

COBTREE MANOR ESTATE CHARITY COMMITTEE MEETING

Date: Wednesday 25 January 2023
Time: 5.00 p.m.
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Burton (Chairman), Cooper, Parfitt-Reid and S Webb

The Chairman will assume that all Members will read the reports before attending the meeting. Officers are asked to assume the same when introducing reports.

AMENDED AGENDA

Page No.

1. Apologies for Absence
2. Urgent Items
3. Notification of Visiting Members
4. Disclosures by Members and Officers
5. Disclosures of Lobbying
6. To consider whether any items should be taken in private because of the possible disclosure of exempt information.
7. Minutes of the meeting held on 23 November 2022
8. Presentation of Petitions (if any)
9. Any Questions on Notice from Local Residents
10. Any Questions on Notice from Members
11. Cobtree Manor Estate Financial Position Report
12. Cobtree Estate Update
13. Cobtree Estate Financial Management Arrangements
14. **Cobtree Manor Estate Annual Accounts 2021/22**

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Issued on Tuesday 24 January 2023

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

INFORMATION FOR THE PUBLIC

In order to ask a question at this meeting, please call **01622 602899** or email committee@maidstone.gov.uk by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on 23 January 2023). You will need to provide the full text in writing.

In order to make a statement in relation to an item on the agenda, please call **01622 602899** or email committee@maidstone.gov.uk by 4 p.m. one clear working day before the meeting (i.e. by 4 p.m. on 23 January 2023). You will need to tell us which agenda item you wish to speak on.

If you require this information in an alternative format please contact us, call **01622 602899** or email committee@maidstone.gov.uk.

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**Cobtree Manor Estate
Committee**

25 January 2023

Accounts 2021/22

Final Decision-Maker	Cobtree Manor Estate Committee
Lead Head of Service	Director of Finance, Resources & Business Improvement – Mark Green
Lead Officer and Report Author	Paul Holland, Senior Finance Manager (Client)
Classification	Public
Wards affected	Boxley
Reason for Urgency	The audited and approved accounts need to be submitted to the Charity Commission by 31 st January 2023.

Executive Summary

The audit of the Trust accounts for 2021/22 has now been substantially 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 2021/22.

This report makes the following recommendations to this Committee:

1. That the Report and Financial Statement for 2021/22 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	25 January 2023

Accounts 2021/22

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	Director of Finance, Resources & Business Improvement
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.	Director of Finance, Resources & Business Improvement
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 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.	Director of Finance, Resources & Business Improvement
Procurement	There are no additional implications arising from this report.	Director of Finance, Resources & Business Improvement
Biodiversity & Climate Change	The implications of this report on biodiversity and climate change have been considered and there are no implications on biodiversity and climate change.	Biodiversity and Climate Change Manager

2. INTRODUCTION AND BACKGROUND

2.1 The audit of the Report and Financial Statements is now substantially 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 2021/2022

- 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 A number of amendments were made to the draft accounts that were submitted for audit, and there is also one unadjusted misstatement, 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 increased slightly from £4.44m to £4.58m, with the Statement of Financial Activities (SOFA) showing a net funds increase of £142,490 for the year.
- On the Balance Sheet the main movements are in the debtors and creditors balances. There was a higher level of debtors at the end of the year which mainly reflected sums due from the Council for income due to the Estate and from the contractors at the golf course and Kent Life. These outstanding sums have all now been received. The movement in the creditors balance mainly reflects sums due to the Council for expenditure on the Estate and the continuing repayment of the car park construction costs to the Council.
- On the SOFA there was an increase of £30,576 in income received, and a slight reduction in expenditure of £15,179. Further details of income are shown at note 4 to the accounts and reflect the return to more normal levels of business following the Covid pandemic. Further details of expenditure are shown at note 8 to the accounts. Following the change in management arrangements there are no longer any salaries charged to the accounts, this has been replaced by the arrangement with the Council, which is the parks and open spaces figure of £121,372.

3.4 **Appendix 2** is the Letter of Representation for 2021/22. 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.

3.5 The Audit Findings Report (**Appendix 3**) sets out the accounting adjustments that were agreed with the auditors after the draft accounts were submitted to them.

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 The audit is substantially complete, and it is anticipated that an unmodified audit report will be issued.

4.3 The report also covers significant audit risks and other areas of focus and sets out some details regarding accounting practices and financial reporting issues.

4.4 The report summarises the accounting adjustments that were agreed following the audit of the accounts, which were referenced earlier in the section on the accounts earlier in this report.

4.5 There are two recommendations regarding processes and internal controls, one of which has been classified as urgent. There were some difficulties encountered in putting together the accounts for 2021/22 which have taken

some time to resolve hence the late submission of this report to the agenda.

- 4.6 The comments of the auditors and their recommendations are fully accepted, and officers are considering the best way to streamline the way the accounts are put together, as well as considering if there are any other options going forward that would make the process less complicated.
 - 4.7 As referenced earlier none of the issues identified have any impact upon the financial resources available to the Estate going forward and were of a technical accounting nature. It is however clearly important that these issues are not repeated in future years.
 - 4.8 The final section covers developments in the charity accounting sector.
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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 2023.
 - 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 Letter of Representation is approved as this is a requirement of the external audit process.
 - 5.4 That the contents of the Audit Findings Report are noted.
 - 5.5 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.
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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 2021/22
 - Appendix 2 – Letter of Representation
 - Appendix 3 – Audit Findings Report
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8. BACKGROUND PAPERS

None.

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Cobtree Manor Estate

Trustee's Report and Financial Statements

For the Year Ended 31 March 2022

DRAFT

Cobtree Manor Estate

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Cobtree Manor Estate

**Reference and Administrative Details of the Charity, its Trustees and Advisers
For the Year Ended 31 March 2022**

Trustees	Maidstone Borough Council There are no individual trustees. All elected members of the Maidstone Borough Council perform duties of trustees but are not trustees in their own right. A full list of members is available on request.
Charity registered number	283617
Principal office	Maidstone Borough Council Maidstone House King Street Maidstone Kent ME15 6JQ
Independent auditors	UHY Kent LLP t/a UHY Hacker Young Chartered Accountants Statutory Auditors Thames House, Roman Square Sittingbourne Kent ME10 4BJ
Bankers	All funds are managed by Maidstone Borough Council at: Lloyds Bank plc, City Office Bailey Drive Gillingham Kent ME5 0LS
Solicitors	Head of Legal Partnership Mid-Kent Legal Services Maidstone Borough Council Maidstone House Maidstone Kent ME15 6JQ

Cobtree Manor Estate

Trustee's Report

For the Year Ended 31 March 2022

The Maidstone Borough Council acting as Corporate Trustee to the registered Charity known as "Cobtree Manor Estate" presents its annual report in relation to the financial year ending 31 March 2022.

Trustees

The trustee who served during the year is shown on the information page.

OBJECTIVES AND ACTIVITIES

Governing Object

The governing object of the Charity remains that defined in the lease of the Cobtree Estate dated 13 July 1971 between the Cobtree Charity Trust Limited (the lessor) and the Maidstone Borough Council (the lessee). The governing object is stated as:

"To hold Cobtree Manor and Cobtree Manor Estate for the benefit of the inhabitants of Maidstone and other members of the general public in one or other or all of the following ways:

- i) By maintaining the Cobtree Manor Estate as an open space as defined by the Open Spaces Act 1906 and if the lessees think fit providing thereat facilities for organised games and other sports".
- ii) With the consent of ...[the Cobtree Charity Trust Limited and the Kent County Council]... in such other way for the benefit of the inhabitants of Maidstone and other members of the general public as the Council shall from time to time think appropriate."

Object of the Charity

The late Sir Garrard Tyrwhitt-Drake bequeathed his former estate to the Cobtree Charity Trust Limited and set down in the codicils to his Will requirements for its future use. In seeking to interpret these, sometimes conflicting, codicils the Maidstone Borough Council and Cobtree Charity Trust Limited agreed that the Estate in its entirety, and the intended charitable objects, should be leased to and governed by, the Maidstone Borough Council.

The Maidstone Borough Council, as Corporate Trustee to the Charity, has determined and regularly reviews a series of policies to guide the actions of its Members and employees in fulfilling the governing object of the Charity.

Members of the Cobtree Manor Estate Charity Committee manage all aspects of the Charity on behalf of the Council. Informal liaison continues with the Trustees to the Cobtree Charity Trust Limited, particularly with regard to considering potential developments. Members of the Cobtree Charity Trust Limited are invited to attend the meetings of the Cobtree Manor Estate Charity Committee.

ACHIEVEMENTS AND PERFORMANCE

Organisation of the Charity

The Trustee to the Registered Charity known as the Cobtree Manor Estate remains the Corporate Body of the Maidstone Borough Council. How the functions of the Corporate Trustee are implemented is reiterated in the section above.

