

**Accounts 2018/19**

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

**Executive Summary**

The audit of the Trust accounts for 2018/19 has now been completed and an unmodified audit opinion will be issued. This report summarises the main points from the accounts and seeks approval of them so they may be submitted to the Charity Commission.

**Purpose of Report**

To formally approve the Trust accounts for 2018/19.

**This report makes the following recommendations to this Committee:**

1. That the Report and Financial Statement for 2018/19 are approved and submitted to the Charity Commission.
2. That the change in the valuation approach for investment properties be noted.
3. That the Letter of Representation be approved.
4. That the contents of the Management Letter and the proposed course of actions by officers be noted.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Cobtree Manor Estate Committee	20 January 2020

# Cobtree Manor Estate Financial Position

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	The operation of the Estate directly supports the objects of the Trust as set out when the Council became the Corporate Trustee	Head of Regeneration & Economic Development
<b>Cross Cutting Objectives</b>	The operation of the Estate supports the Council's strategic objective to ensure there are good leisure and cultural attractions in the Borough.	Head of Regeneration & Economic Development
<b>Risk Management</b>	There is a potential reputational risk if the annual accounts are not prepared correctly and in accordance with recommended best practice.	Leisure Manager
<b>Financial</b>	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)
<b>Staffing</b>	There are no additional implications arising from this report.	Leisure Manager
<b>Legal</b>	<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
<b>Privacy and Data Protection</b>	There are no new privacy or data protection implications as a result of this report and recommendations.	Team Leader (Corporate Governance), Mid Kent Legal Services

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

## 2. INTRODUCTION AND BACKGROUND

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

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## 3. ACCOUNTS 2018/19

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

3.2 There are no major issues that have arisen regarding the accounts following the audit. A number of amendments were made to the draft accounts that were submitted for audit, and there are also a small number of unadjusted misstatements, both of which are shown on the final two pages of the Audit Management Letter, 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 from £4.26m to £5.17m, with the Statement of Financial Activities (SOFA) showing a net funds increase of £906,633 for the year.
- It should be noted that the increase in the funds includes gains on the revaluations of both the fixed assets of the Trust and the investments held.

- There has been a significant increase in the value of the investment properties held following a review of the valuation approach by the auditors. They have recommended that the most appropriate approach would be to use fair value rather than existing use value. Fair value broadly reflects the open market value of the properties were they to be sold whereas existing use value reflects what it is worth in its current form.
- The auditors have indicated that in their opinion this would increase the value of the investment properties by £770,000 and this has led to the increase in funds held. Formal valuations will be done on this basis going forward, and the Committee is asked to note the change. This has no operational or financial impact on the resources of the Trust but does ensure that the balance sheet more accurately reflects the value of the assets held.
- The accounts also now include a figure for the repayment agreement for the cost of the car park works as previously reported to the Committee. This is shown under creditors on the balance sheet.
- The transfer of £49,710 between the unrestricted funds and endowment funds is an accounting entry which has been included to ensure that the figures in note 18 to the accounts (Summary of funds) agrees to the value of the various assets to which it relates. This had been slightly out of balance in previous accounts and this transfer corrects that position.
- The underlying operational surplus for the year, which is due from Maidstone BC is £36,509, which is broadly in line with the forecast for the year.
- The accounts do include a write-off of a debt of £9,266 for a sum that was due from Mytime. This dates back a number of years and relates to an agreement that was made at the time that they would reimburse the Trust for new ovens installed in the golf course clubhouse. Unfortunately, it appears that the agreement was never followed up and it is now considered unlikely that they would pay this sum due to various changes in personnel over the last few years.
- There are a number of significant reductions in the comparator figures in the notes to the accounts. The majority of these have arisen from where the operation of the café/visitor centre passed to an external contractor in April 2018.

3.4 The write-off is included in agreed accounting adjustments which are listed at Appendix I in the Management Letter, which is **Appendix 3** to this report. These are adjustments made to the draft accounts that were submitted for audit. The two revaluation adjustments changed the figures on the balance sheet but have no impact on the resources of the Trust. The repairs and maintenance system error arose from an over-accrual of expenditure which came about when an error was made in the purchase order system. The adjustment to the Will Trust income is to reflect the actual amount received which was not known at the time the draft accounts

were submitted for audit.

- 3.5 **Appendix 2** is the Letter of Representation for 2018/19. 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.

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#### 4. **MANAGEMENT LETTER**

- 4.1 The Management Letter is attached at **Appendix 3**. The purpose of this letter is to bring to the attention of the Committee various matters that have arisen from the external audit.
- 4.2 Sections 1 to 5 provide a background and overview to the audit and to the letter itself. Sections 6 to 7 deal with specific issues that arose from the audit. The most significant issues are dealt with below in this section of the report.
- 4.3 Section 6 deals with status of audit issues that were raised in previous years. The most significant of these are as follows:

<b>Issue</b>	<b>Summary</b>	<b>Management Response</b>
1 - General charity records	MBC set up a separate accounting system for the Cobtree accounts.	The Sage system is now in operation, as has been advised previously to the Committee.
2 – Potential tax on commercial trading	The car parking operation could be considered to be a commercial activity for the purpose of taxation, and it is possible that the tax threshold limit could be reached in the coming years.	The situation will continue to be monitored closely during the year to see if there is a possibility of reaching the limit. It could be argued that rather than being commercial activities the car parking operation exists to provide funds to reinvest into the Estate, but this point will be investigated further by officers, and if necessary, a report will be brought back to the committee to consider the potential implications.

- 4.4 There is one new recommendation arising from the 2018/19 audit. This relates to the change in valuation basis for investment properties referenced

earlier in this report, and the valuers have been asked to use the fair value basis for their 2019/20 work.

- 4.5 Appendix I to the Management Letter summarised the accounting adjustments that were agreed following the audit of the accounts, which were outlined in more detail in the section on the accounts earlier in this report.

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## 5. **PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 1.2 That the Committee approves the Report and Financial Statements in order that they can then be submitted to the Charity Commission by 31<sup>st</sup> January 2020.
- 1.3 There are no other available options as there is a legal requirement to produce and approve the Report and Financial Statements.
- 1.4 That the contents of the management letter are noted.
- 1.5 There are no alternative actions. The Management Letter 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**

- 1.6 The Report and Financial Statements will be submitted to the Charity Commission for publication on their website.
- 1.7 A response to the Management Letter will be returned to the external auditors.

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## 7. **REPORT APPENDICES**

- Appendix 1 – Report and Financial Statements 2018/19
- Appendix 2 – Letter of Representation
- Appendix 3 – Management Letter

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## 8. **BACKGROUND PAPERS**

None.