

TRUSTS AND CHARITIES COMMITTEE – 25 September 2013

Title of paper:	BRIDGE ESTATE ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2012/13	
Director(s)/ Corporate Director(s):	Carole Mills Deputy Chief Executive/Corporate Director for Resources	Wards affected: All
Report author(s) and contact details:	Senior Finance Manager – Reporting barry.dryden@nottinghamcity.gov.uk 0115 876 2799	
Other colleagues who have provided input:	Tracy White, Senior Finance Assistant	
Relevant Council Plan Strategic Priority:		
World Class Nottingham		
Work in Nottingham		
Safer Nottingham		
Neighbourhood Nottingham		
Family Nottingham		
Healthy Nottingham		
Leading Nottingham		✓
Summary of issues (including benefits to citizens/service users):		
<p>An Annual Report and Statement of Accounts is required for the Bridge Estate Charity, for which the City Council is the sole trustee.</p> <p>This report sets out the 2012/13 accounts for the Bridge Estate, which have been audited by Rogers Spencer, for approval by the Trustees. Following approval, the Chair of the Trustees and the Deputy Chief Executive/Corporate Director for Resources are then required to sign the Statements to confirm that the Annual Report has been adopted.</p>		
Recommendation(s):		
1	That the Bridge Estate Annual Report and Statement of Accounts for the financial year 2012/13 be approved (Agenda Item 4(b)).	
2	That the Bridge Estate transfers £1,484,315 to the City Council General Fund.	
3	That the Letter of Representation included within the Audit Highlights Memorandum at Appendix1 be approved.	

1. BACKGROUND

There is a statutory requirement for charities to produce an Annual Report and Statement of Accounts (the Statements) and for those Statements to be audited or independently examined as appropriate, and submitted to the Charity Commission following approval by the Trustees.

A draft of the Statements was presented to this Committee on 26 July 2013. The Bridge Estate's Auditors, Rogers Spencer, have now audited the Statements and have produced an audit report (**Appendix 1**). However, other than some minor changes to the notes, the auditors have not identified any other changes to the draft Statements.

The Charities Act 2011 requires Trustees to provide a detailed explanation within the Statements of the significant activities undertaken in providing a public benefit, in accordance with the charity's aims for the public benefit. They are also required to explain the charity's achievements during the year in question.

The Statements include a public benefit statement and accounting policies which have already been approved by this Committee on the 22 February 2013.

2. REASONS FOR RECOMMENDATIONS

One of the responsibilities of the Trustees is to prepare the Statements for each financial year which presents fairly, the Charity's state of affairs as at the end of the financial year and which presents its incoming resources and its application of resources in that year.

Colleagues from NCC have produced the audited statements on behalf of the Trustees. Therefore, the Trustees need to review and approve the Statements provided at **Agenda Item 4(b)**. In addition to the Audit Highlights Memorandum in **Appendix 1**, a financial analysis is provided in section 3 to help the Trustees fulfil this requirement.

The Statements include a contribution of £1,484,315 to NCC. Elsewhere on the agenda, NCC have provided a report which details how the Council has performed against the key priorities identified in its Council Plan. The report therefore provides evidence of how NCC have contributed towards the Trust's objective of applying the residue of any income for the improvement of the City of Nottingham and the public benefit of its inhabitants. Therefore, the Trustees are requested to confirm the contribution to NCC.

Appendix I of the Audit Highlights Memorandum includes a draft Letter of Representation detailing certain information that the auditors require the Trustees to confirm. Any information relevant to the Letter of Representation has already been identified by colleagues when constructing the Statements and where necessary communicated to the auditors during the course of the audit.

3. FINANCIAL ANALYSIS

Statement of Financial Activities

In 2012/13 the Bridge Estate was able to increase its contribution to NCC by £209,324 to £1,483,315. This increase was a result of a number of factors:

- Additional rental income following the purchase of Listergate (£257,866)
- Compensation received from an asbestos claim at Woolsthorpe Close (£139,475)

Offset by:

- An increase in reactive repairs to properties (£85,089)
- An increase in rates charged for empty properties (£39,156)
- Increased management costs as a result of the requirement to revalue all Bridge Estate properties and increased input for committee meetings (£57,620)
- Loss of rental from empty properties £45,142.

