

Review of North Luffenham Parish Council 'Trust Accounts' for Year 2018/19

I have been asked, informally, to review the accounts for the year ending 31 March 2019 in respect of the trusts for which North Luffenham Parish Council (PC) is the trustee. None of the trusts is financially large enough to require any form of independent scrutiny under Charity Commission requirements, so this is a voluntarily requested review.

The relevant charitable trusts are:

- 1) North Luffenham Field Gardens - Registered no.1173697
- 2) North Luffenham Recreation Ground - Registered no.1173697-1
- 3) Charity Comprising the Clear Proceeds of Sale of the Former North Luffenham Village Hall - Registered no. 522344

In the absence of a specific brief from the trustee I have reviewed the accounts and basic financial controls broadly in the manner of an 'Independent Examination' (which is required only where annual income exceeds £25,000), but approached such as I consider to be appropriate to the size and nature of these trusts. I have reviewed the accounting records and compared them to the year-end accounts. Additionally, I have reviewed significant accounting transactions and the principal financial controls which are exercised by the trustee. Where appropriate, reference has been made to the trusts' governing documents, minutes of trustee meetings, policy documents, investment records, etc.

In the following report the terms "must" and "required" reflect legal requirements; "recommend" reflects Charity Commission recommendation or expectation. Certain other observations or suggestions are made for consideration by the trustee but, of course, the trustee is under no obligation to accept them.

1) & 2) North Luffenham Field Gardens (Reporting Charity)

These two trusts are registered at the Charity Commission as linked charities (by virtue of having a common trustee).. Linking allows for the accounts of the two charities to be aggregated for accounting purposes, although funds belonging to each charity must be separately identified and the charities must be managed as separate entities (notwithstanding the heavy dependence of the recreation ground (Oval) on funding by income of the Field Gardens Trust (FGT) – which funding is permitted by the discretionary powers of the trustee, as set out in the FGT governing document).

Accounting records and receipts & payments schedules

With total income less than £250,000 p.a., the trustee may prepare annual accounts on a receipts & payments basis. The accounts must include the statement of receipts & payments, accompanied by a statement of each trust's assets.

My review indicates that accounting records are being kept in accordance with Charity Commission requirements, and the receipts & payments statement forming part of the accounts is produced in the appropriate form and is consistent with the accounting records. No material matters came to my attention in these regards. However, it is worth noting that:

- The 'Oval' income is paid into the same bank account as that for the FGT income, rather than into a separate 'Oval' account. However, the small amount involved, in relation to the aforementioned FGT support funding, probably makes this no more than a technical point.

Statement of trust assets & liabilities

This statement forms part of the annual accounts. However:

- the statement presented for review lists only the non-monetary assets of the trusts. It is

required also to include the bank account balances and invested funds valuation. Additionally, it is required that the Field Gardens investment (currently with CCLA/COIF) is annotated to indicate that the funds represent non-expendable permanent endowment of the trust. As such, they are a class of 'restricted funds', which must be explicitly distinguished from the trust's unrestricted funds.

Financial controls

- Review of the 'annual accounts' by the trustee takes place at a routine trustee meeting following the year end. It appears to take the form of the regular review of the income & expenditure schedule (albeit for the financial year), under the agenda item 'Finance Report'. It is not readily apparent that the annual accounts, as such, are deemed to be being approved at the meeting. This would be more clearly demonstrated if the annual accounts were to be issued as a suitably titled document - which must include both the receipts & payments statement and the statement of assets - and with 'annual accounts approval', or similar, appearing as an explicit item on the meeting agenda (and hence in the associated minutes).
- It is not apparent that the trustee undertakes the required regular review of the performance of the trust's invested funds. (It is for the trustee to determine the appropriate frequency of review. Normally, this would be specified within a formal investment policy.)
- As is recommended, an investment policy was prepared by the trustee some years ago, setting out investment objectives, etc. The policy does not appear to have been reviewed recently. (Regular review is expected by the Charity Commission.)
- The PC's Financial Regulations are used for "guidance" in respect of trust decisions, where relevant, and meeting minutes sometimes reference a regulation relating to a particular financial decision. However, two decisions were noted authorising contracts for works to be undertaken, the costs of which were for amounts which the regulations normally require more than one quote to be obtained. Where circumstances justify deviation from the Financial Regulations it would be sound practice for the meeting minutes to record the justification (This is a requirement of the Financial Regulations, themselves).

3) Charity Comprising the Clear Proceeds of Sale of the Former North Luffenham Village Hall

Following the sale of a former village hall in the 1980s the sale proceeds were invested. In 1995 the Charity Commission authorised most of the accumulated funds to be contributed to the building of the community wing at the village primary school, but directed that £1500 be invested for a period of 30 years, with income re-invested, the funds representing permanent endowment of the former village hall charity. Accordingly, £1500 of accumulation units were purchased in the CCLA COIF investment fund at that time. The appropriate financial statements are issued (quarterly) by the fund manager and are filed by the Parish Clerk.

- Despite its simple nature, annual accounts for this fund must be prepared by the trustee. This does not appear not to have been done for the year 2018/19. (I have not reviewed other years.)

The annual accounts would simply show the reported value of the investment at the end of the previous financial year, the amount of the (re-invested) income during the current year, and the year-end value of the investment (which would have been subject to market movements). The nature of the fund as non-expendable permanent endowment must be clearly noted in the accounts. Additionally, it would be prudent to indicate that the funds must remain invested until 2025/6 (albeit not necessarily with the present investment fund).

- The aforementioned comments on the Field Gardens Trust which concern the requirement for regular review of investment performance (and review of any investment policy) apply also to this trust fund.

Review Opinion

Other than the foregoing, no matters have come to my attention during this review which give me cause to believe that, in any material respect:

- the accounting records have not been kept in accordance with applicable requirements; or
- the accounts do not accord with the accounting records; or
- the accounts do not comply with the applicable requirements concerning their form and content.

S N Overington

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Relevant Charity Commission guidance:

Charity reporting and accounting: the essentials - CC15d

Receipts and payments accounts pack - CC16

Internal financial controls for charities - CC8

Charities and investment matters: a guide for trustees - CC14

Independent examination of charity accounts: examiners - CC32

Independent examination of charity accounts: trustees - CC31