

SUBJECT:	Farnham Park Charitable Trust Annual Report and Accounts 2015/16
REPORT OF:	Director of Resources – Jim Burness
RESPONSIBLE OFFICER	Director of Resources – Jim Burness
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WARD/S AFFECTED	All

1. Purpose of Report

The purpose of this report is to request that the Audit Committee approve the Farnham Park Charitable Trust Annual Report and Accounts for 2015/16.

RECOMMENDATION

The Audit Committee are recommended to approve the Annual Report and Accounts for 2015/16. The chair of the Audit Committee signs the Annual Report and Accounts to signify the completion of the Charitable Trust's approval process.

2. Background

- 2.1 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
- 2.2 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.
- 2.3 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 SBDC being the sole charity trustee.

- 2.4 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 £250,000 but not exceeding £500,000 (and the gross assets do not exceed £3.26m) then the Accounts have to be subject to either an independent examination (by a member of a specified body) or a full audit
 - if the gross income is above £500,000 (or gross assets exceed £3.26m and gross income exceeds £250,000) then the Accounts have to be audited.
- 2.5 Cabinet on 25 November 08 recommended that the Audit Committee should be given the remit to review and approve the Farnham Park Charitable Trust Accounts on behalf of the Charitable Trust. This recommendation was approved by full Council on 9 December 08.

3. Legislative Background

- 3.1 The Charities Act 2011 came into effect on 14 March 2012. This is the Act of Parliament which sets out how all charities in England and Wales are registered and regulated.
- 3.2 The main legislation governing the Accounts of charities is the Charities (Accounts and Reports) Regulations 2008. These regulations set out what information has to be included in Charitable Annual Reports and Accounts, as well as the duties of the auditors.

4. Format of Charity Accounts

- 4.1 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.
- 4.2 The attached Farnham Park Charitable Trust Accounts (Appendix B) follow the Charity SORP, and are therefore in a different format to the main SBDC accounts.
- 4.3 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 'Narrative Report'	The Accounts have to be accompanied by a more comprehensive 'Trustees' Annual Report'

The main revenue account is called the 'Comprehensive Income and Expenditure Account (CI&E)'	The main revenue account is called the 'Statement of Financial Activities (SOFA)'
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).
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.

5. **Commentary on Accounts**

5.1 A commentary on each of the main sections of the Farnham Park Charitable Trust Accounts is detailed below using the following standard headings.

- Trustee's Annual Report
- Statement of Financial Activities (SoFA)
- Balance Sheet
- Cashflow
- Notes to the Financial Statements (including accounting policies)
- Auditors' Report.

6. **Trustee's Annual Report**

6.1 The Trustee's 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 Trustee's Annual Report.

6.2 The Audit Committee's attention is specifically drawn to the following issues:

6.3 Public Benefit Statement

The Charities (Accounts and Reports) Regulations 2008 require the Trustee's 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.

6.4 Reserve Policy

The Charities (Accounts and Reports) Regulations 2008 require the Trustee's Annual Report to include the Charitable Trust's policy on reserves. A Reserve Policy is therefore included on page 6.

7. **Statement of Financial Activities (SOFA)**

7.1 The Statement of Financial Activities (SOFA) shows the income generated by the Charitable Trust and how this has been spent.

7.2 The SOFA is split between unrestricted, restricted 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.

7.3 This shows that in 2015/16

- The Charitable Trust earned £812,000 in income, and spent £978,000 on running costs and £8,000 on its endowment assets giving a net loss for the year of £174,000.
- The Charitable Trust's unrestricted fund has decreased from -£132,000 at the start of the year to -£259,000 at the end of the year, due to the net loss in the year.
- The restricted fund decreased from £150,000 to £111,000. This reduction was to fund the first year's depreciation of the new Clubhouse.
- The value of the Endowment fund (i.e. the value of the endowment land and buildings) reduced by £8,000 which is depreciation of the endowment buildings.

8. **Balance Sheet**

8.1 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.

8.2 Again the Balance Sheet is split between unrestricted, restricted and endowment funds.

8.3 The unrestricted and restricted balance sheets are made up of:

- Fixed assets of £2,892,000 and software £2,000
- Golf stock of £32,000
- Debtors of £66,000 (outstanding rent and prepayments)
- Creditors of £152,000 (bills waiting to be paid and season ticket monies paid in advance).
- Overdraft balance with SBDC £1,153,000

- Loan from SBDC £1,835,000.

8.4 The Endowment balance sheet is solely made up of fixed assets of £1,444,000 (the value of the land and buildings at the Sports Field and the land at the Golf Course).

9. Cashflow

9.1 The cashflow statement shows the inflow and outflow of cash for the year and shows how the Charitable Trust's cash position has changed on a year on year basis

9.2 It shows that in 2015/16 the Trust increased the balance due to SBDC by £251,000.

10. Notes to the Financial Statements

10.1 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.

10.2 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 are therefore in line with the standard requirements.

11. Auditors' Report

11.1 In accordance with the Charity Commission rules, the Accounts are required to be audited and the formal audit opinion has to be included in the Accounts.

11.2 The audit work has now been substantially completed and it is anticipated that the auditors will issue a formal opinion on the Accounts once these have been approved by the Audit Committee.

12. Formal Approval of Accounts

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

13. Resource, Risk and Other Implications

13.1 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.

- 13.2 The losses over the past couple of years means that the Charitable Trust's unrestricted reserve has now become severely depleted. The Trust therefore needs to turn around its financial performance quickly in order to avoid having to ask the Council to subsidise it. Now the golf clubhouse has been fully operational for a full year, and the Catering arm is now run in-house, the Trust's performance is expected to improve. However the financial situation will need to be carefully monitored over the next couple of years.
- 13.3 There is a risk that the Accounts will be incorrect due to fraud or error. The risk is considered to be low as the following controls mitigate against this risk.
- The Council has detailed Financial and Contract Procedure rules.
 - Access to the finance system is limited to authorised staff and password protected.
 - Internal audit carry out annual reviews of all key finance systems.
 - The Accounts are produced by an experienced finance team, led by a qualified accountant.
 - The Authority has followed the appropriate Charity SORP.
 - A full set of working papers is produced to support the figures in the Accounts.
 - All working papers are reviewed by an experienced accountant.
 - The Director of Resources reviews the Accounts and signed these off.
 - The Principal Accountants, The Head of Finance and the Director of Resources are qualified accountants and are therefore required to comply with CIPFA codes of practice.
 - Members have the opportunity to review the Accounts and ask questions about any of the figures.
 - The Accounts have been subject to external audit review.

14. Next Step

- 14.1 Once the Statement of Accounts has been formally signed by the Chairman of the Committee they will be formally adopted by the Trust.
- 14.2 The final Statement of Accounts for 2015/16 will be published on the Trust website

Background	None
Papers:	