All individual elected Members to the Maidstone Borough Council are instructed to perform any duties and responsibilities they have in relation to the charity as though they were acting as individual trustees; albeit that they are not individual trustees in Charity Law. All elected Members and Officers of the Council are reminded of the Council's obligations to the Charity and how these need to be considered quite separately from the normal duties of the Council acting as the Local Authority. An A to Z "aid memoir" is made available to all Members and Officers via the Council's internal intranet site.

Under the terms of the lease upon which the Charity holds the Cobtree Manor Estate, and in the specified circumstances, the Council continues to liaise with both the freehold owner of the Estate, the Cobtree Charity Trust Limited, and the Kent County Council.

Advice to Trustees

The advice for trustees published by the Charity Commission is given to new members of the charity committee and new guidance is notified and made available to them as it is received from the Commission. Committee members have free access to all members of staff to ensure that they can be fully aware of the special considerations, activities and implications of, and for, the charity.

Cobtree Manor Estate

Trustee's Report

For the Year Ended 31 March 2022

Activities

The following paragraphs are included to demonstrate how the Charity is meeting its obligation to provide a public benefit. The primary activities of the Charity are to manage and maintain three facilities to which the general public have access:

- the Cobtree Manor Park – which is a parkland environment with woodland and meadows containing a wide variety of trees and shrubs and which is freely accessible to the general public, and
- the Cobtree Manor Park Golf Course - which is a pay and play facility accessible to all, and
- Kent Life – a farm heritage attraction, including a collection of historic artefacts, which is open to the public either on a pay on entry or through an annual membership fee.

Cobtree Golf Course

Year	Rounds Played
2012/2013	36,006
2013/2014	36,923
2014/2015	37,482
2015/2016	39,927
2016/2017	40,593
2017/2018	35,972
2018/2019	36,808
2019/2020	26,006
2020/2021	27,281
2021/2022	38,500

Rounds played in 2021/2022 was 38,500 which is the highest total since 2016/2017. The significant increase in golf participation seen during the Covid-19 pandemic has been sustained at Cobtree. Golf was one of the first leisure activities that could be done as each Covid lockdown period was eased, which resulted in many people playing at Cobtree in 2020/2021 when regulations permitted them to.

It is pleasing to see so many of these visitors continuing to visit and play Cobtree Manor Park Golf Course as we emerge from the pandemic.

Cobtree Manor Park

The park was awarded a Green Flag Award for 2021/2022.

The park has continued to attract extremely high visitor numbers in 2021/2022 as a result of the Covid-19 pandemic, although numbers were not as high as they were in 2020/2021. With restrictions limiting where people could go and what they could do, the park became a very busy destination every day of the pandemic and it's encouraging to see that so many of the new visitors it attracted in 2020 continued to visit in 2021.

Car park income totalled £132,532 for 2021/2022 Financial Year which was 15% down on 2020/2021, although 2020/2021 was a record year for car park sales. Compared to 2019/2020 the 2021/2022 figures are 20% higher.

The amalgamation of staff at Cobtree Manor Park with the parks and open spaces department at the council has been a real success. The park benefits from being part of a collective of parks with a management department behind it. Management is more resilient and the department ensures its collective skills and experiences are deployed at Cobtree.

Outdoor theatre returned in the summer of 2021, delivered by partners at the Hazlitt Theatre. The performances of Alice in Wonderland drew audiences of more than 250 each evening. Ticket prices were set at affordable family rates to enable theatre to be brought to new audiences. The Hazlitt team are returning in the summer of 2022 to deliver family outdoor theatre once again.

In December 2021 the park hosted the inaugural Glow event at Cobtree, a winter-themed lights trail throughout the park and woodland. It attracted thousands of visitors across a fortnight of evenings in the run up to Christmas. This event also returns in the winter of 2022 after a successful first year.

Cobtree Manor Estate

Trustee's Report

For the Year Ended 31 March 2022

Kent Life

Having suffered multiple closures in 2020/2021 because of the Covid-19 pandemic, Kent Life recovered strongly in 2021/2022. Visitor numbers were limited by social distancing in the spring and early summer of 2021, but by the end of the year visitor numbers and school bookings were returning to normal.

The winter events programme was delivered on a smaller scale in 2021, so that the site could remain agile to any further Covid-19 outbreaks and restrictions. Into 2022 and the Kent Life management team is working on the creation of a new restaurant on site that will deliver a new larger menu offering to its many visitors.

Additional Volunteer Help and Intangible Income

The Cobtree Men's Shed group moved from its Elephant House location in spring 2022 and transferred to a vacant building at Kent Life. This venue, although smaller, gives the Shed Group better accessibility and a greater flow of customers.

The Shed Group is already contributing volunteer hours and carpentry items to Kent Life, including some new farmyard enclosures for the animals.

Review of Public Benefit

The Trustee continues to consider and ensure that the Charity meets its requirement to comply with the test of public benefit. The Cobtree Manor Park remains freely accessible to the general public and the pay and play golf course is accessible to all those who wish to take advantage of its facilities at reasonable cost, whilst Kent Life provides a varied family day out for a reasonable fee.

Related Party Disclosure

The Maidstone Borough Council is the Corporate Trustee of the Charity. In addition the Council itself owns part of the land upon which the Cobtree Manor Park Golf Course is built. The accounting arrangements between the Council and the Charity are that the Council is responsible for all receipts and payments for both the golf course and the Cobtree Manor Park. At the end of each financial year the total net operating surplus or deficit of the Manor Park is transferred to the Charity accounts. For the golf course 7/9ths of the total net operating surplus or deficit is transferred to the Charity accounts, reflecting the split of land ownership. The remaining 2/9ths are shown in the accounts of the Council.

The Council also employs a Manager who jointly manages Mote Park and the Manor Park. A park ranger employed by the council is assigned to the Manor Park also. These posts exist as part of a service level agreement for parks and open spaces management of Cobtree Manor Park, the total cost of which is shown in the Charity accounts under the arrangements specified above. When required, additional labour for covering ranger holiday and some weekends in the summer season is also paid for by the Charity.

Other officers of the Council are engaged from time to time in duties specifically related to the operation and management of the Estate. They are not part of the aforementioned service level agreement and their time and associated costs are apportioned accordingly to the Cobtree accounts.

FINANCIAL REVIEW

Financial Review and Investment Policy

Income for the year amounted to £494k, a slight increase on total income of £463k in the previous year. All main income classes shown on the Statement of Financial Activities ("SoFA") remained consistent, although within the heading for income from charitable activities there were increases in Kent Life and café income and small reductions in car park and golf course income.

Charitable costs fell slightly to £484k from £500k in the previous year.

Before gains reported on investments this meant the result for the year was a surplus of £9k (2021: £36k). The £60k gain on investments (2021: £155k) brings net income for the year per the SoFA to £69k (2021: £119k). The gain on investments represents the movement in the year on the charity's listed investment securities, as shown in note 15.

The final movement in funds for the year relates to fixed asset revaluations. The carrying value of the fixed assets has been increased by £73k to reflect the latest valuations. The overall movement in funds was therefore an increase of £143k (2021: £59k).

The net surplus generated as per the Statement of Financial Accounts continued to be used to complete the repayment of debt due to the Maidstone Borough Council.

Cobtree Manor Estate

Trustee's Report

For the Year Ended 31 March 2022

Interest due to the Charity in respect of the permanent endowment held on the Charity's behalf by the Borough Council is included as part of the unrestricted income.

The Trustee has now determined its preferred future development option for the Cobtree Manor Park; it is now seeking to identify sources of funding to implement this option.

The Balance sheet shows net assets at 31 March 2022 of £4.58m, up from £4.44m at the end of the prior year. Much of this value is related to the charity's tangible fixed assets and other investments held in endowment funds, which comprise £4.21m of the total. The remaining funds sit as unrestricted free reserves of £438k and negative restricted funds of £69k. This fund is in deficit as it comprises the net book value of the car park improvement works and the balance of the associated loan that funded them; the depreciation charge writing the asset off over its expected useful life has brought the carrying value of the asset down beneath the value of the remaining loan balance. This is not considered to be a concern and will catch up in time when more of the loan is repaid.

Reserves Policy

Restricted reserves are maintained in respect of the permanent endowment funds.

Risk Management

The Trustee continues to review the business and operational risks which the Charity faces, and identifies where appropriate steps to minimise the impact of any identified risks. All contractors working on the Estate are also required to undertake risk assessments appropriate to their activities.

