

Nottingham Heritage Trust – Financial Comments

Nottingham Castle Heritage Trust is expected to be a self-financing organisation as all costs it incurs is envisaged to be covered by external grants initially then once established costs are to be covered by income generated from projects. Therefore, having a £nil cost to the Council other than staff time.

Operating Models Considered

There are a number of different potential operating models to deliver the objects of the proposal. These are

1. Through the Council
2. Through a Council owned company
3. Through the Bridge Estate Charitable Trust
4. Through a new charitable trust
5. Through a new charitable trust with a trading subsidiary

Undertaking the activity through the Council or a Council owned company is rejected as it would restrict the number of organisations from which funding could be obtained in comparison to the other models. Undertaking the activity through a Council owned company would also create a potential tax liability for the Council group, as any profits would be subject to Corporation Tax.

Undertaking the activity through the Bridge Estate Charitable Trust would not create any issues from a tax perspective, however the activities would be incompatible with the objects of the charity so any trading would have to be done through a trading subsidiary. Any profits generated would have to be applied to the charitable objects of the Bridge Estate in order to retain the exemption from Corporation Tax so would not be able to be used for Heritage purposes. This option is also rejected.

The activity could be carried out through the creation of a new charitable trust with or without a trading subsidiary. The determining factors about which of these models would be the most beneficial are

- Would the charity be able to undertake the People's Hall project itself or would a trading subsidiary be required due to the level of risk to the charity's assets?
- Would all of the income generating activities that the Trust would want to carry out meet the legal definitions of Primary Purpose Trading and so be exempt from Corporation Tax?

It is likely that the proposed Charity would require a trading subsidiary to carry out the trading activities proposed. It would therefore make sense for all of the proposed trading activities to be carried out through the trading subsidiary regardless of whether they met the Primary Purpose Trading requirements as this would simplify administrative arrangements and mean that explanations of the different activities would not need to be provided to the Charity Commission.

It is therefore recommended that the best operating model to deliver the required outcomes is to establish a charitable trust with a wholly owned trading subsidiary.

VAT & Tax Considerations

Once Nottingham Heritage Trust is set up, it is required to obtain its own Financial and Taxation advice independently from the Council as due to the Councils status it is not able to provide Financial / Taxation advice to an external party.

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