 January 2020	48,990	53	184	49,227
Additions	-	-	10	10
Disposals	(390)	-	(101)	(491)
Revaluation	2,920	-	-	2,920
<b>At 31 December 2020</b>	<b>51,520</b>	<b>53</b>	<b>93</b>	<b>51,666</b>
<b>Accumulated depreciation</b>				
At 1 January 2020	-	53	152	205
Charge for the year	-	-	10	10
Disposals	-	-	(100)	(100)
<b>At 31 December 2020</b>	<b>-</b>	<b>53</b>	<b>62</b>	<b>115</b>
<b>Net book value</b>				
At 1 January 2020	48,990	-	32	49,022
<b>At 31 December 2020</b>	<b>51,520</b>	<b>-</b>	<b>31</b>	<b>51,551</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 2020, the Board was responsible for six redundant churches. The value of these churches at this date is considered uncertain and not material and accordingly no value related to them has been included in these accounts.

The Board and benefice houses were valued by the Board as at 31 December 2020 by taking advice from the employed Diocesan Property Surveyor (MCI0B). On 31 December 2020 there was a housing stock of 121 properties (2019: 122).

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

**16. Capital commitments**

There were no capital commitments as at 31 December 2020 (2019: £nil).

**Notes to the accounts**

For the year ended 31 December 2020

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

	As at 1 January 2020 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2020 £'000
<b>Endowment funds</b>						
Land	6,432	10	(62)	-	(8)	6,372
Buildings	1,706	-	(1,246)	-	-	460
	8,138	10	(1,308)	-	(8)	6,832
<b>Restricted funds</b>						
Buildings	447	-	-	-	34	481
<b>Total</b>	<b>8,585</b>	<b>10</b>	<b>(1,308)</b>	<b>-</b>	<b>26</b>	<b>7,313</b>

Endowment fund buildings at the year-end consists of one commercial property, two having been sold during the year. The remaining property has been valued informally by a local commercial property agent.

Restricted fund buildings consist of houses held as investment properties. These have been valued by the Diocesan Surveyor (MCIOB) as at 31 December 2020.

The value of rural land was determined by the Directors. Due to the multiplicity of holdings and varying sizes and terms of occupation the cost of a professional valuation is deemed to be an imprudent use of charitable funds. The Directors used a variety of land market surveys to determine average land values at 31 December 2020. A discount was applied to 1986 Agricultural Holdings Act tenancies of 36% and Farm Business Tenancies of 23%. This constitutes an average yield of 1.55%. Other amenity tenancies/licences were discounted at 12.5% and vacant land was discounted at 5% to reflect the time taken to realise a value and reflect any restrictions on sale. Land for which planning permission has been received is valued according to its market value as determined by the Directors.

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

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

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

	As at 1 January 2020 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	As at 31 December 2020 £'000
<b>Listed investments</b>						
Unrestricted general fund	3,491	826	(803)	-	122	3,636
Designated funds	-	-	-	74	-	74
Restricted funds	6,703	1,545	(1,572)	-	226	6,902
Endowment funds	10,792	3,617	(2,660)	(74)	398	12,073
	20,986	5,988	(5,035)	-	746	22,685
<b>Equity share loan</b>						
Restricted fund - UST	141	-	-	-	(11)	130
<b>Total</b>	<b>21,127</b>	<b>5,988</b>	<b>(5,035)</b>	<b>-</b>	<b>735</b>	<b>22,815</b>

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



**Notes to the accounts**

For the year ended 31 December 2020

The historical cost of listed investments held as at 31 December 2020 was £18.9m (2019: £16.9m). The historical cost of the equity share loan as at 31 December 2020 was £13,400 (2019: £13,400).

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

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Other debtors	817	172
Prepayments & accrued income	166	98
Loan to Bishop Mascall Centre <sup>1</sup>	4	4
	<b>987</b>	274

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

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Loan to Bishop Mascall Centre <sup>1</sup>	<b>12</b>	16

<sup>1</sup>The loan to the Bishop Mascall Centre of £15,980 (2019: £19,980) is being repaid at £4,000 per annum, with interest chargeable at the Church of England's Central Board of Finance (CBF) rates.

