

## TRUSTS AND CHARITIES COMMITTEE – 24 FEBRUARY 2012

<b>Title of paper:</b>	<b>CHARITIES – REVIEW OF ACCOUNTING POLICIES</b>	
<b>Director(s)/ Corporate Director(s):</b>	Carole Mills-Evans Deputy Chief Executive/Corporate Director for Resources	<b>Wards affected:</b> All
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<b>Other colleagues who have provided input:</b>	None	
<b>Relevant Council Plan Strategic Priority:</b>		
World Class Nottingham		
Work in Nottingham		
Safer Nottingham		
Neighbourhood Nottingham		
Family Nottingham		
Healthy Nottingham		
Leading Nottingham		✓
<b>Summary of issues (including benefits to citizens/service users):</b>		
This report provides a set of Charity Commission compliant accounting policies for the 2011/12 financial statements for the Bridge Estate, Harvey Hadden Stadium and Highfields Leisure Park .		
<b>Recommendation(s):</b>		
<b>1</b>	Approve the accounting policies for the Bridge Estate for inclusion in the 2011/12 annual accounts.	
<b>2</b>	Approve the accounting policies for Harvey Hadden Stadium for inclusion in the 2011/12 annual accounts.	
<b>3</b>	Approve the accounting policies for Highfields Leisure Park Trust for inclusion in the 2011/12 annual accounts.	

### **1. BACKGROUND**

The City Council's responsibilities as trustees of charities are carried out by the Trusts and Charities Committee. Dependent upon the size of the charity the Charities Commission requires different levels of reporting. The Council is trustee for 3 charities which require a formal Annual Report and Accounts, including a statement of accounting policies. These charities are the Bridge Estate, Harvey Hadden Stadium and Highfields Park Trust.

### **2. REASONS FOR RECOMMENDATIONS**

#### **Bridge Estate**

The Bridge Estate accounting policies have been fully reviewed for 2011/12. The changes that have been made provide further details, where necessary, in accordance with the Charity Commission's Statement of Recommended Practice (SORP). These need to be approved for inclusion in the 2011/12 annual report.

### **Highfields Leisure Park Trust and Harvey Hadden Stadium**

Highfields Leisure Park Trust and Harvey Hadden Stadium accounting policies have both been fully reviewed for 2011/12. Highfields Leisure Park Trust and Harvey Hadden Stadium do not have the same focus on investment assets as the Bridge Estate. The accounting policies for these two trusts are therefore very similar and to avoid repetition have been shown together in Appendix A, with minor amendments for Highfields noted in brackets. These accounting policies also need to be approved for inclusion in their respective 2011/12 annual reports.

The 2011/12 accounting policies for all three charities are included in **Appendix A**.

#### **3. OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

None.

#### **4. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)**

None.

#### **5. RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS AND EQUALITY AND DIVERSITY IMPLICATIONS)**

None.

#### **6. EQUALITY IMPACT ASSESSMENTS (EIAs)**

An EIA is not required as this report does not include proposals for new or changing policies, services or functions.

#### **7. LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

None

#### **8. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

Annual Accounts 2010/11  
Accounts and Audit regulations 2011  
Part VI Charities Act 1993 (as amended 2006)  
The Charities (Accounts and Reports) Regulations 2008  
Statement of Recommended Practice: Accounting by Charities (the Charities SORP) issued in 1995 and revised October 2005

**ABBREVIATIONS USED**

**Charities SORP**

“Accounting and Reporting by Charities: Statement of Recommended Practice”, issued by the Charities Commission in February 2005 sets out the principles and content required for the Annual Report and Accounts.

**SOFA**

Statement of Financial Activities. A statement of the income, expenditure and consequent movement on funds for the financial year. This is the equivalent of a Profit and Loss Statement.

<b>ACCOUNTING POLICIES 2011/12</b>	
<b>Bridge Estate</b>	<b>Harvey Hadden Stadium (Highfields Leisure Park Trust)</b>
Note: items in <b>bold</b> represent changes from 2010/11.	Note: items in <b><i>bold italics</i></b> represent differences compared to Bridge Estate.
<p><b>General Principles</b> The Statement of Accounts summarises the Bridge Estate transactions for <b>2011/12</b> financial year together with its financial position at <b>31 March 2012</b>.</p> <p>This section explains the accounting policies applied in producing the Statement of Accounts for the Bridge Estate. <b>Accounting policies are the principles, bases, conventions and rules by which transactions are recognised, measured and presented in the accounts.</b></p>	<p><b>General Principles</b> The Statement of Accounts summarises the Harvey Hadden Stadium (Highfields) transactions for 2011/12 financial year together with its financial position at 31 March 2012.</p> <p>This section explains the accounting policies applied in producing the Statement of Accounts for the Harvey Hadden Stadium Trust (Highfields Leisure Park Trust). Accounting policies are the principles, bases, conventions and rules by which transactions are recognised, measured and presented in the accounts.</p>
<p><b>Basis of Preparation</b> The Statement has been prepared in accordance with Part VI of the Charities Act 1993 and applicable regulations and “Accounting and Reporting by Charities: Statement of Recommended Practice”, issued by the Charities Commission in February 2005 (The Charities SORP).</p> <p>The accounts have been prepared in accordance with the historic cost basis of accounting except for investment properties which have been included at revalued amounts.</p>	<p><b>Basis of Preparation</b> The Statement has been prepared in accordance with Part VI of the Charities Act 1993 and applicable regulations and “Accounting and Reporting by Charities: Statement of Recommended Practice”, issued by the Charities Commission in February 2005 (The Charities SORP).</p> <p>The accounts have been prepared in accordance with the historic cost basis of accounting except for <b><i>fixed assets</i></b> which have been included at revalued amounts.</p>

