

TRUSTS AND CHARITIES COMMITTEE – 18 March 2016

Title of paper:	Charities - Review of Accounting Policies and Public Benefit Statements	
Director(s)/ Corporate Director(s):	Geoff Walker Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Tom Straw, Finance Manager Capital thomas.straw@nottinghamcity.gov.uk 0115 8763659	
Other colleagues who have provided input:	Tracy White, Senior Finance Assistant	
Date of consultation with Portfolio Holder(s) (if relevant)		
Relevant Council Plan Key Theme:		
Strategic Regeneration and Development		<input type="checkbox"/>
Schools		<input type="checkbox"/>
Planning and Housing		<input type="checkbox"/>
Community Services		<input type="checkbox"/>
Energy, Sustainability and Customer		<input type="checkbox"/>
Jobs, Growth and Transport		<input type="checkbox"/>
Adults, Health and Community Sector		<input type="checkbox"/>
Children, Early Intervention and Early Years		<input type="checkbox"/>
Leisure and Culture		<input type="checkbox"/>
Resources and Neighbourhood Regeneration		<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):		
This report provides a set of Charity Commission compliant accounting policies and public benefit statements for the 2015/16 financial statements for the Bridge Estate, Harvey Hadden Stadium and Highfields Leisure Park Trust.		
Recommendation(s):		
1	Approve the accounting policies and public benefit statement for the Bridge Estate for inclusion in the 2015/16 Annual Report.	
2	Approve the accounting policies and public benefit statement for the Harvey Hadden for inclusion in the 2015/16 Annual Report.	
3	Approve the accounting policies and public benefit statement for the Highfields Trust for inclusion in the 2015/16 Annual Report.	

1 REASONS FOR RECOMMENDATIONS

- 1.1 It is a requirement for Trustees to approve public benefit statements and accounting policies for inclusion in the Annual Report.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 The City Council's responsibilities as trustees of charities are carried out by the Trusts and Charities Committee. Depending upon the size of the charity the Charities Commission requires different levels of reporting. The City Council is trustee for three charities which require a formal Annual Report and Accounts, including a statement of accounting policies and public benefit statement.

These charities are the Bridge Estate, Harvey Hadden Stadium and Highfields Leisure Park Trust.

The Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) provides guidance for charities on how to apply the Financial Reporting Standard applicable in the UK and Republic of Ireland (referred to as FRS 102 in the SORP).

2.2 Public Benefit Statements

Trustees are required to disclose a detailed explanation within the Annual Report of the significant activities undertaken in providing a public benefit, in accordance with the charity's aims for the public benefit. The public benefit requirement means that, to be a charity, the organisation must be able to demonstrate that it is set up for charitable aims. This charitable aims are to be carried out to provide benefit to the public or a section of the public. Put simply, public benefit reporting is about explaining:

- what a charity's aims are and what it has done to carry them out;
- who it seeks to benefit;
- how people have benefited.

The principles of public benefit apply to all charities, whatever their aims. Each charity must be able to demonstrate that its aims are for the public benefit. Public benefit decisions are about whether an individual organisation is a charity and not about whether particular types of charity or groups of charities, as a whole, are for the public benefit.

The 2014/15 public benefit statement for the Bridge Estate Trust, has been updated with appropriate changes for the 2015/16 statement. The statements for Harvey Hadden Stadium and Highfields Leisure Park Trust remained unchanged from 2014/15. The Committee is asked to review the statements in **APPENDIX 1** against the Charity Commission's public benefit guidance, and either approve their inclusion in the 2015/16 Annual Reports, or suggest changes.

2.3 Accounting Policies

Accounting policies are the principles, bases, conventions, practices and rules by which transactions and items are recognised, measured and presented in the accounts.

The accounting policies for Bridge Estate, Highfields Leisure Park Trust and Harvey Hadden Stadium have been fully reviewed for 2015/16 and changes have been made. The changes that have been made are in accordance with the Accounting and Reporting by Charities:Statement of Recommended Practice (SORP). The Committee is asked to approve the accounting policies for inclusion in the 2015/16 annual reports **Appendices 2-4**.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 None

4 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

4.1 None

5 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

5.1 None

6 STRATEGIC ASSETS & PROPERTY COMMENTS (FOR DECISION RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE) (AREA COMMITTEE REPORTS ONLY)

6.1 None

7 EQUALITY IMPACT ASSESSMENT

7.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:
(Please explain why an EIA is not necessary)

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

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

- 8.1 Annual Accounts for:
- Bridge Estate Charitable Trust,
 - Harvey Hadden, and
 - Highfields

9 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 9.1 Charity Commission guidance on public benefit
[\(web address - Charities and Public Benefit: Summary Guidance for Charity Trustees\)](#)
Accounts and Audit regulations 2011
Charities Act 2011
The Accounting and Reporting by Charities: Statement of Recommended Practice (SORP)

Bridge Estate Public Benefit Statement (changes from 2014/15 are shown in red)

The maintenance and repair of Trent Bridge and approaches remains the primary objective of the charity. Trent Bridge is the major vehicle communication route from the south of the City and is critical in bringing economic benefit to the City. This is increasingly important in light of the downturn in the global and national economy. The bridge is open to the public at large, assuring public benefit on an open access basis. There are no restrictions regarding the members of the public who may use the bridge and no fees are charged.