PLANS FOR FUTURE PERIODS

The Trustee has now implemented the master plan for the Cobtree Manor Park and has used reserve funds for its implementation, with the permission of the Charity Commission, which will gradually be re-paid. In future a master plan for the estate as a whole will need to be devised.

TRUSTEE'S RESPONSIBILITIES

The Trustee is responsible for preparing the financial statements in accordance with applicable law and the United Kingdom Generally Accepted Accounting Practice.

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. In preparing these statements the Trustee is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern unless it is inappropriate to presume that the Charity will continue in business.

The Trustee has overall responsibility for ensuring that the Charity has appropriate systems of controls, financial and otherwise. It is also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and to enable them to ensure that the financial statements comply with the Charities Act 2011. It is also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Trustee and signed on its behalf by

Councillor
Chairman of the Cobtree Manor Estate Charity Committee

Date:

NB: There are no individual trustees. All elected members of the Maidstone Borough Council perform duties of trustees but are not trustees in their own right. A full list of members is available on request.

Cobtree Manor Estate

Independent Auditors' Report to the Members of Cobtree Manor Estate

Opinion

We have audited the financial statements of Cobtree Manor Estate (the 'charity') for the year ended 31 March 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has been withdrawn.

This has been done in order for the accounts to provide a true and fair view in accordance with the Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2022 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Trustee are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Cobtree Manor Estate

Independent Auditors' Report to the Members of Cobtree Manor Estate (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustee's Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Trustee's Responsibilities Statement, the Trustees are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we identified the laws and regulations applicable to the charity through discussions with management, and from our commercial knowledge and experience of the charity and not-for-profit sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the accounts or the operations of the charity, including the Charities Act 2011;
- identified laws and regulations were communicated within the audit team and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charity's accounts to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Cobtree Manor Estate

Independent Auditors' Report to the Members of Cobtree Manor Estate (continued)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. As a result there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

UHY Kent LLP
Chartered Accountants
Statutory Auditors
Thames House, Roman Square
Sittingbourne
Kent
ME10 4BJ

Date:

UHY Kent LLP t/a UHY Hacker Young are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

Cobtree Manor Estate

Statement of financial activities
For the Year Ended 31 March 2022

	Note	Unrestricted funds 2022 £	Restricted funds 2022 £	Endowment funds 2022 £	Total funds 2022 £	Total funds 2021 £
Income and endowments from:						
Donations and legacies	3	-	34,596	-	34,596	27,041
Charitable activities	4	373,420	-	-	373,420	352,040
Other trading activities	5	43,331	-	-	43,331	47,771
Investments	6	42,236	-	-	42,236	36,155
Total income and endowments		458,987	34,596	-	493,583	463,007
Expenditure on:						
Charitable activities	7	330,382	77,456	76,547	484,385	499,564
Total expenditure		330,382	77,456	76,547	484,385	499,564
Net income/(expenditure) before net gains on investments		128,605	(42,860)	(76,547)	9,198	(36,557)
Net gains on investments		-	-	60,150	60,150	155,245
Net income/(expenditure) before net gains on investments		128,605	(42,860)	(16,397)	69,348	118,688
Transfers between funds	21	(85,392)	46,034	39,358	-	-
Net movement in funds before other recognised gains/(losses)		43,213	3,174	22,961	69,348	118,688
Other recognised gains/(losses):						
Gains/(losses) on revaluation of fixed assets		-	-	73,142	73,142	(60,000)
Net movement in funds		43,213	3,174	96,103	142,490	58,688
Reconciliation of funds:						
Total funds brought forward		395,197	(72,098)	4,115,547	4,438,646	4,379,958
Net movement in funds		43,213	3,174	96,103	142,490	58,688
Total funds carried forward		438,410	(68,924)	4,211,650	4,581,136	4,438,646

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 11 to 25 form part of these financial statements.

Cobtree Manor Estate

Balance Sheet
As at 31 March 2022

	Note	2022 £	<i>As restated</i> 2021 £
Fixed assets			
Tangible assets	13	2,439,443	2,552,165
Investments	15	885,543	825,393
Investment property	14	1,102,500	1,000,000
		<u>4,427,486</u>	<u>4,377,558</u>
Current assets			
Debtors	16	307,842	257,914
Cash at bank and in hand		182,779	242,668
		<u>490,621</u>	<u>500,582</u>
Creditors: amounts falling due within one year	17	(201,939)	(165,167)
Net current assets		288,682	335,415
Total assets less current liabilities		<u>4,716,168</u>	<u>4,712,973</u>
Creditors: amounts falling due after more than one year	18	(135,032)	(274,327)
Total net assets		<u><u>4,581,136</u></u>	<u><u>4,438,646</u></u>
Charity funds			
Endowment funds	21	4,211,650	4,115,547
Restricted funds	21	(68,924)	(72,098)
Unrestricted funds	21	438,410	395,197
Total funds		<u><u>4,581,136</u></u>	<u><u>4,438,646</u></u>

The financial statements were approved and authorised for issue by the Trustee and signed on their behalf by:

Councillor Patrik Garten

Chairman of the Cobtree Manor Estate Charity Committee

Date:

The notes on pages 11 to 25 form part of these financial statements.

Cobtree Manor Estate

**Notes to the Financial Statements
For the Year Ended 31 March 2022**

1. General information

Cobtree Manor Estate is an unincorporated charity with the charity number 283617.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with the Charities SORP (FRS 102) (second edition) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective March 2018), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

Cobtree Manor Estate meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

2.2 Going concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern.

The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements.

The impact of the Covid-19 pandemic on operations has now largely ceased. The golf course contractor is now paying their rent on an amended basis, with a performance element now forming part of the annual payment. However, the recovery from the pandemic has been strong at the golf course, and this has been reflected in those performance payments. Elsewhere on the estate the Kent Life attraction and the café are both operating as they were prior to the pandemic and meeting their agreed contractual obligations.

Going forward the golf course contract is due to cease at the end of September 2023, and changes in the market for such contracts means that the Estate is anticipating a drop in the annual rental payments.

Conclusion

Prudent revised forecasts have been prepared for the coming year, taking the above into account, and using the assumption that the charity will be able to continue providing services even in the event of any future lockdown periods.

Taking the above into account the trustees have concluded there are no material uncertainties about the charity's ability to continue as a going concern and that it remains appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Income

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

2.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

**Notes to the Financial Statements
For the Year Ended 31 March 2022**

2. Accounting policies (continued)**2.4 Expenditure (continued)**

Expenditure on charitable activities is incurred on directly undertaking the activities which further the charity's objectives, as well as any associated support costs.

2.5 Intangible assets and amortisation

Material intangible assets are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment.

Amortisation is provided on the following basis:

Website development	- 25 % straight line
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2.6 Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost or valuation, net of depreciation and any provision for impairment.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of financial activities.

Depreciation is charged so as to allocate the cost of tangible fixed assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

Long-term leasehold property	- 0 - 12.5% on cost
Motor vehicles	-
Fixtures and fittings	- 10-25% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Long-term leasehold property includes Cobtree Manor Park Golf Course, Kent Life Museum and Cobtree Manor Park Visitor centre. As disclosed in note 13 these are held under a 999 year lease. No depreciation is charged on these assets on the basis that they are revalued annually.

Leasehold property also includes, at cost, improvements at the Cobtree Play Area and to the car park at Cobtree Manor Park. These assets are depreciated over their deemed useful lives.

Notes to the Financial Statements For the Year Ended 31 March 2022

2. Accounting policies (continued)

2.7 Investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at their fair value at the Balance sheet date for investment properties and closing quoted market price for other listed investments.

All gains and losses are taken to the Statement of financial activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Gains/(losses) on investments' in the Statement of financial activities.

Investment properties are measured at fair value at each reporting date with changes in fair value recognised in 'gains on revaluation of fixed assets' and added to the endowment fund to which they relate.