<b>BRIDGE ESTATE TRUST</b>	<b>HARVERY HADDEN/HIGHFIELDS TRUST</b>
<p>Continued ...</p> <p>Compliance with the Charities SORP and the adoption of accounting standards and principles issued or adopted by the Accounting Standards Board ensures that the accounts show “a true and fair view” of transactions during the year and the financial position of the Bridge Estate at the year end</p>	<p>Continued ...</p> <p>Compliance with the Charities SORP and the adoption of accounting standards and principles issued or adopted by the Accounting Standards Board ensures that the accounts show “a true and fair view” of transactions during the year and the financial position of the Harvey Hadden Stadium Trust (Highfields Leisure Park Trust) at the year end.</p>
<p><b>Incoming Resources</b></p> <p>Receipts in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate. Payments received in advance are recognised as a liability on the balance sheet <b>within creditors.</b></p> <p>Rental income is recorded when the invoices are raised and become due for payment.</p>	<p><b>Incoming Resources</b></p> <p><i>All receipts, for example rents (investment income, fees and charges, rents, concessions), are accrued and accounted for in the period to which they relate. Income received in advance is recognised as a liability on the balance sheet within creditors.</i></p> <p><i>Income from Nottingham City Council funds the net expenditure of the Harvey Hadden Stadium Trust (Highfields Leisure Park Trust) for the benefit of the citizens of Nottingham.</i></p>
<p><b>Resources Expended</b></p> <p>All expenditure is accrued and accounted for in the period during which they are consumed or received. Accruals have been made for all material sums unpaid at the year end for goods or services received or work completed. <b>Receipts received in advance are recognised as an asset on the balance sheet within debtors.</b></p> <p><u>Cost of Generating Funds</u> Investment management costs mainly relate to premises expenses, which includes day to day maintenance and insurance.</p> <p><u>Charitable Activities</u> <b>The net expenditure or income of the Bridge Estate is transferred to the Nottingham City Council’s General Fund for the benefit of the citizens of Nottingham.</b></p> <p>Continued ...</p>	<p><b>Resources Expended</b></p> <p>All expenditure is accrued and accounted for in the period during which they are consumed or received. Accruals have been made for all material sums unpaid at the year end for goods or services received or work completed. Payments made in advance are recognised as an asset on the balance sheet within debtors.</p> <p><u>Cost of Generating Funds</u> <i>These costs mainly relate to premises expenses, which includes day to day maintenance, grounds maintenance and patrol.</i></p> <p>Continued ...</p>

BRIDGE ESTATE TRUST	HARVERY HADDEN/HIGHFIELDS TRUST
<p><u>Governance Costs</u>            Governance costs include the costs of <b>governance arrangements, which</b> relate to the general running of the charity, as opposed to direct management functions <b>inherent in generating funds, service delivery and programme. These activities provide the governance infrastructure which allows the charity to operate and to generate the information required for public accountability.</b> Direct costs include external audit fees and costs associated with trustee meetings and preparing statutory accounts.</p>	<p><u>Governance Costs</u>            Governance costs include the costs of governance arrangements, which relate to the general running of the charity, as opposed to direct management functions inherent in generating funds, service delivery and programme. These activities provide the governance infrastructure which allows the charity to operate and to generate the information required for public accountability. Direct costs would include items such as audit fees. <b><i>All other governance costs, including the administration of the trust are directly funded by Nottingham City Council i.e. these costs are not shown in the trust accounts.</i></b></p>
<p><b>Fixed Assets</b></p> <p><u>Investment properties</u>            Investment properties are those used solely to earn rentals and/or for capital appreciation for the Bridge Estate.            Investment properties are measured initially at cost. They are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation and on disposal are shown within the SOFA. However as revaluation and disposal gains and losses are not allowed by statute to impact on the financial activities of the Bridge Estate, they do not form part of the income and expenditure totals, but provide details within the SOFA of the movement on the Endowment Fund. Any sale proceeds are posted to the Endowment Fund.            Rental income from investment properties is credited to investment income within the SOFA.            Where land or property is held as a community asset, dedicated for the enjoyment of the public in perpetuity they are given a value of £NIL.</p>	<p><b>Fixed Assets</b></p> <p><b><u>Freehold land and buildings</u></b>  <i>The valuation of assets is a notional value that reflects the trusts perpetual covenant for general public access to and use of the stadium (park). As a notional value is used, depreciation and impairment reviews are not applicable.</i></p> <p><b><u>(Highfields - Investment assets</u></b>  <i>This is the loan/investment, stated at market value, of Highfields Leisure Park Trust's capital receipts with Nottingham City Council upon which interest (Bank of England base rate) is received. This interest is shown within the SOFA – Investment Income)</i></p>