The Trustee's Annual Report for the year ending **31 March 2016** confirms that any residual income would be applied to the improvement of the City of Nottingham in support of the Council's aims and objectives, as set out in the Council Plan and Medium Term Financial Strategy. This is delivered through the maintenance and protection of the Trust's portfolio of income producing assets.

The surplus income generated by the charity is transferred to NCC's General Fund and is used for the benefit of the citizens of Nottingham. As referred to above, the surplus contributes directly to the delivery of Nottingham's priorities as set out in the Council Plan and enables the Council to provide the citizens of Nottingham with effective and efficient services. The Bridge Estate fixed asset portfolio will be actively managed to secure new investment properties, increase income and reduce risk in an uncertain market.

The Bridge Estate's transfer to NCC's General Fund also represents an equivalent saving for Nottingham citizens who pay council tax on a Band D property of *** (£25 in 2014/15).

The trustees confirm that they have referred to the Charity Commission's guidance on public benefit when reviewing the Trust's aims and objectives.

Harvey Hadden Stadium Trust Public Benefit Statement

The primary objective of the charity is to provide public sports and recreation for the people of the City of Nottingham forever. To achieve this, a programme of ongoing maintenance of the ground and related infrastructure is completed each year. This ensures the provision of well maintained, good quality public recreation facilities. The Trustees confirm that it has referred to the Charity Commission guidance on public benefit when reviewing the aims and objectives and when setting plans for the future. Harvey Hadden is open to the public at large on an open access basis. There are fees charged and booking arrangements in place for the use of the athletic track and sports facilities.

Highfields Leisure Park Trust Public Benefit Statement

The primary objective of the charity is to provide public recreation and pleasure grounds for the people of Nottingham forever. To achieve this, a programme of ongoing maintenance of grounds and equipment is completed each year. This ensures the provision of well maintained, good quality public recreation facilities. The Trustees confirm they have referred to the Charity Commission guidance on public benefit when reviewing the aims and objectives and when setting plans for the future. Highfields is open to the public at large assuring public benefit on an open access basis. There are no restrictions regarding the members of public who may use Highfields. No fees are charged for access to the park but some fees are charged for various concessions within the park.

BRIDGE ESTATE ACCOUNTING POLICIES 2015/16 **(changes from 2014/15 are highlighted in red)**

General Principles

The Annual Report summarises the Bridge Estate transactions for 2015/16 financial year together with its financial position at 31 March 2016.

This section explains the accounting policies applied in producing the Annual Report for the Bridge Estate. Accounting policies are the principles, bases, conventions and rules by which transactions are recognised, measured and presented in the accounts.

Basis of preparation and assessment of going concern

The Annual Report has been prepared in accordance with Statement of Recommended Practice: Accounting and Reporting preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102) and Charities Act 2011.

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

Income Recognition

Income receipts 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 within creditors.

Rental income is recorded when the invoices are raised and become due for payment.

Expenditure Recognition

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. Receipts received in advance are recognised as an asset on the balance sheet within debtors. Expenditure is classified under the following activity headings:

Raising Funds

Costs of raising funds includes premises expenses, which includes day to day maintenance and insurance. These are initially charged against the Endowment Fund in the SoFA, as recommended in the Charities SORP, but transferred to Unrestricted Funds within Gross Transfer Between Funds.

Charitable Activities

The net expenditure or income of the Bridge Estate is transferred to NCC's General Fund for the benefit of the citizens of Nottingham.

Other

Other expenditure includes 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.

Support costs include external audit fees, valuation fees and costs associated with trustee meetings and preparing statutory accounts.

Irrecoverable VAT

Irrecoverable VAT is charged against the expenditure heading for which it was incurred.

Other recognised Gains/(losses)

The gains/(losses) on investment assets, represents the differences between proceeds received on disposals and their market value at the beginning of the year.

The gains/(losses) on revaluation of investment assets represents material changes in property valuations.

Fixed Assets

Investment properties

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.

Other investments

Other investments are included in the Balance Sheet at market value and include loans and government stocks.

Accruals of Expenditure and Income

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. 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. Fees, charges and rents due from customers are accounted for as income at the date that the Bridge Estate 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.

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. 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.

Cash

Cash is represented by deposits held within the Bridge Estate bank account.

Funds of the Charity

Endowment fund

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.