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

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Other creditors and accruals	896	370
Taxation & Social Security	37	163
Pension deficit payments liability	240	240
	<b>1,173</b>	773

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

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Pension deficit payments liability	<b>56</b>	298

**Notes to the accounts**

For the year ended 31 December 2020

**23. Analysis of transfers between funds**

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

Comparatives for 2019 can be found in note 39 to these accounts.

<sup>1</sup>On 28 February, the UST made an interest free loan to the Stottesdon School House trust of £156,000 to enable the trust to make a grant to Stottesdon C of E Primary School for the building of a school hall to provide a new worship space. The loan is repayable from income arising on capital held by the trust and is expected to repaid in full within 40 years. The UST and the Stottesdon School House trust are treated as branches of HDBF and therefore inter-fund loans are eliminated. The loan of £156,000, less repayments of £4,012 has been treated as a transfer between funds.

**Notes to the accounts**

For the year ended 31 December 2020

**24. Summary of assets by fund**

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

Comparatives for 2019 can be found in note 38 to these accounts.

**Notes to the accounts**

For the year ended 31 December 2020

**25. Analysis of movements in funds**

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

Comparatives for 2019 can be found in note 40 to these accounts.

**Notes to the accounts**

For the year ended 31 December 2020

**26. Endowment Fund – Total Return**

	Trust for Investment £'000	Unapplied Total Return £'000	<b>Total Endowment £'000</b>
<b>At 1 January 2020</b>	<b>7,414</b>	<b>12,658</b>	<b>20,072</b>
<b>Movements in the reporting period:</b>			
Dividends and interest		227	227
Glebe land rent		107	107
Glebe commercial property rental income		34	34
Realised and unrealised gains and (losses)		1,159	1159
Transfer from general fund for reduction in clergy pension deficit payments liability		242	242
<b>Less:</b>			
Investment management costs		(50)	(50)
Glebe land development costs			
Indexation using CPIH: 0.8%	59	(59)	-
	<b>59</b>	<b>1,660</b>	<b>1,719</b>
<b>Unapplied Total Return allocated to income to be used for stipends:</b>			
- Equating to dividend, interest and rents		(369)	(369)
- Equating to 0.5% of equity investments		(55)	(55)
- Additional annual transfer		(250)	(250)
	-	(674)	<b>(674)</b>
<b>Net movements in report period:</b>	<b>59</b>	<b>986</b>	<b>1,045</b>
<b>At 31 December 2020</b>	<b>7,473</b>	<b>13,644</b>	<b>21,117</b>

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

**27. Net income for the year**

Net income for the year is stated after charging:

	<b>2020</b> £'000	2019 £'000
Depreciation of tangible fixed assets	10	8
Rentals charged under operating leases	17	17
Amounts payable to external auditors for:		
- statutory audit	20	21
- tax advisory services	1	2

## Notes to the accounts

For the year ended 31 December 2020

### 28. Financial commitments – operating leases

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

	2020 £'000	2019 £'000
<b>Minimum lease payments payable:</b>		
Within one year of the balance sheet date	1	2

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

	2020 £'000	2019 £'000
<b>Minimum lease payments receivable</b>		
Within one year of the balance sheet date	-	92
Within two to five years of the balance sheet date	-	59

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

There were no post balance sheet events or contingent liabilities as at 31 December 2020.

### 30. Staff costs

Staff costs were as follows:

	2020 £'000	2019 £'000
Gross salaries and wages	1,166	1,169
Social Security costs	109	107
Pension contributions	117	126
	<b>1,392</b>	<b>1,402</b>

Included in staff costs is an amount of £11,000 relating to voluntary redundancy payments (2019: £21,000).