2.8 Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

2.9 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustee in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

3. Income from donations and legacies

	Unrestricted funds 2022 £	Restricted funds 2022 £	Total funds 2022 £	Total funds 2021 £
Will Trust income	-	34,596	34,596	26,465
Donations	-	-	-	576
	-	34,596	34,596	27,041
<i>Analysis of 2021 total by fund</i>	576	26,465	27,041	

Cobtree Manor Estate

Notes to the Financial Statements
For the Year Ended 31 March 2022

4. Income from charitable activities

	Unrestricted funds 2022 £	Total funds 2022 £	Total funds 2021 £
Golf club revenue	131,309	131,309	133,745
Cafe income	33,140	33,140	17,924
Car park income	135,371	135,371	146,641
Kent Life income	73,600	73,600	53,730
	<u>373,420</u>	<u>373,420</u>	<u>352,040</u>
<i>Analysis of 2021 total by fund</i>	<u>352,040</u>	<u>352,040</u>	

5. Income from other trading activities

Income from non charitable trading activities

	Unrestricted funds 2022 £	Total funds 2022 £	Total funds 2021 £
Rental income	43,331	43,331	47,771
	<u>47,771</u>	<u>47,771</u>	
<i>Analysis of 2021 total by fund</i>	<u>47,771</u>	<u>47,771</u>	

6. Investment income

	Unrestricted funds 2022 £	Total funds 2022 £	Total funds 2021 £
Investment income	42,236	42,236	36,155
	<u>36,155</u>	<u>36,155</u>	
<i>Analysis of 2021 total by fund</i>	<u>36,155</u>	<u>36,155</u>	

Cobtree Manor Estate

Notes to the Financial Statements
For the Year Ended 31 March 2022

7. Analysis of expenditure on charitable activities

Summary by fund type

	Unrestricted funds 2022 £	Restricted funds 2022 £	Endowment funds 2022 £	Total 2022 £	Total 2021 £
Charitable activities	330,382	77,456	76,547	484,385	499,564
<i>Analysis of 2021 total</i>	357,894	65,123	76,547	499,564	

Summary by expenditure type

	Staff costs 2022 £	Depreciation 2022 £	Other costs 2022 £	Total 2022 £	Total 2021 £
Charitable activities	-	122,722	361,663	484,385	499,564
<i>Analysis of 2021 total</i>	87,458	122,722	289,384	499,564	

8. Analysis of expenditure by activities

	Direct costs 2022 £	Total funds 2022 £	Total funds 2021 £
Charitable activities	484,385	484,385	499,564
<i>Analysis of 2021 total</i>	499,564	499,564	

Cobtree Manor Estate

**Notes to the Financial Statements
For the Year Ended 31 March 2022**
8. Analysis of expenditure by activities (continued)**Analysis of direct costs**

	Total funds 2022 £	<i>Total funds 2021 £</i>
Staff salaries	-	87,458
Staff costs	5,189	10,111
Staff recharges	72,875	71,661
Parks and open spaces	121,372	-
Repairs and maintenance	65,613	66,925
Grounds maintenance	17,595	30,327
Rent and rates	5,238	-
Heat and light	15,943	8,778
Insurance	12,758	11,370
Cleaning	7,520	8,502
Printing, postage and stationery	-	193
Legal and professional fees	9,684	12,086
Other fees and services	8,047	24,685
Equipment hire and maintenance	15,627	37,737
Loan interest	4,202	7,009
Depreciation	122,722	122,722
	<u>484,385</u>	<u>499,564</u>

9. Auditors' remuneration

	2022 £	<i>2021 £</i>
Fees payable to the charity's auditor for the audit of the charity's annual accounts	<u>5,700</u>	<u>5,545</u>

Cobtree Manor Estate

**Notes to the Financial Statements
For the Year Ended 31 March 2022**
10. Staff costs

In the prior year, Maidstone Borough Council employed various staff whose roles existed solely for the benefit of the Charity. These costs were recharged to the Charity and, to reflect the substance of the arrangement, reflected in the accounts as staff costs. This arrangement was not in place for 2022.

	2022	<i>2021</i>
	£	£
Wages and salaries (including agency staff)	-	<i>69,350</i>
Social security costs	-	<i>5,924</i>
Contribution to defined contribution pension schemes	-	<i>12,184</i>
	<u>-</u>	<u><i>87,458</i></u>

The average number of persons employed by the charity during the year was as follows:

	2022	<i>2021</i>
	No.	No.
Park Ranger	-	<i>1</i>
Manager	-	<i>1</i>
	<u>-</u>	<u><i>2</i></u>

No employee received remuneration amounting to more than £60,000 in either year.

The corporate trustee, Maidstone Borough Council, is considered to be the key management personnel of the charity. No employee benefits were paid to the trustee during the year (*2021 - £Nil*).

11. Trustee's remuneration and expenses

During the year, no Trustees received any remuneration or other benefits (*2021 - £NIL*).

During the year ended 31 March 2022, no Trustee expenses have been incurred (*2021 - £NIL*).

Cobtree Manor Estate

Notes to the Financial Statements
For the Year Ended 31 March 2022

12. Intangible assets

	Website development £
Cost	
At 1 April 2021	50,000
At 31 March 2022	<u>50,000</u>
Amortisation	
At 1 April 2021	50,000
At 31 March 2022	<u>50,000</u>
Net book value	
At 31 March 2022	<u>-</u>
<i>At 31 March 2021</i>	<u>-</u>

13. Tangible fixed assets

	Long-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 April 2021	2,752,511	8,323	58,523	2,819,357
Revaluations	10,000	-	-	10,000
At 31 March 2022	<u>2,762,511</u>	<u>8,323</u>	<u>58,523</u>	<u>2,829,357</u>
Depreciation				
At 1 April 2021	230,410	1,664	35,118	267,192
Charge for the year	115,205	1,664	5,853	122,722
At 31 March 2022	<u>345,615</u>	<u>3,328</u>	<u>40,971</u>	<u>389,914</u>
Net book value				
At 31 March 2022	<u>2,416,896</u>	<u>4,995</u>	<u>17,552</u>	<u>2,439,443</u>
<i>At 31 March 2021</i>	<u>2,522,101</u>	<u>6,659</u>	<u>23,405</u>	<u>2,552,165</u>

Cobtree Manor Estate

**Notes to the Financial Statements
For the Year Ended 31 March 2022**
13. Tangible fixed assets (continued)

The estate is held under a 999 year lease which is due to expire in 2970. The long leasehold land and buildings are used solely for direct charitable purposes and form part of the permanent endowment of the Charity.

All properties are revalued annually by a professional firm of chartered surveyors periodically, using a 'market approach'. The last valuation took place in March 2022.

The carrying amount under the cost model of the assets which have been revalued would have been £1,673,127 (2021 - £1,673,127).

14. Investment property

	Long term leasehold investment property £
Valuation	
At 1 April 2021	1,000,000
Additions	39,358
Surplus/(deficit) on revaluation	63,142
At 31 March 2022	<u>1,102,500</u>

The investment properties are held to generate a rental income stream for the Charity. All investment properties are revalued by a professional firm of chartered surveyors on an annual cycle (subject to existing tenancies where appropriate). A valuation took place in March 2022.

One exception to this is the Tyland Farm property which is carried at £Nil value on an EUV basis. This property is currently let, with a peppercorn rent, on a 125 year lease ending in 2117. No readily available market value was available for this property at 31 March 2022 and hence the EUV basis is deemed to be the most appropriate basis available without undue cost to the Charity.

15. Fixed asset investments

	Listed investments £
Cost or valuation	
At 1 April 2021	825,393
Revaluations	60,150
At 31 March 2022	<u>885,543</u>
Net book value	
At 31 March 2022	<u>885,543</u>
At 31 March 2021	<u>825,393</u>

Cobtree Manor Estate

**Notes to the Financial Statements
For the Year Ended 31 March 2022**
15. Fixed asset investments (continued)**Material investments**

The above listed investments are fully invested in the M&G Charifund, which qualifies as an alternative investment fund.

Risk profile

The fund invests mainly in the shares of UK listed dividend paying companies, and a portion of the fund is also invested in the shares of dividend paying companies listed overseas. It is, therefore, subject to the price volatility of the UK and overseas stockmarkets and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on good quality companies with attractive dividend growth prospects. Dividend distributions from the fund's holdings however are not guaranteed and may vary. Diversification across industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed by M&G as an integral part of the investment process.

16. Debtors

	2022	2021
	£	£
Trade debtors	45,467	220,279
Other debtors	22,524	-
Prepayments and accrued income	239,851	37,635
	<u>307,842</u>	<u>257,914</u>

17. Creditors: Amounts falling due within one year

	2022	<i>As restated</i> 2021
	£	£
Other taxation and social security	-	251
Amount owed to Maidstone Borough Council	196,239	159,371
Other creditors	5,700	5,545
	<u>201,939</u>	<u>165,167</u>

A formal repayment agreement was established with Maidstone Borough Council for the charity to repay the money loaned by the the Council in respect of capital expenditure in respect of the improvement to Cobtree Manor Park car park.

Repayments began from 1 April 2019 once the work was complete, and interest is payable at a rate of 3% (Public Works Loan Board rate 2% plus 1%). The total balance owing to the Council in respect of the car park loan at 31 March 2022 was £262,213 (2021 - £304,045).

In addition to the car park loan the total balance owed to the Council also includes other amounts of £69,058 (2021 - £129,653). The combined total of £331,271 (2021 - £433,698) has been split between amounts falling due within one year (as above) and after more than one year (see note 18).

