

The majority of land at Farnham Park Golf Course and the Farnham Park Sports Fields were transferred to the Council under the Eton Rural District Council Act 1971. This Act obliges the Council to 'appropriate and use the hereditaments transferred to the Council ... under and by virtue of this Act for the maintenance and improvement of the physical well-being of persons resident in the rural district of Eton and adjoining areas by the provision of facilities for physical training and recreation and for promoting and encouraging all forms of recreational activities calculated to contribute to the health and physical well-being of such persons'. As such, any decisions made by the Council in relation to the use of these lands must be taken by members acting as trustees and not as members of SBDC and must be in accordance with the Act objectives.

SUBJECT:	Farnham Park Public Facilities - Annual Report and Accounts
REPORT OF:	Officer Management Team - Director of Resources Prepared by - Head of Finance & IT

[Note: Yet to have figure for estimated audit costs]

1. Purpose of Report

- 1.1 The purpose of this report is to request that the Audit Committee approve the Farnham Park Public Facilities Annual Report and Accounts for 2006/07, 2007/08 and 2008/09.

2. Links to Objectives

- 2.1 Producing financial statements is part of good corporate governance and is essential for the prudent use of resources.

3. Background

- 3.1 The Eton Rural District Council (ERDC) Act 1971 transferred land and buildings at Farnham Park Sport Field (FPSF), and parts of Farnham Park Golf Course (FPGC) to Eton Rural District Council. South Bucks District Council (SBDC) is the successor in title to Eton Rural District Council, under provisions contained in the Local Government Act 1972. The management of these assets is therefore governed by the ERDC Act.
- 3.2 Prior to the ERDC Act these assets were controlled by the Farnham Park Recreational Trust, which was constituted by a conveyance dated 30th December 1946 between United Commercial Association Limited and the Trustees of the Trust.
- 3.3 The ERDC Act obliges SBDC to maintain and manage the transferred land in accordance with the purposes of the original trust (as substantially re-enacted in schedule 4 of the ERDC Act). These assets therefore form a charitable trust, with the Members of SBDC being the sole charity trustees.
- 3.4 Legislation requires Charitable Trusts to produce an Annual Reports and Accounts document and submit these to the Charity Commission. Furthermore if the gross income is above £500,000 (or gross assets exceed £2.8m and gross income exceeds £100,000) then the Accounts have to be audited.
- 3.5 Cabinet on 25 November 08 recommended that the Audit Committee should be given the remit to review and approve the Farnham Charitable Accounts on behalf of the Charitable Trust. This recommendation was approved by the Trustees at full Council on 9 December 08.

4. Production of Accounts

- 4.1 In previous years Trust Accounts have been submitted to the Charity Commission covering just the activities at the Farnham Park Sports Field (ie excluding the Farnham Park Golf Course). The last Accounts submitted on this basis covered the 2004/05 financial year.
- 4.2 For 2005/06 a nil return was submitted. This was on the basis that either both the Farnham Park Sports Field and the Farnham Park Golf Course were in the scope of the Trust or neither where, and at that time it was felt that these activities were part of SBDC and not a separate Trust.
- 4.3 No Accounts have been submitted for 2006/07, 2007/08 and 2008/09.
- 4.4 Accounting arrangements have now been clarified and full Trust Accounts (including the golf course) now need to be filed.
- 4.5 It is impractical to try and recreate very old Accounts, and indeed it can be argued that the Accounts covering the period up to and including 2005/06 are now closed (as they have been formally submitted).
- 4.6 It is therefore now proposed to create full separate Trust Accounts for 2006/07 onwards.
- The 2006/07 Accounts being a transitional set of Accounts, to restore the Trust to the position it would have been in if full Accounts had always been compiled.
 - The 2007/08 and 2008/09 Accounts being normal Accounts - which is in line with the fact that the Trust activities have now been excluded from the 2007/08 and 2008/09 SBDC Accounts.