BRIDGE ESTATE TRUST	HARVERY HADDEN/HIGHFIELDS TRUST
<p><u>Other investments</u> Other investments are included in the Balance Sheet at market value <b>and includes bonds, loans and government stocks.</b></p> <p><u>Other recognised Gains/(losses)</u> The gains/(losses) on investment assets, represent the differences between proceeds received on disposals and their market value at the beginning of the year.</p> <p>The gains/(losses) on revaluation of investment assets represents material changes in property valuations.</p>	
<p><b>Accruals of Expenditure and Income</b> The accounts of the Bridge Estate are maintained on an accruals basis. This means that sums due to or from the Bridge Estate during the year are included whether or not the cash has actually been received or paid in the year.</p> <p><b>Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance) or debtor (payment in advance) in the balance sheet and the SOFA adjusted accordingly.</b></p> <p><b>Fees, charges and rents due from customers are accounted for as income at the date that the Council provides the associated goods or services. This policy is not followed for certain quarterly payments, including gas and electricity, where expenditure is recorded at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.</b></p>	<p><b>Accruals of Expenditure and Income</b> The accounts of the Harvey Hadden Stadium Trust (Highfields Leisure Park Trust) are maintained on an accruals basis. This means that sums due to or from the Harvey Hadden Stadium Trust (Highfields Leisure Park Trust) during the year are included whether or not the cash has actually been received or paid in the year.</p> <p>Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance) or debtor (payment in advance) in the balance sheet and the SOFA adjusted accordingly.</p> <p>Continued ...</p>

<b>BRIDGE ESTATE TRUST</b>	<b>HARVERY HADDEN/HIGHFIELDS TRUST</b>
<p>Where it is doubtful that a debt will be settled, the balance of debtors is written down and a charge made to the SOFA for the income that might not be collected. This bad debt provision is offset against the debtor balance on the balance sheet.</p> <p>In many cases, the value to be entered in respect of accrued transactions will be certain. In others, this value has to be estimated and reference is then made to past transactions and trends in order to determine the likely value.</p>	<p>Where it is doubtful that a debt will be settled, the balance of debtors is written down and a charge made to the SOFA for the income that might not be collected. This bad debt provision is offset against the debtor balance on the balance sheet.</p> <p>In many cases, the value to be entered in respect of accrued transactions will be certain. In others, this value has to be estimated and reference is then made to past transactions and trends in order to determine the likely value.</p>
<p><b>Cash</b>  <b>Cash is represented by deposits held within NCC's bank account on behalf of the Bridge Estate charity. A nominal interest is paid by NCC annually to the Bridge Estate for the average cash balance held. The interest is shown within the SOFA – Investment Income.</b></p>	<p><b>Cash</b>  <i><b>This is represented by cash at bank which is held within the Council's bank account on behalf of the Harvey Hadden Stadium Trust (Highfields Leisure Park Trust) charity and cash in hand.</b></i></p>
<p><b>Funds of the Charity</b></p> <p><u>Endowment fund</u>  The capital of the Bridge Estate is held as a permanent endowment fund. There is no power to convert the capital into income; the fund must generally be held indefinitely.</p> <p><u>Unrestricted income fund</u>  This fund enables the cost of repairing Trent Bridge to be smoothed over time to avoid impacting on the finances of the Charity in a particular year. In 2006/07 an additional Renewal &amp; Repairs Fund was set up to meet the cost of repairs to the housing stock held by the Bridge Estate. Annual contributions are made to the fund and repairs costs are charged to the SOFA in the year they are carried out, with transfers being taken from the fund. The income from the fund is unrestricted income but it is expendable at the discretion of the trustees in the furtherance of the charity's <b>objectives</b>.</p>	<p><b>Funds of the Charity</b></p> <p><u><i>Unrestricted fund</i></u>  <i><b>A fund held on charitable trust for a purpose within the charity's objectives. The fund is equivalent to the notional value of the freehold land and buildings.</b></i></p> <p><u><i>(Capital receipts</i></u>  <i><b>Receipts in respect of the sale or lease of land and buildings held and invested pending expenditure on further purchases of land or property for investment purposes.)</b></i></p>
<p><b>Going Concern</b>  The Bridge Estate is considered a going concern for the foreseeable future.</p>	<p><b>Going Concern</b>  The Harvey Hadden Stadium Trust (Highfields Leisure Park Trust) is considered a going concern for the foreseeable future.</p>