Balance Sheet

Overall the Net assets of the charity reduced by £1,516,004 as a result of a net loss following the annual revaluation of property held by the charity, offset by a contribution to the fund held for repairs to the Bridge. Other movements on the balance sheet include:

- An net increase in the value of Investment Property (£6,488,210) as a result of the purchase of Listergate, offset by revaluation losses
- A reduction in Other Investments (£4,240,137) and an increase in long term borrowing (£3,992,881), which have been used to help finance the purchase of Listergate
- An increase in Cash at Bank (£1,319,133) and Creditors (£1,693,698) as the contribution to NCC has been held back pending approval at this meeting. The difference between these figures and the proposed contribution to NCC relates to other movements in debtors and creditors

5. OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

None.

6. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

None.

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

None.

8. EQUALITY IMPACT ASSESSMENTS (EIAs)

No – this report does not include proposals for new or changing policies, services or functions

9. LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

Final accounts working papers.

10. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- Charities Act 2011.
- The Charities (Accounts and Reports) Regulations 2008.
- Statement of Recommended Practice: Accounting by Charities (the Charities SORP) issued in 1995 and revised October 2005.

Bridge Estate

Audit Highlights Memorandum

Year ended 31 March
2013

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Executive Summary

Audit Conclusions

- Unqualified audit opinion proposed on financial statements.

Accounting Matters

- No significant accounting issues arose during the course of our audit.
- Accounting policies appropriate for the annual report and the financial statements are in accordance with disclos

Auditing Matters

- We have completed the audit subject to:
 - Agreement of the final approved set of accounts (see appendix IV);
 - Receipt of the signed management representations letter
- No significant audit issues arose during the course of our audit of the Charity.

Systems and Controls

- No major weaknesses in the financial systems were identified during the course of the audit.

Regulatory and Tax Matters

- No significant regulatory or tax matters came to our attention during the course of our normal audit work.

Audit Approach

Our audit planning identified two key risk areas which we have addressed through our audit.

<u>Issue</u>	<u>How addressed during the audit</u>
Investments	
Highly material area, the majority of assets consist of investment properties, however other investments are also held.	<p>Investment properties and other investments held by the charity were reviewed during the audit.</p> <p>Specific audit work performed included:</p> <ul style="list-style-type: none"> • Agreeing the property valuation disclosed in the financial statements to the valuation report and certificate issued at the year end. • Agreement of a sample of property valuations to the valuations provided by Nottingham City Council. • Confirmation of ownership of a sample of properties to title deeds documentation. • Other investments were verified to third party confirmations.
Related Parties	
Possible non-identification or incorrect disclosure of related parties and transactions in the financial statements	<p>Nottingham City council represents the only related party of the charity. Significant balances exist at the year end in the balance sheet and a substantial payment of £1,484,315 is disclosed in the statement of financial activities.</p> <p>Specific audit work performed included:</p> <ul style="list-style-type: none"> • Confirmation of the year end balances disclosed in the balance sheet and the income and expenditure transactions disclosed in the statement of financial activities to the draft Nottingham City Council accounts for the year ending 31st March 2013. • In respect of the above mentioned payment, verification that the payment is consistent with the objectives of the charity and in accordance with public benefit requirements.

Other matters

Fraud

Auditing standards require us to explicitly consider fraud as part of our audit procedures.

We planned our audit so that we had a reasonable expectation of detecting material misstatements in the financial statements or accounting error (including any material misstatements resulting from fraud, error or non-compliance with law or regulations). Our examination should not be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance as may exist.

The responsibility for safeguarding the assets of the charity and for the prevention and detection of fraud, error and non-compliance with laws or regulations rests with management and the trustees.

We have discussed fraud and fraud risk with management and the controls surrounding the detection and prevention of fraud.

We have not identified any material frauds during our audit procedures.

Independence

In accordance with the requirements of ISA 260, we confirm that, in our view, there are no matters that would impact our independence and objectivity as auditors to the charity.

We confirm that appropriate safeguards remain in place in respect of all non-audit work and that in our professional judgement, as at the date of this report, we are independent accountants with respect to the charity, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit engagement partner and the audit staff is not impaired in any way.

Summary of misstatements

Auditing standards require us to prepare a summary of uncorrected items that are not considered to be “clearly trivial” for the Audit Committee’s consideration.