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

## Notes to the accounts

For the year ended 31 December 2020

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

	2020		2019	
	Number Full-time	Number Part-time	Number Full-time	Number Part-time
Support ministers / staff	11.2	6.2	11.5	7.6
Education	2.0	2.0	1.6	0.8
Diocesan officers	3.0	1.0	3.0	1.0
Diocesan administration staff	3.0	5.0	2.0	6.0
Grant funded Intergenerational Missioners	5.0	2.0	5.0	2.2
Grant funded support staff	1.0	0.2	1.0	1.0
Grant funded deanery staff	-	1.0	-	1.0
	<b>25.2</b>	<b>17.4</b>	<b>24.1</b>	<b>19.6</b>

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

	2020 Number	2019 Number
Support ministers / staff	15.0	15.8
Education	3.2	2.2
Diocesan officers	3.8	3.8
Diocesan administration staff	5.7	5.7
Grant supported Intergenerational Missioners	6.0	6.1
Grant funded support staff	1.1	1.6
Grant funded deanery staff	0.7	0.7
	<b>35.5</b>	<b>35.9</b>

These staff numbers 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 but excluding pension contributions) was as follows:

	2020 Number	2019 Number
£70,000 - £80,000	1	1

### 30.1 Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2020 they were:

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

Remuneration (including employer's National Insurance) and pensions for these employees amounted to £211,500 (2019: £202,300).

## Notes to the accounts

For the year ended 31 December 2020

### 30.2 Trustees' emoluments

No Trustee received any remuneration for services as Trustee. Four Trustees received travelling and out-of-pocket expenses totalling £2,491 (2019: £4,698 5 trustees) in respect of General Synod duties, duties as Archdeacon or Rural Dean, and other duties as Trustees.

The Church Commissioners are responsible for the stipends and housing of the diocesan and suffragan bishops (ex officio trustees). Archdeacons, parochial clergy and support ministers who are trustees of the HDBF, whether ex officio, elected, appointed or co-opted, are in receipt of a stipend, housing and training/sabbatical grants paid via the Board by virtue of their office. One trustee received a clergy study grant of £45 (2019: 2 trustees received clergy study or ministerial development grants totalling £1,100).

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

	Stipend	Housing/ housing allowance
The Ven D Chedzey	Yes	Yes
The Rt Revd A Magowan	No	Yes
Revd Preb S Cawdell	Yes	Yes
Revd Preb W A Buck	Yes	Yes
Revd R Hulse	Yes	Yes
Revd S Fountain	Yes	Yes
Revd A P Morgan	Yes	Yes
Preb J Davies	Yes	Yes

The Board also met the stipends, pensions and social security costs of an average of 81 (2019: 82) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2020 £'000	2019 £'000
Stipends	2,211	2,186
National insurance contributions including Apprenticeship levy	185	171
Pension costs - current year	553	549
- deficit reduction	243	240
	<b>3,192</b>	<b>3,146</b>

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

### 31. Related parties

Herefordshire Vennture, a charitable organisation of which Revd J Rogers (HDBF Chair of Trustees), Mr S Pratley (Diocesan Secretary) and Revd A Morgan (HDBF trustee) are trustees, leased office space within the HDBF St Barnabas Church property at £6,790 for the year (2019: £7,276).

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

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



## Notes to the accounts

For the year ended 31 December 2020

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

During the year, invoices net of VAT totalling £6,375 (2019: £30,717) for partnership costs were raised from HDBF to DHMAT. The balance outstanding at the end of the year was £nil (2019: £nil).

During the year, invoices net of VAT totalling £52,560 were raised from DHMAT to HDBF for salary and administration costs (2019: £nil). The balance outstanding at the year-end was £nil.

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

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

Hereford Cathedral is a related party of HDBF. Bishop's Council select two members to sit on the Cathedral Council for a period of 5 years and The Very Revd M Tavinor, trustee of HDBF was also the Dean of Hereford Cathedral. During the year, invoices net of VAT totalling £4,500 were raised from HDBF to the Cathedral for safeguarding costs (2019: £nil). The balance outstanding at the year end was £3,485 (2019: £nil). During the year, invoices net of VAT totalling £1,474 (2019: £nil) were raised from the Cathedral to HDBF for salary and administration costs. The balance at the year end was £nil (2019: £nil)

The Ven D Chedzey, a trustee of HDBF is also Vice Chair of Trustees of the Hereford Historic Churches Trust. During the year, HDBF received a grant from the Hereford Historic Churches Trust amounting to £5,000 (2019: £5,000).

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

The Rt Revd A Magowan, a trustee during the year of HDBF, is also a trustee of CPAS, the Church Pastoral Aid Society, a mission enabling society. Total services invoiced from CPAS during 2020 amounted to £1,350 (2019: £2,424). The balance at the end of the year was £nil (2019: £nil).