5. Legislative Background

- 5.1 The main legislation governing the Accounts of charities is the Charities (Accounts and Reports) Regulations 2008. These came into force on 1 April 2008 and superseded the Charities (Accounts and Reports) Regulations 2005.
- 5.2 These regulations set out what information has to be included in Charitable Annual Reports and Accounts, as well as the duties of the auditors. The main changes in the new 2008 Regulations are that they include:
- additional instructions on how to account for Group Accounts and Charitable Companies - these elements are not applicable to the Farnham Charitable Trust - and
 - additional disclosures relating to public benefit (see paragraph 5.3) and risk.
- 5.3 As the 2006/07 and 2007/08 Accounts of the Charitable Trust have not yet been adopted the Charitable Trust can either apply the 2005 regulations or the 2008 regulations. It is recommended that the 2008 regulations are adopted as these are the most current requirements.
- 5.4 The Charities (Accounts and Reports) Regulations 2008 specify that in order to adopt these regulations for years beginning before 1 April 2008 the Charitable Trust is required to determine that:
- Regulation 8 of the 2008 Regulations should apply, rather than regulation 3 of the 2005 Regulations, to the statement of accounts prepared in respect of the financial year in question, and
 - Regulation 40 of the 2008 Regulations should apply, rather than regulation 11 of the 2005 Regulations, to the annual report prepared in respect of the financial year in question.

6. Format of Charity Accounts

- 6.1 Statements of Accounts can be compiled using various different accounting methodologies.
- Local Authority accounts have to be compiled in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice' - the Local Authority SORP.
 - Charity accounts have to be compiled in accordance with 'Accounting and Reporting by Charities - Statement of Recommended Practice' - the Charity SORP.
- 6.2 The attached Farnham Charity Accounts follow the Charity SORP, and are therefore in a different format to the main SBDC accounts that this committee have previously approved.
- 6.3 In the main all accounts follow consistent principles. However the main differences between local authority accounts and charity accounts are set out in the table below.

Local Authority Accounts	Charity Accounts
The Accounts have to be accompanied by a fairly basic 'Explanatory Foreword'	The Accounts have to be accompanied by a more comprehensive 'Trustees' Annual Report'
The Accounts have to include a 'Statement of Responsibilities'	The Accounts do not have to include a 'Statement of Responsibilities'
The main revenue account is called the 'Income and Expenditure Account (I&E)'	The main revenue account is called the 'Statement of Financial Activities (SOFA)'
There is a requirement to include a 'cashflow statement'	Only very large charities have to include a cashflow statement, and the Farnham Charity is not large enough to have to produce one.
Extensive notes to the Accounts have to be produced	More limited notes to the Accounts have to be produced.
Local Authority reserves are split between those that are available to fund capital expenditure and those that are available to fund any expenditure.	Charity reserves are split between those that have to be held in perpetuity (endowment funds) and those that can be used to fund any expenditure (unrestricted funds). See below for further details.
Capital expenditure is financed from 'capital reserves' (ie accumulated income from the sale of fixed assets, borrowing and government grants) and depreciation is only a notional charge in the I&E Account.	Capital expenditure is charged to the SOFA in line with the annual expected benefit ie depreciation is a real bottom line charge in the SOFA. See below for further details.

Endowment and Unrestricted Funds

- 6.4 If a charity is given assets with the restriction that they must be held indefinitely, then the value of these assets is held in a separate 'endowment fund', and these funds cannot generally be spent. In the case of the Farnham Charity the land and buildings that were transferred under the ERDC Act (and any subsequent expenditure on these) represent such an endowment.
- 6.5 Income / expenditure that is not restricted is held in the 'unrestricted fund'.

Depreciation

- 6.6 Depreciation is the loss of value of assets due to wear and tear, age of obsolescence. This is a real cost to charity accounts (whereas it is only a notional charge to local authorities, as local authorities have to fund their capital expenditure at the time of purchase). See below for a worked example of how this works in practice.

Scenario: Purchase piece of equipment for £50,000 which is expected to last for 5 years.	Charity Statement of Financial Activities £	Local Authority Income & Expenditure Account* £	Local Authority Capital Funds £
Year 1 - Purchase of fixed asset - Depreciation	- 10,000	- -	50,000 -
Year 2 - Depreciation	10,000	-	-
Year 3 - Depreciation	10,000	-	-
Year 4 - Depreciation	10,000	-	-
Year 5 - Depreciation	10,000	-	-
Total cost over 5 year period	50,000	-	50,000

* In actual fact depreciation is shown in the Local Authority I&E Account but is then reversed out.