Cobtree Manor Estate

**Notes to the Financial Statements
For the Year Ended 31 March 2022**
18. Creditors: Amounts falling due after more than one year

	2022	<i>As restated</i>
	£	<i>2021</i>
		<i>£</i>
Amount owed to Maidstone Borough Council	135,032	274,327
	<u>135,032</u>	<u>274,327</u>

See narrative at the end of note 17 explaining the balance owed to the Council.

19. Financial instruments

	2022	<i>2021</i>
	£	<i>£</i>
Financial assets		
Financial assets measured at fair value through income and expenditure	885,543	825,393
	<u>885,543</u>	<u>825,393</u>

Financial assets measured at fair value through income and expenditure comprise listed investments.

20. Prior year adjustments

A prior year adjustment has been made to correct the loan element of the amount owed to Maidstone Borough Council. This was incorrectly disclosed due to expected loan repayments, part of the overall balance owing to Maidstone Borough Council, not being made as per the loan agreement. The loan is treated as a restricted creditor.

The effect of the prior year adjustment has been to reduce restricted funds as at 31 March 2021 by £104,470 and increase unrestricted funds by the same amount. After correcting the loan balance the split of creditors has also been amended; creditors falling due within one year as at 31 March 2021 have been reduced by £139,294 and creditors falling due after more than one year increased by the same amount.

The prior year adjustment therefore has no impact on the Statement of Financial Activities nor the overall net asset position reflected on the Balance Sheet.

Cobtree Manor Estate

**Notes to the Financial Statements
For the Year Ended 31 March 2022**
21. Statement of funds**Statement of funds - current year**

	As restated Balance at 1 April 2021 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2022 £
Unrestricted funds						
General funds	395,197	458,987	(330,382)	(85,392)	-	438,410
Endowment funds						
Endowment capital funds	4,115,547	-	(76,547)	39,358	133,292	4,211,650
Restricted funds						
Will Trust	-	34,596	(34,596)	-	-	-
Cobtree Manor Park car park	231,947	-	(38,658)	-	-	193,289
MBC car park loan	(304,045)	-	(4,202)	46,034	-	(262,213)
	(72,098)	34,596	(77,456)	46,034	-	(68,924)
Total of funds	4,438,646	493,583	(484,385)	-	133,292	4,581,136

Unrestricted Funds

These comprise funds that the trustees are free to use in accordance with the charitable objects.

Restricted Funds

The Will Trust Fund, the income from which is used to maintain the rural park. The assets of this fund are held by Cobtree Charity Trust Limited, a separate entity.

Cobtree Manor Park car park and associated loan from MBC - this represents the net book value of the car park and the amount of the outstanding associated loan.

Permanent Endowment Capital Fund

The permanent endowment capital fund comprises the long-term fixed assets of the charity, being the long-leasehold land and buildings, investment properties and the portfolio of listed investments as detailed in notes 13, 14 and 15.

Cobtree Manor Estate

**Notes to the Financial Statements
For the Year Ended 31 March 2022**
21. Statement of funds (continued)**Statement of funds - prior year**

	<i>As restated Balance at 1 April 2020</i>	<i>Income</i>	<i>Expenditure</i>	<i>As restated Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 March 2021</i>
	£	£	£	£	£	£
Unrestricted funds						
General funds	344,363	436,542	(396,552)	10,844	-	395,197
Endowment capital funds						
Endowment capital funds	4,096,849	-	(76,547)	-	95,245	4,115,547
Restricted funds						
Will Trust	-	26,465	(26,465)	-	-	-
Cobtree Manor Park car park	270,605	-	-	(38,658)	-	231,947
MBC car park loan	(331,859)	-	-	27,814	-	(304,045)
	(61,254)	26,465	(26,465)	(10,844)	-	(72,098)
Total of funds	4,379,958	463,007	(499,564)	-	95,245	4,438,646

22. Analysis of net assets between funds**Analysis of net assets between funds - current year**

	Unrestricted funds 2022	Restricted funds 2022	Endowment funds 2022	Total funds 2022
	£	£	£	£
Tangible fixed assets	22,547	193,289	2,223,607	2,439,443
Fixed asset investments	-	-	885,543	885,543
Investment property	-	-	1,102,500	1,102,500
Current assets	490,621	-	-	490,621
Creditors due within one year	(74,758)	(127,181)	-	(201,939)
Creditors due in more than one year	-	(135,032)	-	(135,032)
Total	438,410	(68,924)	4,211,650	4,581,136

Cobtree Manor Estate

**Notes to the Financial Statements
For the Year Ended 31 March 2022**
22. Analysis of net assets between funds (continued)

The restricted creditor balances relate to balances owed to the corporate trustee, Maidstone Borough Council, in respect of funds provided during 2018-19 to fund the new car park works that have been capitalised as tangible fixed asset additions. It is a requirement of the repayment agreement for these amounts to be treated as and disclosed as a restricted balance in the annual accounts.

Analysis of net assets between funds - prior year

	<i>As restated Unrestricted funds 2021 £</i>	<i>As restated Restricted funds 2021 £</i>	<i>Endowment funds 2021 £</i>	<i>Total funds 2021 £</i>
Tangible fixed assets	30,064	231,947	2,290,154	2,552,165
Fixed asset investments	-	-	825,393	825,393
Investment property	-	-	1,000,000	1,000,000
Current assets	500,582	-	-	500,582
Creditors due within one year	(135,449)	(29,718)	-	(165,167)
Creditors due in more than one year	-	(274,327)	-	(274,327)
Total	395,197	(72,098)	4,115,547	4,438,646

Cobtree Manor Estate

**Notes to the Financial Statements
For the Year Ended 31 March 2022**
23. Related party transactions

Maidstone Borough Council (MBC) is the Corporate Trustee of the Charity.

MBC owns part of the land upon which the golf course is built. The accounting arrangements between MBC and the charity are that MBC is responsible for all receipts and payments for both the golf course and the Manor Park. At the end of each financial year the the income and expenditure relating to Cobtree Manor Estate is shown in the Charity's accounts.

For the golf course 7/9ths of the total revenue is transferred to the trust accounts, reflecting the split of land ownership. The remaining 2/9ths are shown in the accounts of the Council.

The Statement of Financial Activities includes income of £209,236 (2021 - £207,981) in relation to operating the estate in accordance with this arrangement, as broken down below.

	2022	2021
	£	£
Golf club revenue	131,309	133,745
Will trust income	34,596	26,465
Rental income	43,331	47,771
	-----	-----
	209,236	207,981

Expenditure reflected through the Statement of Financial Activities includes operating costs in relation to income streams above.

As disclosed in note 10, in the prior year MBC employed staff whose roles existed solely for the benefit of the Charity, and hence the cost of their employment was shown within staff costs. In total, staff costs include £Nil (2021 - £87,458) of recharged employment costs.

During the year MBC provided various other services to the Charity, which have been included within direct charitable expenditure. Total recharges of £207,122 (2021 - £18,193) were made for these services. This total comprises: Parks & Open Space - £121,372; staff recharges - £72,875; legal and professional fees - £9,684; equipment hire and maintenance - £1,641; other fees and services - £787 and staff uniforms - £763.

At 31 March 2022, the Charity owed £237,378 (2021 - £433,698) to Maidstone Borough Council.

24.
Controlling party

The Charity is under the control of the Corporate Trustee, Maidstone Borough Council.

25. Taxation

Cobtree Manor Estate is a registered charity and is therefore potentially exempt from taxation on its income and gains as the charity falls within the definition of a charitable trust as defined in Part 1, Schedule 6 of the Finance Act 2010. No tax charge has arisen during the year.

To go on charity letterhead please

UHY Hacker Young,
Thames House,
Roman Square,
Sittingbourne,
Kent. ME10 4BJ

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of Cobtree Manor Estate for the year ended 31 March 2022. We note that your audit was performed for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the result and financial position of Cobtree Manor Estate in accordance with the UK Generally Accepted Accounting Practice financial reporting framework.

We confirm to the best of our knowledge and belief, the following representations made to you in connection with your audit of this entity's financial statements:-

1. **General**

We acknowledge as trustees our responsibility under the Charities Act 2011 for preparing financial statements, which give a true and fair view of the financial position of Cobtree Manor Estate as of 31 March 2022, and of the result of its operations for the year then ended, and for making accurate representations to you. The financial statements are free of material misstatements, including omissions. We confirm that we have held prior discussion with you to ensure that there is complete agreement on the meaning of all confirmations that we are making to you.

We have made available to you all the accounting records necessary for your audit, including books of account, supporting documentation and all minutes of meetings of shareholders and the board of trustees. All the entity's transactions have been reflected in the accounting records produced to you. We have not withheld any information, the knowledge of which could cause you to take a materially different view in your report.

