

Accounts 2019/20

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| Final Decision-Maker | Cobtree Manor Estate Committee |
| Lead Head of Service | Director of Finance & Business Improvement – Mark Green |
| Lead Officer and Report Author | Paul Holland, Senior Finance Manager (Client) |
| Classification | Public |
| Wards affected | Boxley |

Executive Summary

The audit of the Trust accounts for 2019/20 has now been completed and an unmodified audit opinion will be issued. This report summarises the main points from the accounts and seeks approval of them so they may be submitted to the Charity Commission.

Purpose of Report

To formally approve the Trust accounts for 2019/20.

This report makes the following recommendations to this Committee:

1. That the Report and Financial Statement for 2019/20 are approved and submitted to the Charity Commission.
2. That the Letter of Representation be approved.
3. That the contents of the Audit Findings Report be noted.

Timetable

| Meeting | Date |
|--------------------------------|-----------------|
| Cobtree Manor Estate Committee | 26 January 2021 |

Accounts 2019/20

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue | Implications | Sign-off |
|---------------------------------------|--|---|
| Impact on Corporate Priorities | The operation of the Estate directly supports the objects of the Trust as set out when the Council became the Corporate Trustee | Head of Regeneration & Economic Development |
| Cross Cutting Objectives | The operation of the Estate supports the Council's strategic objective to ensure there are good leisure and cultural attractions in the Borough. | Head of Regeneration & Economic Development |
| Risk Management | There is a potential reputational risk if the annual accounts are not prepared correctly and in accordance with recommended best practice. | Leisure Manager |
| Financial | There is a financial risk to the Trust if the operations cost more than predicted or fail to generate sufficient income to cover the costs of running them estate. | Senior Finance Manager (Client) |
| Staffing | There are no additional implications arising from this report. | Leisure Manager |
| Legal | <p>Under the Council's Constitution the Committee as Corporate Trustee is responsible for all matters relating to the Charity with the exception of daily management.</p> <p>Law applicable to charities in England and Wales requires the trustee to prepare financial statements for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year. There is then a requirement to have the statements audited externally and submitted to the Charity Commission.</p> <p>There are no further implications arising from this report.</p> | Team Leader (Corporate Governance), Mid Kent Legal Services |
| Privacy and Data Protection | There are no new privacy or data protection implications as a result of this report and recommendations. | Principal Solicitor (Corporate Governance), Mid Kent |

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| | | Legal Services |
| Equalities | There are no additional implications arising from this report. | Anna Collier Policy and Information Manager |
| Public Health | There are no additional implications arising from this report. | Public Health Officer |
| Crime and Disorder | There are no additional implications arising from this report. | Head of Regeneration & Economic Development |
| Procurement | There are no additional implications arising from this report. | Head of Regeneration & Economic Development |

2. INTRODUCTION AND BACKGROUND

2.1 The audit of the Report and Financial Statements is now complete. The audit was undertaken by UHY Hacker Young, appointed external auditors to the Trust. Issues arising from the audit are dealt with in the next section of this report.

3. ACCOUNTS 2019/20

3.1 The Annual Report and Financial Statements are shown at **Appendix 1**. This includes the independent auditor's report, which includes their opinion on the Statement.

3.2 There are no major issues that have arisen regarding the accounts following the audit. A number of amendments were made to the draft accounts that were submitted for audit, and there are also a small number of unadjusted misstatements, both of which are shown as part of the Audit Findings Report, which is discussed later in this report. None of these have had any impact upon the financial resources available to the Trust.

3.3 There are a number of points that should be noted within the Financial Statements:

- The total funds of the Trust as shown on the Balance Sheet have reduced from £5.17m to £4.38m, with the Statement of Financial Activities (SOFA) showing a net funds decrease of £785,495 for the year.
- There are two significant elements that explain the decrease. Firstly, the reduction in the value of the Charifund investment, that Members will already be aware of from previous Financial Position reports. This reduced

by £192,574 over the course of the year.

- The second element is a reduction of £620,000 in the value of investment properties. There are two parts to this reduction. Firstly, there was a £270,000 downward revaluation of the four residential properties on the estate. Following the revaluations for the 2018/19 accounts where the auditors had suggested a different valuation methodology there were further discussions and the auditors accepted that the method used by the Council's valuer was appropriate, so this movement resets the values to the 2019/20 valuation figure. This is outlined in more detail in the Audit Findings Report, which is **Appendix 3** to this report. The second element is a reduction in the value of Tyland Barn from £350,000 to zero, again following discussions with the auditors. This reflects the fact that the property is let on a 125 year lease at a peppercorn rent.
- Neither of these decreases has a direct impact on the cash resources available to the Estate for funding its ongoing operations and commitments.
- The increase in debtors reflects outstanding sums due from contractors as at 31st March 2020 due to Covid-19 related issues that the Committee have previously been briefed on.
- The increase in creditors due within one year relates to the sums owed by the Estate to the Council for the construction of the new car park at the Manor Park.
- The accounting policy for going concern has been amended this year to reflect the impact of Covid-19. This was put together following discussions between officers and the auditors and concludes that it is appropriate to continue to account on a going concern basis.

3.4 Appendix I to the Audit Findings Report sets out the accounting adjustments that were agreed with the auditors after the draft accounts were submitted to them. The three most significant are as follows:

- £25,907 – Move electricity works to repairs and maintenance: These were works undertaken as part of the car park construction. They had been shown as capital spend but have been reclassified as repairs and maintenance.
- £350,000 – Investment property revaluation: This has been explained earlier in this report.
- £115,205 – Depreciation as per client: Members had raised the issue of depreciating the play area, which had not been depreciated previously. This is now included within the accounts.

3.5 **Appendix 2** is the Letter of Representation for 2019/20. This asks Trustees to confirm a number of statements relating to the audit and the information supplied to the auditors during the course of their audit.

4. AUDIT FINDINGS REPORT

- 4.1 The Audit Findings Report is attached at **Appendix 3**. The purpose of this report is to bring to the attention of the Committee various matters that have arisen from the external audit.
- 4.2 Sections 1 to 5 provide a background and overview to the audit and to the report itself. Sections 6 to 7 deal with specific issues that arose from the audit. The most significant issues are dealt with below in this section of the report.
- 4.3 Section 6 deals with status of audit issues that were raised in previous years. Two of the three have been resolved, and the remaining one relating the potential for a tax liability in relation to the car park. Officers will continue to monitor this and if necessary, seek professional advice on the matter.
- 4.4 There are no new recommendations arising from the 2019/20 audit.
- 4.5 Appendix I to the Audit Findings Report summarises the accounting adjustments that were agreed following the audit of the accounts, which were outlined in more detail in the section on the accounts earlier in this report.

5. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 5.1 That the Committee approves the Report and Financial Statements in order that they can then be submitted to the Charity Commission by 31st January 2021.
- 5.2 There are no other available options as there is a legal requirement to produce and approve the Report and Financial Statements.
- 5.3 That the contents of the Audit Findings Report are noted.
- 5.4 There are no alternative actions. The Audit Findings Report is written for the benefit of those charged with governance to bring to their attention matters of interest that have arisen during the external audit process, therefore it needs to be considered by the Committee.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The Report and Financial Statements will be submitted to the Charity Commission for publication on their website.
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7. **REPORT APPENDICES**

- Appendix 1 – Report and Financial Statements 2019/20
 - Appendix 2 – Letter of Representation
 - Appendix 3 – Audit Findings Report
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8. **BACKGROUND PAPERS**

None.