The summary includes adjustments that we have noted during the course of our audit which have been adjusted so that the balance sheet and statement of financial activities conform fully to accounting standards and are free from factual error.

Two presentation errors were identified during the audit in respect of creditors. These have been adjusted for in the financial statements.

There are no uncorrected misstatements included in the financial statements.

Appendix I : Letter of representation

Bridge Estate

Rogers Spencer
Chartered Certified Accountants
Newstead House
Pelham Road
Nottingham
NG5 1AP

Dear Sirs

We confirm to the best of our knowledge and belief that we have made the appropriate enquiries of management and staff with relevant knowledge and experience and, where necessary, have inspected supporting documentation sufficient to satisfy ourselves that we can properly make each of the following representations to you in connection with your audit of the charity's financial statements for the year ended 31 March 2013.

GENERAL

- We have fulfilled our responsibilities as trustees as set out in terms of your engagement letter, under the Charities Act 2011 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings, have been made available to you.
- The financial statements are free of material misstatements, including omissions.
- We believe that the effects of uncorrected misstatements are immaterial both individually and in total.

INTERNAL CONTROL AND FRAUD

- We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud. We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others..

ASSETS AND LIABILITIES

- The charity has satisfactory title to all assets and there are no liens or encumbrances on the company's assets, except for those that are disclosed in the notes to the financial statements.
- We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and have disclosed in the notes to the financial statements all guarantees that we have given to third parties.
- We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- We confirm that the value of the investment properties as at 31 March 2013 is £29,624,850.

ACCOUNTING ESTIMATES

- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

LOANS AND ARRANGEMENTS

- The charity has not granted any advances or credits to, or made guarantees on behalf of trustees.

LEGAL CLAIMS

- We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

Appendix I : Letter of representation (continued)

LAWS AND REGULATIONS

- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

RELATED PARTIES

- Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with legislative and accounting standards requirements.

SUBSEQUENT EVENTS

- All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

GOING CONCERN

- We believe that the company's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the company's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the company's ability to continue as a going concern need to be made in the financial statements.

GRANTS AND DONATIONS

- All grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

TRANSACTIONS WITH NOTTINGHAM CITY COUNCIL

- At the year-end, 31 March 2013 the following balances were outstanding between Bridge Estate and Nottingham City Council:

o Included in short term investments	£ 269,643
o Included in debtors	£ 294,803
o Included in creditors – amounts due within one year	£1,592,179
o Included in creditors – amounts falling due after one year	£3,922,881
- Included in the statement of financial activities for the year ending 31 March 2013 is payment of £1,484,315 from Bridge Estate to Nottingham City Council. This payment is consistent with the objectives of the charity and in accordance with public benefit requirements.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditor and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each trustee has taken all steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

.....

Signed on behalf of the board of Bridge Estate

Dated

Appendix II : Management letter

Our Ref: MB / LB / B299 / 40421

melvin@rogers-spencer.co.uk

The Board of Trustees
Bridge Estate Charity
Nottingham City Council
Loxley House
Station Street
Nottingham
NG2 3NG

4 September 2013

Dear Sirs

Audit matters to be communicated / Findings from the audit

The following issues arose during the course of our audit for the year ended 31 March 2013: -

- (a) Three matters (mentioned below) came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit tests, we would, of course, inform you immediately.
 - 1. Title deeds information in respect of two properties selected for testing could not be provided. This prevented us from obtaining confirmation of title of these properties from the Land Registry database.
 - 2. Three rental leases selected for testing could not be located and provided for review.
 - 3. After date expenditure invoice could not be supplied, this prevented testing being carried out to confirm that there were no unprovided liabilities at the year end.
- (b) A draft letter of representation is attached to this letter and we would be grateful if you could sign and approve the contents.
- (c) There are no uncorrected misstatements.
- (d) There are therefore no expected modifications to our audit report.
- (e) We have not identified any material weaknesses in internal control during the audit.

This report has been prepared for the sole use of the trustees of Bridge Estate and must not be shown to third parties without our prior consent. No responsibilities are accepted by Rogers Spencer towards any party acting or refraining from action as a result of this report.

Finally, we would like to express our thanks to all members of the charity's staff who assisted us in carrying out our work.

Yours faithfully