Revd Preb W A Buck, a trustee of HDBF is also a trustee of St Mary's Youth Project, a CIO charity. During 2019, a grant of £14,467 was made to the Youth Project. No grants were paid during 2020.

## 32. Pension commitments

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

The Hereford Diocesan Board of Finance participates in the Church of England Funded Pension Scheme for stipendiary clergy, a defined benefit pension scheme, and as at 31 December 2020 had 85 members in the scheme (2019: 86). This scheme is administered by the Church of England Pensions Board, which holds the assets of the Scheme separately from those of the Responsible Bodies.

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

The Scheme is considered to be a multi-employer scheme as described in section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to each specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2020: £555k, 2019 £549k), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £556k for 2020 (2019: credit of £281k).

## Notes to the accounts

For the year ended 31 December 2020

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

- An average discount rate of 3.2% p.a.;
- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a.;
- Mortality in accordance with 95% of the S3NA\_VL tables, with allowance for improvements in mortality rates in line with the CMI2018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter" of 7 and an initial addition to mortality improvements of 0.5% p.a.

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

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

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

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

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

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2019 and over 2020 is set out in the table below.

	<b>2020</b> <b>£'000</b>	2019 £'000
Balance sheet liability as at 1 January	538	1,608
Deficit contribution paid	(243)	(240)
Interest cost (recognised in the SoFA)	5	31
Remaining change to balance sheet liability* (recognised in SoFA)	(4)	(861)
Balance sheet liability as at 31 December	296	538

\* 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 2020	December 2019	December 2017
Discount rate	0.2% p.a.	1.1% p.a.	2.1% p.a.
Price inflation	3.1% p.a.	2.8% p.a.	3.1% p.a.
Increase to total pensionable payroll	1.6% p.a.	1.3% p.a.	1.6% p.a.

## Notes to the accounts

For the year ended 31 December 2020

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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.

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

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

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

### **Pension Builder Scheme**

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

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

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

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

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 as it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and means that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are the contributions payable (2020: £67k, 2019: £66k).

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. A valuation as at 31 December 2019 was under way as at 31 December 2020.

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

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

At 31 December 2020, HDBF had 32 active members (2019: 30) in the Pension Builder 2014. Contributions outstanding at the year end amounted to £nil (2019: £nil).

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

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

Contributions to the various schemes during the year totalled £22,079 (2019: £26,364) and were charged to the Income and Expenditure Account. Contributions outstanding at the year-end amounted to £1,298 (2019: £1,549).

## Notes to the accounts

For the year ended 31 December 2020

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### 33. Description of funds

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

#### Designated funds

##### Total Return Mission Funds

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

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

#### Endowment fund

##### Diocesan Stipends Fund

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

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

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

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

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

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

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

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

#### Restricted funds:

##### Pastoral Fund

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

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

## Notes to the accounts

For the year ended 31 December 2020

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

### **Mission and Ministry Fund**

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

### **Ordinands in Training Fund**

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

### **Education Funds**

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

### **Restructuring grant**

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

### **Strategic Development Funds**

This fund relates to projects which have received funds from the Archbishops' Council Strategic Development Fund together with any associated Parish funding and HDBF match funding. As at 31 December 2020 this fund related wholly to the 'Intergenerational Missioner' project employing seven intergenerational Missioners across six market towns in the Diocese. The Intergenerational Missioner project is funded 25% by local PCC contributions, 50% from Archbishops' Council (SDF), and 25% by HDBF.