Unrestricted income fund

This fund has been established so that the cost of repairing Trent Bridge was spread out and does not impact on the finances of the Charity in a particular year. In 2006/07 an additional Renewal and 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 active trustees in the furtherance of the charity's objectives.

HARVEY HADDEN STADIUM ACCOUNTING POLICIES 2015/16 **(changes from 2014/15 are highlighted in red)**

General Principles

The Annual Report summarises the Harvey Hadden Stadium transactions for 2015/16 financial year together with its financial position at 31 March 2016.

This section explains the accounting policies applied in producing the Annual Report for the Harvey Hadden Stadium Trust. Accounting policies are the principles, bases, conventions and rules by which transactions are recognised, measured and presented in the accounts.

Basis of preparation and assessment of going concern

The Annual Report has been prepared in accordance with Statement of Recommended Practice: Accounting and Reporting preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102) and Charities Act 2011. The accounts have been prepared in accordance with the historic cost basis of accounting except for fixed assets which have been included at notional amount.

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

Incoming Recognition

Income receipts 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.

Income from Nottingham City Council funds the net expenditure of the Harvey Hadden Stadium Trust for the benefit of the citizens of Nottingham.

Expenditure Recognition

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. Expenditure is classified under the following headings:

Raising Funds

These costs mainly relate to premises expenses, which includes day to day maintenance, grounds maintenance and patrol.

Other

Other expenditure includes the identification of support costs applicable to the charity. Governance costs are directly funded by the Council, and these costs are not shown in the trust accounts.

Fixed Assets

Freehold land and buildings

The valuation of assets is a notional value that reflects the trusts perpetual covenant for general public access to and use of the stadium.

As a notional value is used, depreciation and impairment reviews are not applicable.

Accruals of Expenditure and Income

The accounts of the Harvey Hadden Stadium Trust are maintained on an accruals basis. This means that sums due to or from the Harvey Hadden Stadium Trust during the year are included whether or not the cash has actually been received or paid in the year.

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 statement of financial activities adjusted accordingly.

Where it is doubtful that a debt will be settled, the balance of debtors is written down and a charge made to the statement of financial activities for the income that might not be collected. This bad debt provision is offset against the debtor balance on the balance sheet.

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.

Cash

This is represented by cash at bank which is held within the Council's bank account on behalf of the Harvey Hadden Stadium Trust charity and cash in hand.

Funds of the Charity

Unrestricted fund

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.

HIGHFIELDS LEISURE PARK TRUST ACCOUNTING POLICIES 2015/16
(changes from 2014/15 are highlighted in red)

General Principles

The Annual Report summarises the Highfields Leisure Park transactions for 2015/16 financial year together with its financial position at 31 March 2016.

This section explains the accounting policies applied in producing the Annual Report for the Highfields Leisure Park Trust. Accounting policies are the principles, bases, conventions and rules by which transactions are recognised, measured and presented in the accounts.

Basis of preparation assessment of going concern

The Annual Report has been prepared in accordance with Statement of Recommended Practice: Accounting and Reporting preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102) and Charities Act 2011. The accounts have been prepared in accordance with the historic cost basis of accounting except for fixed assets which have been included at notional amount.

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

Incoming Recognition

Income receipts 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.

Nottingham City Council funds the net expenditure of the Highfields Leisure Park Trust for the benefit of the citizens of Nottingham.

Expenditure Recognition

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. Expenditure is classified under the following headings:

Raising Funds

These costs mainly relate to premises expenses, which includes day to day maintenance, grounds maintenance and patrol.

Other

Other expenditure includes the identification of support costs applicable to the charity. Governance costs are directly funded by the Council, and these costs are not shown in the trust accounts.

Fixed Assets

Freehold land and buildings

The valuation of assets is a notional value that reflects the trusts perpetual covenant for general public access to and use of the park.

As a notional value is used, depreciation and impairment reviews are not applicable.

Investment assets

Investment asset stated at market value. Highfields Leisure Park Trust's capital receipts with the Council upon which interest (Bank of England base rate) is received. This interest is shown within the statement of financial activities – Investment Income.

Accruals of Expenditure and Income

The accounts of the Highfields Leisure Park Trust are maintained on an accruals basis. This means that sums due to or from the Highfields Leisure Park Trust during the year are included whether or not the cash has actually been received or paid in the year.

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 statement of financial activities adjusted accordingly.

Where it is doubtful that a debt will be settled, the balance of debtors is written down and a charge made to the statement of financial activities for the income that might not be collected. This bad debt provision is offset against the debtor balance on the balance sheet.

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.

Cash

This is represented by cash at bank which is held within the Council's bank account on behalf of the Highfields Leisure Park Trust charity and cash in hand.

Funds of the Charity

Unrestricted fund

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.

Restricted Funds

Capital 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.