7. Commentary on Accounts

- 7.1 A commentary on each of the main sections of the Farnham Accounts is detailed below using the following standard headings.
- Trustees' Annual Report
 - Statement of Financial Activities (SoFA)
 - Balance Sheet
 - Notes to the Financial Statements (including accounting policies)
 - Auditors' Report.

8. Trustees' Annual Report (Pages 2-6 of the Accounts)

- 8.1 The Trustees' Annual Report provides the Charitable Trust with the opportunity to explain its activities and its Accounts to the reader. The Charity SORP is fairly prescriptive regarding what has to be included in the Trustees' Annual Report.
- 8.2 The Audit Committee's attention is specifically drawn to the following issues:

Public Benefit Statement

- 8.3 The Charities (Accounts and Reports) Regulations 2008 require the Trustees' Annual Report to include a statement that the trustees have had regard to the Charity Commission guidance on public benefit. A copy of the relevant summary guidance for Charity Trustees is therefore included as Appendix A.

Reserve Policy

- 8.4 The Charities (Accounts and Reports) Regulations 2008 require the Trustees' Annual Report to include the Charitable Trust's policy on reserves. A Reserve Policy is therefore included on page 6. As the operational arrangements of the Charitable Trust are still being developed a formal reserve policy has not yet been adopted by the Charity Trustees. The policy presented is therefore currently only a provisional policy statement.

9. Statement of Financial Activities (SOFA) (Page 7 of the Accounts)

- 9.1 The Statement of Financial Activities (SOFA) shows the income generated by the Charitable Trust and how this has been spent.
- 9.2 The SOFA is split between unrestricted funds and endowment funds. Endowment funds are those funds that have been given to the Charity on the basis that they must be used for the benefit of the Charity in perpetuity, and they cannot generally be spent. For the Farnham Charitable Trust the land and buildings that were transferred to SBDC under the ERDC Act represent a permanent endowment.

10. Balance Sheet (Page 8 of the Accounts)

- 10.1 The Balance Sheet shows the assets and liabilities of all the activities of the Charitable Trust and the balances and reserves at the Charitable Trust's disposal. In essence it is a statement of everything that the Charitable Trust owned / was liable for at the end of the financial year.
- 10.2 Again the Balance Sheet is split between unrestricted and endowment funds.

11. Notes to the Financial Statements (Page 9-15 of the Accounts)

- 11.1 The notes to the Accounts provide additional information relating to the figures in the main accounting statements to assist the reader understand and interpret the Accounts. The Charity SORP sets out what notes have to be included.
- 11.2 Note 1 sets out the Charitable Trust's Accounting policies. The accounting policies that all charities are required to use are set out in the Charity SORP. The policies set out on pages 9 and 10 are therefore in line with the standard requirements.

12. Auditors' Report (Page 16 of the Accounts)

- 12.1 In accordance with the Charity Commission rules, the Accounts are required to be audited. Once the audit is complete the auditors will issue a formal opinion on the Accounts and this has to be included in the Accounts.

13. Formal Approval of Accounts

- 13.1 Trustees are required to approve the Trustees' Annual Report and Accounts and this responsibility has been delegated to the Audit Committee. The Chairman of the Committee receiving the accounts is therefore required to sign and date the Annual Report and Accounts to formally represent the completion of the Charitable Trust's approval process.

14. Resource, Risk and Other Implications

- 14.1 There are no direct financial, legal or human resource implications from this report. However the level of reserves has a significant impact on the affordability of the Charitable Trust's future plans and its ability to meet its charitable objectives.

15. Recommendations

15.1 The Audit Committee are recommended to:

(1) Determine that:

- Regulation 8 of the 2008 Regulations should apply, rather than regulation 3 of the 2005 Regulations, to the statement of accounts prepared in respect of the 2006/07 and 2007/08 financial year, and
- Regulation 40 of the 2008 Regulations should apply, rather than regulation 11 of the 2005 Regulations, to the annual report prepared in respect of the 2006/07 and 2007/08 financial year.

(2) Approve the Annual Report and Accounts for 2006/07, 2007/08 and 2008/09.

The chair of the Audit Committee is then requested to sign the 2006/07, 2007/08 and 2008/09 Annual Report and Accounts to signify the completion of the Charitable Trust's approval process.

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Background Papers:	