## Notes to the accounts

For the year ended 31 December 2020

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### **Strategic Capacity Fund**

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

### **Other Grant Funds**

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

### **Uniform Statutory Trust Fund**

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

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

In addition, the income may be applied as follows:

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

## **34. St. Barnabas Church, Hereford**

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

## **35. Corporation tax**

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

## **36. Closed schools**

### **36.1 Sarn School**

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

**Notes to the accounts**

For the year ended 31 December 2020

**36.2 Westbury and Hope Primary Schools**

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

**37. Prior year comparative SoFA**

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

**Notes to the accounts**

For the year ended 31 December 2020

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

	Tangible		Current	Creditors	Net
	Fixed assets	Investments	Assets		Assets
	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted funds</b>					
General fund	382	3,491	736	(200)	4,409
<b>Designated funds:</b>					
Total Return Mission funds	-	-	203	(1)	202
	382	3,491	939	(201)	4,611
<b>Restricted funds</b>					
Pastoral fund	46,965	4,248	181	(28)	51,366
Mission and Ministry fund	-	-	19	-	19
Ordinands in training fund	-	-	8	-	8
Restructuring fund	-	-	5	-	5
Strategic development fund	-	-	41	(3)	38
Strategic capacity fund	-	-	14	-	14
Building strategy fund	-	-	2	-	2
Uniform Statutory Trust	-	2,644	382	(146)	2,880
Grant funds	-	-	8	-	8
Education Trusts	-	399	28	-	427
	46,965	7,291	688	(177)	54,767
<b>Endowment funds</b>					
Diocesan stipends fund	1,675	18,930	160	(693)	20,072
<b>Total funds</b>	<b>49,022</b>	<b>29,712</b>	<b>1,787</b>	<b>(1,071)</b>	<b>79,450</b>



**Notes to the accounts**

For the year ended 31 December 2020

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

	Unrestricted funds		Restricted funds £'000	Endowment funds £'000	<b>Total funds £'000</b>
	General £'000	Designated £'000			
Uniform Statutory Trust to unrestricted General Fund to support education	50	-	(50)	-	-
From General fund to Endowment fund for reduction in pension deficit liability	(1,070)	-	-	1,070	-
From Endowment fund to General fund for stipends under Total Return (see note 41)	811	-	-	(811)	-
From General fund to the Total Return Mission Fund to support mission projects	(250)	250	-	-	-
From Total Return Mission fund to the Intergenerational Missioner fund in respect of SDF match-funding requirements	-	(62)	62	-	-
From Mission innovation Fund to support the Abbeydore Mission Co-ordinator Fund	-	(5)	5	-	-
	(459)	183	17	259	-

**Notes to the accounts**

For the year ended 31 December 2020

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

	Balance at 1 Jan 2019 £'000	Income £'000	Expenditure £'000	Transfers between funds £'000	Net gains (losses) on assets £'000	<b>Balance at 31 Dec 2019 £'000</b>
<b>Unrestricted funds</b>						
General reserve	3,977	5,204	(4,915)	(459)	602	4,409
Designated reserves:						
Total Return Mission funds	-	20	(1)	183	-	202
	<b>3,977</b>	<b>5,224</b>	<b>(4,916)</b>	<b>(276)</b>	<b>602</b>	<b>4,611</b>
<b>Restricted funds</b>						
Pastoral reserve	54,575	183	(132)	(7)	(3,253)	51,366
Mission and Ministry reserve	21	-	(2)	-	-	19
Ordinands in training fund	(1)	141	(132)	-	-	8
Restructuring fund	13	-	(8)	-	-	5
Strategic development fund	24	144	(191)	61	-	38
Strategic capacity fund	11	52	(49)	-	-	14
Building strategy fund	11	16	(25)	-	-	2
Grant funds	139	40	(184)	13	-	8
Education trusts	-	427	-	-	-	427
Uniform statutory Trust	2,923	(222)	(6)	(50)	235	2,880
<b>Total restricted funds</b>	<b>57,716</b>	<b>781</b>	<b>(729)</b>	<b>17</b>	<b>(3,018)</b>	<b>54,767</b>
<b>Endowment funds</b>						
Diocesan stipends fund						
- Investment fund	7,312	-	-	102	-	7,414
- Unapplied Total Return	9,581	864	(50)	157	2,106	12,658
<b>Total endowment funds</b>	<b>16,893</b>	<b>864</b>	<b>(50)</b>	<b>259</b>	<b>2,106</b>	<b>20,072</b>
<b>Total movement in funds</b>	<b>78,586</b>	<b>6,869</b>	<b>(5,695)</b>	<b>-</b>	<b>(310)</b>	<b>79,450</b>

**Notes to the accounts**

For the year ended 31 December 2020

**41. Prior year: Endowment Fund – Total Return**

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