All relevant access to persons within the charity has been made available to you for the purpose of your audit.

We acknowledge our responsibility for the design and implementation of internal control procedures to prevent and detect fraud and error, and have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We are not aware of any irregularities involving either management, employees with a significant role in internal control, former employees, analysts, regulators or anyone else where those irregularities could have a material effect on the financial statements.

2. Non-audit services

We understand that, under the Financial Reporting Council Ethical Standards, the provision of audit and non-audit services to us by yourselves gives rise to a potential threat to independence. This includes the preparation of the statutory financial statements and corporation tax computations. We confirm that you have explained to us the threats and the safeguards that you have put in place to address the potential self-review threat.

We confirm that we have discussed the draft accounts and final journals and agree to inclusion of the (attached) journals in the final accounts (see Appendix I).

We have also reviewed the unadjusted audit differences listed in Appendix II and confirm that we have not made adjustments for these since we believe that the effects of the uncorrected misstatements, both individually and in aggregate, are immaterial to the financial statements taken as a whole.

3. Commitments, contingencies and liabilities

We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties. We do not know of any substantial liabilities, contingent liabilities of capital commitments, of a material amount, other than those disclosed in the financial statements.

4. Litigation

There is no litigation in progress or pending (other than to recover debts).

5. Transactions and arrangements with officers and related parties

We confirm that we are aware that a related party of the charity is a person or organisation which either (directly or indirectly) controls, has joint control of, or significantly influences the charity or vice versa and as a result will include: trustees/directors, other key management, close family and other business interests of the previous.

We confirm that all related party relationships and transactions have been accounted for and disclosed in accordance with the applicable financial reporting framework.

6. Post Balance Sheet Events

No other events or transactions have occurred, or are pending, which could either have a material effect on the financial statements or which are of such significance in relation to the entity's affairs that they should either require adjustment or be disclosed in the financial statements, or notes thereto, in order to avoid giving a misleading view of the entity's financial position.

7. Laws and Regulations

We are not aware of any events which involve possible or actual instances of non-compliance with those laws and regulations which provide a legal framework within which the entity conducts its business. The entity has complied with all aspects of contractual agreements and the requirements of regulatory authorities that, in either case, could, in the event of non-compliance, have a material effect on the financial statements.

8. Future Plans

We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

9. Accounting estimates

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

10. Fixed assets

We confirm that the following land and buildings shown in the accounts are owned by the charity and that we believe the carrying valuations are appropriate:

Long-term leasehold properties:	£	Comments
Cobtree Manor Golf Course	777,777	(being 7/9 th of the £1m valuation by Harrisons)
Cobtree Play Area	535,830	Depreciation over UEL 10 years
Cobtree Café/Visitor Centre	210,000	(based on Harrisons valuation)
Kent Life Attraction	700,000	(based on Harrisons valuation)
Cobtree Manor Park Car Park	193,289	Depreciation over UEL 8 years
	2,416,896	

Investment properties:	£	Comments
Garden Cottage	460,000	(based on Harrisons valuation)
2 Stream Cottages	190,000	
3 Stream Cottages	237,500	
4 Stream Cottages	215,000	
Gate Lodge	-	
Tyland Farm	-	Based on an Existing Use Value basis and the 125 year lease with a peppercorn rent
	1,102,500	

11. Going Concern

We confirm that having considered our expectations, intentions and projections for the twelve months following the date of this letter, and the availability of unrestricted reserves, we are not aware of any matters that would suggest that the charity will not continue as a going concern.

In particular we confirm the following balances owing to and from Maidstone Borough Council at 31 March 2022:

Amounts owed to Maidstone B.C	-	331,271
Amounts due from Maidstone B.C	-	(111,112)

		£220,159

The amounts owed to Maidstone B.C. are further split as follows:

Car park loan (due within one year)	-	127,178
Car park loan (due after more than one year)	-	135,035

		262,213
Golf course 2/9ths share for 2021/22		32,342
Accrued expenditure for Q4 2021/22		36,716

		£331,271

We confirm to the best of our knowledge and belief that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully,

.....
Name and Signature

On behalf of the Cobtree Manor Estate Committee

Date:

Cobtree Manor Estate

Audit Findings Report
Year ended 31 March 2022





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Introduction

Cobtree Manor Estate

Purpose of this audit findings report

The purpose of this report is to provide constructive observations which have arisen from our audit of the financial statements of Cobtree Manor Estate (“the Charity”) for the year ended 31 March 2022.

This report provides an update to the matters raised in our Audit Service Plan, which was provided to the Trustees on 2 July 2022, focussing on observations that are significant to the responsibility of those charged with governance to oversee the financial reporting process as required by International Standard on Auditing (UK) 260, *Communication with those charged with governance*, (ISA (UK) 260).

Included within this Report are details of any unadjusted misstatements in the financial statements (with the exception of those deemed to be “clearly trivial”), any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures, together with any further relevant matters.

Audit independence

We are required to reaffirm our independence at the conclusion of the audit.

We confirm that no matters have arisen that impact on our previous statement made in our Audit Service Plan that there are no relationships between our firm and connected entities and your Charity and related entities that need to be brought to your attention.

Should you have any questions relating to the issue of our independence and objectivity, please do not hesitate to contact Allan Hickie on 01795 475363 or at a.hickie@uhy-uk.com.

Confidentiality and limitations

Please note the following important limitations with regards to the contents of this Report:

- This Report has been prepared for the sole use of Cobtree Manor Estate;
- The contents of this Report must not be disclosed or quoted to third parties, in whole or in part, without our prior written consent;
- We assume no responsibility to any other person;
- Our procedures are carried out solely for the purpose of our audit of the financial statements. Our audit is not designed to identify all matters that may be relevant to those charged with governance; accordingly the matters referred to within this Report may not be the only shortcomings that exist.

Recommendations

All issues raised within this Audit Findings Report have been discussed with management.

Acknowledgement

We would like to thank all staff who were involved in the audit for their help and co-operation during our audit, particularly Paul Holland and his team. It has been a pleasure to work with Paul and we are grateful for the time he has taken to assist with our queries.



Audit status

Status of the audit

Our work was carried out in accordance with our audit plan communicated to you in our Audit Service Plan dated 2 July 2022.

Throughout our work we considered the key audit risks noted in our Audit Service Plan, and no matters were identified which required us to change our approach. Further to this, no additional risks were identified. We comment on the original risks communicated in our Audit Service Plan, and our conclusion on these risks later in this Report.

Our audit is substantially complete, although we are finalising our procedures in the following areas:

Outstanding matters: Final signed Trustees' Report;

 Signed Letter of representation.

We do not anticipate that the completion of our work in these areas will give rise to any material adjustment.

Letter of representation

We have forwarded the Letter of Representation, which we request that the Trustees approve and sign at the same time as the financial statements, under separate cover. This letter contains only standard matters with no specific representations in respect of the Charity, with the exception of the following:

- Going concern
- Valuation of assets
- MyTime debtor recoverability

Anticipated audit report

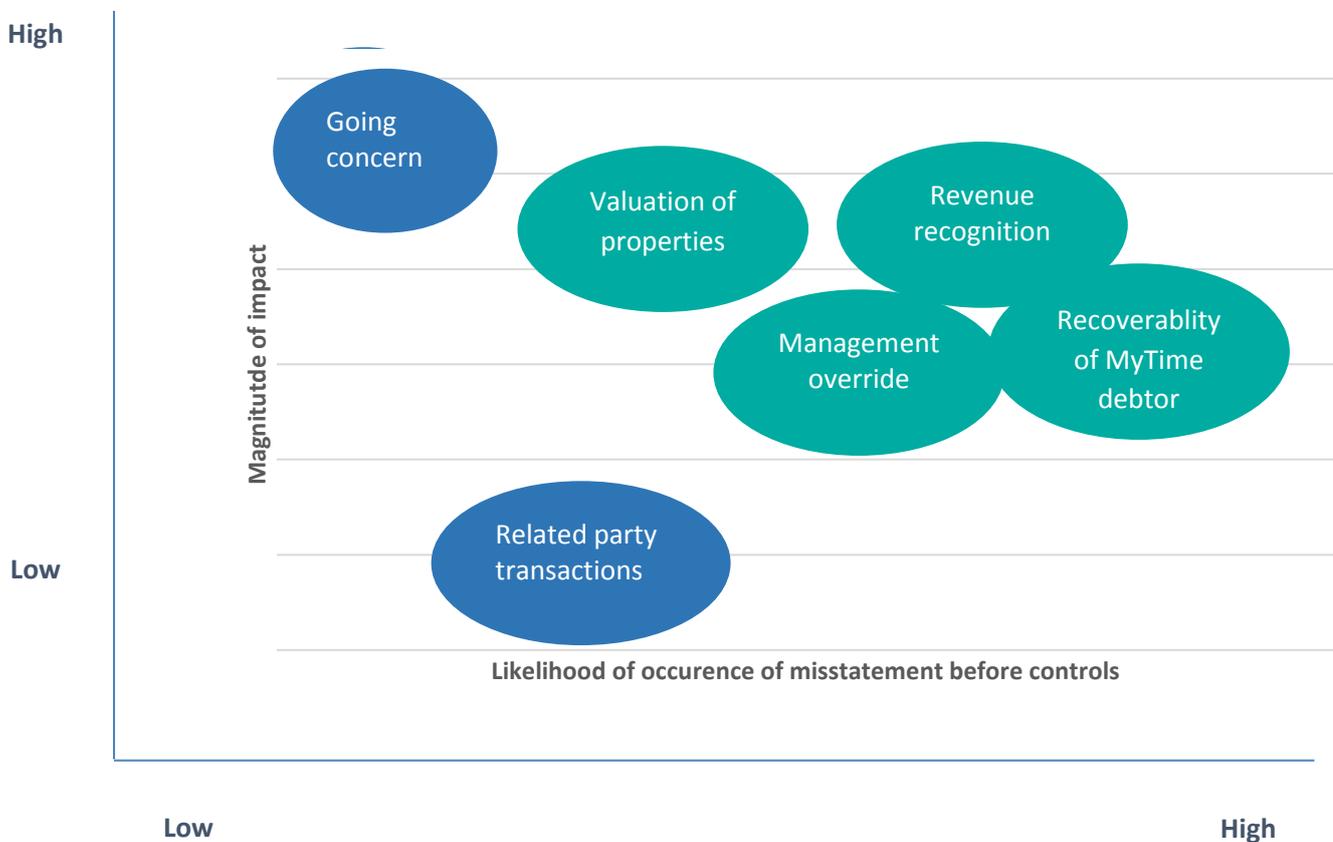
Subject to the conclusion of the above items, we do not expect any modifications to our audit report on the financial statements for the year ended 31 March 2022. However, our responsibilities with regards to the audit report extend up to the date on which it is signed and we will advise you of any changes to this position if necessary.

Significant audit risks and other areas of audit focus



The table below set out our initial assessment of the Charity’s key audit risks relating to the year ended 31 March 2022 as originally communicated in our Audit Service Plan.

Within this section we comment on the results of our work undertaken in connection with these risks previously identified at planning, together with communicating any additional risks in relation to the financial statements of Cobtree Manor Estate that came to our attention during the course of our audit fieldwork.



- Key:**
- Significant risks ●
 - Others areas of audit focus ●
 - Updated risk ●

Update on risk profile

The work undertaken during the course of our audit fieldwork did not indicate that the risk profile of the above matters has significantly changed from our initial assessment.

Significant risks

(1) Revenue recognition

Assessment of risk at planning

The International Standards on Auditing (UK) consider revenue recognition to be an inherent fraud risk and on consideration of the Charity's sources of income, this cannot be rebutted.

The Charity's accounting policies for income should follow the criteria set out in FRS 102 and the Charities SORP.

Our response and conclusion

We have:

- Updated our documentation of the revenue process and controls in place, this included assessing the design and implementation of those controls.
- Assessed whether revenue was accounted in accordance with the accounting policy on revenue recognition.
- Analytically reviewed revenues and verified significant movements against expectations/performed proof in total
- Tested a sample of transactions to agreements to supporting evidence
- Reviewed the assessment made by management in relation to the application of the correct cut off processes

Based on the work performed, no significant or reportable adjustments were noted.

(2) Management override

Assessment of risk at planning

The International Standards on Auditing (UK) consider management override of controls to be an inherent fraud risk due to the possibility of financial statement bias or fraud. Whilst there were no indicators of any significant factors that would give rise for management to carry out such actions, as the Charity's finance team consists of few people and the Chief Executive has primary oversight of all key operational decisions we were unable to rebut this risk.

Our response and conclusion

We have:

- Updated our documentation around the posting of journals and formulation of key estimates and assessed the design and implementation of those controls.
- Assessed and challenged accounting estimates, judgements and decisions made by management.
- Tested a sample of journal entries, adjustments and accounting estimates for bias that could result in material misstatements.
- Review significant transactions to ensure they were in the normal course of business.

Based upon the work undertaken, we found no indication of management bias or significant transactions outside the normal course of business.

(3) Valuation of properties

Assessment of risk at planning

Given the movement in the property market there is the risk that there has been a material change in value in the land and buildings that has not been reflected in the accounts. Buildings are valued by chartered surveyors. Due to the nature of the assets and the valuation of the buildings is very high in value.

Our response and conclusion

We have:

- Agreed valuations to third party reports.

Based upon the work undertaken, we found properties were not materially misstated in the accounts.

Other areas of audit focus

Related parties

Transactions with related parties outside of the normal course of the Charity's activities are considered to be a significant risk under the International Standards on Auditing (UK). At the planning stage, no such transactions were anticipated from our discussions with management and accordingly, related parties were not included as a significant audit risk.

We undertook work to ensure that related party disclosures have been correctly made in accordance with both the Financial Reporting Standard 102 ("FRS 102") and the Charities SORP. This included providing management with our standard related parties questionnaire template to be completed by Trustees and members of key management personnel, together with review of the Charity's own procedures for identifying potential conflicts of interests to ensure that they are adequate. In addition we verified the information supplied to external sources such as the registers maintained by Companies House and the Charity Commission.

Related party disclosures included within the financial statements appear to be complete from our work performed.



Accounting practices and financial reporting issues

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements.

Accounting policies

We have reviewed the accounting policies adopted by the Charity and have found them to be appropriate and applied consistently.

There have been no changes to the accounting policies, nor changes to the activities of the Charity necessitating changes to accounting policies, since the previous period.

Unusual transactions

The extent to which the financial statements are affected by any unusual transactions during the period and the extent to which such transactions are separately disclosed in the financial statements. There were no matters arising.

Throughout the course of our audit fieldwork, we considered the timing of transactions and the period in which they are recorded. We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised. Specifically, we confirm that based upon our testing, income appears to have been appropriately accrued or deferred as required and appropriate accruals for expenditure have been included.

Accounting estimates and judgements

We reviewed the appropriateness of accounting estimates and judgements, including the consistency of assumptions and degree of prudence reflected in the accounting records. There were no matters arising.

Going concern

We considered material uncertainties related to events and conditions that may cast significant doubt on the Charity's ability to continue as a going concern. There were no matters arising.

Trustees' Annual Report and Strategic Report

We reviewed the Trustees' Annual Report and Strategic Report to ensure consistency with the financial statements, and to ensure that all necessary disclosures have been made. There were no matters arising.

Disagreements

There were no disagreements about matters that, individually or in aggregate, could be significant to the Charity's financial statements or our auditor's report. We are required to report to the Trustees any such matters, whether they have or have not been resolved and the significance of these matters.

Significant difficulties

We encountered no significant difficulties during the course of the audit that we feel necessary to bring to your attention.

Significant matters

There were no significant matters arising from the audit that we have discussed, or were subject to correspondence with management which have required us to obtain written representations from management.

Other matters

As part of our audit work we consider the potential effect on the financial statements of any uncertainties, including significant risks and disclosures, such as pending litigation that are required to be disclosed in the financial statements.

Adjusted and unadjusted misstatements



Under the requirement of ISA (UK) 260, we are required to report to you all adjusted and unadjusted misstatements, with the exception of those deemed to be 'clearly trivial'.

Below sets out the misstatements identified as part of this year's audit.

Audit adjustments agreed with management

	£	£
Surplus per draft financial statements presented for audit (v2)		171,511
Remove accrued income not required	(30,000)	
Loan interest	(4,202)	
Reduction in UHY fees accrual	5,175	
Other misc diff	6	
Total impact of adjustments		(29,021)
Surplus per audited financial statements		142,490

All journals noted above have been processed through the financial statements.

Unadjusted items

	£	£
Surplus per audited financial statements		142,490
Understatement of additions at Garden Cottage	3,151	
Total impact of adjustments		3,151
Revised surplus if all audit adjustments processed		145,641

It has been agreed with management that the above unadjusted misstatements are immaterial, both individually and in aggregate, and therefore do not necessitate revision to the audited financial statements.

Trustees' representations regarding the non-adjustment of the above unadjusted misstatements will be included in the Letter of Representation.



Recommendations to processes and internal controls

The Charity’s management is responsible for the identification, assessment and monitoring of risk, and for developing, operating and monitoring the systems of internal control and for providing assurance to the Board of Trustees that it has done so. During the course of our audit of the financial statements for the year ended 31 March 2022, we examined the principal internal controls which management has established to enable it to ensure, as far as possible, the accuracy and reliability of the Charity’s assets.

International Standard on Auditing (UK) 265, *Communicating deficiencies in internal control to those charged with governance and management*, (ISA (UK) 265) requires us to report separately where we identify missing or ineffective controls which, in our judgement, are of sufficient importance to bring to the attention of those charged with governance.

During our work we identified no such weaknesses in controls (described as “significant deficiencies” per the ISA). We have however identified some recommendations for improvement as set out below.

The matters dealt with in this Audit Findings Report came to our attention during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing our opinion on the financial statements of the Charity. In consequence it cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to disclose all possible weaknesses or improvements in internal control that a more extensive special examination may highlight.

Our observations from the audit are set out below together with our recommendations and suggested timescale.

Key to risk ratings:



High

Urgent, potential impact on accuracy of financial reporting



Med

Important and could impact within six months



Low

Less urgent, requires attention



Advisory

1. Accounting records information	
Observation	<p>The audit was started in July 2022 with the accounts information provided. During the audit process a number of large differences were identified between the accounts and other information provided, mostly relating to bank, debtors and creditors.</p> <p>A new version of the accounts was provided in December 2022 with these corrected, however the balance sheet did not balance by £70k.</p> <p>This difference was discussed with your key management, and after further work by UHY the difference was partially resolved, subject to the inclusion of a £30,000 debtor for accrued income.</p> <p>This £30,000 debtor was written off in the final accounts because there was no justification for carrying it forward, and it did not seem to relate to money that would be received.</p>
Recommendation	<p>We recommend that your internal accounts preparation is streamlined so that the accounts are not prepared from a combination of Sage, Agresso and an accounts spreadsheet. The current approach is causing differences to occur and delays in the audit process.</p> <p>Once you have posted an opening balance journal to Sage to bring the system into line with the 2022 statutory accounts, we recommend that you ensure all transactions for 2022/23, including property and investment revaluations, and also all transactions with Maidstone Borough Council, are posted to Sage.</p> <p>It is important that regular reconciliations are made to the Council's own system to ensure that the "inter-company" balance between CME and MBC is always reflected accurately.</p>
Status	 This has been graded as High because of the importance of ensuring the issues that occurred in 2022 do not repeat in the future. High

2. VAT	
Observation	<p>It was noted during our audit that VAT payments to HMRC were being posted to an expense code instead of being offset against the VAT liability. This has been corrected during the audit process this year but due to the way the accounts information is prepared has probably been missed in previous years resulting in brought forward balances not being cleared.</p>
Recommendation	<p>We recommend that VAT payments are offset against the VAT liability and the VAT liability in Sage is reviewed to ensure it is correct.</p>
Status	



Sector developments

New Charities SORP (FRS 102)

The establishment of the new Charities SORP engagement process in the context of a global pandemic understandably led to a delayed start. The process is now fully underway with the Committee currently in the “reflection” phase of their timetable. It is during this phase that the Committee consider how well the Charities SORP, and accounting standards, meet their identified need and identify areas for change and potential solutions to effect beneficial change.

Following completion of this phase, the Committee will need to enter into a problem solving phase before drafting the new Charities SORP, based on the exposure draft of FRS 102 following its own periodic review as the new FRS 102 is a critical factor on the timing of the new Charities SORP process.

Public consultation of the new Charities SORP is expected between July 2022 and July 2023 with the SORP expecting to be finalised and published between October 2022 and January 2024. The intention is that the new Charities SORP would be effective for accounting periods beginning on or after 1 January 2024.

The future of Charity financial reporting

In May 2022 the Charity Commission for England and Wales (CCEW), the Charity Commission for Northern Ireland (CCNI) and the Office of the Scottish Charity Regulator (OSCR) wrote to the Financial Reporting Council (FRC) in their capacity as the joint SORP making body for charities in the UK. The purpose of this letter was to encourage the FRC to make changes to FRS 102 as a precursor to making a wholesale change to the financial reporting and accounting arrangements for not-for-profit organisations.

FRS 102 is primarily focused at for-profit entities, although some concessions are made to Public Benefit Entities as noted within Section 34 of the Standard.

The intention of the SORP making body is for FRS 102, which underpins the Charities SORP, is to acknowledge the differences in financial reporting required by for-profits and non-profits – particularly in cases when FRS 102 Section 1A highlights financial reporting exemptions that not-for-profits are unable to take advantage of as it contradicts the financial reporting requirements of the Charities SORP.

Other proposed changes arise from the desire to “de-clutter” charity accounts. One such example was the triennial review of FRS 102 in 2017, which clarified that comparative information be presented in respect of the preceding period for all amounts presented in the current period’s financial statements. Evidence collected from users and preparers of charity accounts found that additional information included because of this clarification, such as comparative information in respect of a charity’s Statement of Funds, has not proved informative or useful to decision making by users of the accounts.

The letter to the FRC then went further and proposed that the FRC develop a dedicated financial reporting standard for not-for-profits for the UK and Ireland. This would dispense of the need for the users and preparers of non-profit financial statements to refer to two, sometimes conflicting, financial reporting frameworks. This need has been driven to better recognise the charity sector's reporting realities and to remove the requirement to prepare disclosures which are driven by Companies Act and other legislative requirements. The SORP making body noted that the anticipation of further developments to FRS 102, with capital markets in mind, will undoubtedly increase the number of disclosures and reporting requirements burdensome to the sector, with little or no benefit to the users of charity financial statements.

IFR4NFP Project

IFR4NFP is an initiative to develop internationally applicable financial reporting guidance for non-profit organisations to improve accountability, consistency, transparency and trust. Led by Humentum, a non-profit membership association, and CIPFA, the Chartered Institute of Public Finance and Accountancy in UK, the project includes engagement with national standard setters and practitioners from every continent

Currently there is no international accounting standard for non-for-profit organisations in the same way as there are International Accounting Standards for companies. Not all countries have in place separate Statements of Recommended Practice for charities in the same way as the UK.

A consultation has been launched by the project and in 2022 they invited stakeholders in charity accounts, from around the world, to take part in an online survey. Evidence collected from a survey in 2014 noted that 72% of responders from 179 countries would be in favour of such a standard.

Once responses have been collated from the survey, IFR4NFP hopes to develop an exposure draft of a proposed Standard by mid-2023 with an intention to launch any final guidance in 2025.

Updated Charity SORP example accounts

The Charity SORP website has updated its two example Trustee Reports and Accounts to illustrate the disclosures charities should be making in their Annual Reports and Accounts during the current climate.

The Charities SORP making committee issued advisory guidance in March 2020 on the financial reporting implications of the Covid-19 global pandemic. The pandemic has meant that many charities have had transactions outside of their normal activities, for example making use of the government's Coronavirus Job Retention Scheme, requiring additional disclosures in their financial statements. The aim of the example accounts is to provide guidance on common disclosures that would impact many in the sector.

The example accounts for the Rosanna Grants Trust illustrates the impact of the pandemic on a grant-maker and the effect on both its income and activities. The Arts Theatre Trust provides an example where the pandemic has affected the charity's ability to operate and the it faces a challenging financial position and has taken up government financial assistance. Visit [Charities SORP \(charitySORP.org\)](https://charitySORP.org) to view the examples in detail.

Developments in Auditing

ISA (UK) 315 - Identifying and Assessing the risk of material misstatement becomes effective for audits of financial statements beginning on or after 15 December 2022. Early adoption is permitted. This updated ISA will significant increase the amount of documentation required by auditors, particularly in the planning stage of the audit.

UHY resources

As part of our commitment to keep our clients informed and up-to-date with the latest developments and ideas in the sector, we have a long-established charities sector blog which covers the latest issues, including any announcements from the Charity Commission, and explains how these issues could affect you. Latest blogs include:

- [Charities – VAT treatment of donations & sponsorship](#)
- [Are you approving your charity accounts at properly constituted trustee meetings?](#)
- [Do what's right even if no one knows what you have done](#)
- [What would you do if your charity became the victim of fraud?](#)
- [The cost of living crisis - what can your charity do?](#)
- [Six steps to managing change in the charity sector](#)

Visit our insights page to view our latest charity resources. www.uhy-uk.com/insights.

Charity and not-for-profit sector outlook

Our 2022/23 Charity Outlook aims, as always, to bring you the salient issues relevant to the sector at this time. This year's Outlook covers a range of topics such as talking about values, the impact of inflation on charities, trustee training, change management and VAT. We also have a fantastic interview with Nottingham Playhouse, who share some valuable insights.

<https://www.uhy-uk.com/insights/charity-and-nfp-sector-outlook-202223>