

AGENDA

COBTREE MANOR ESTATE CHARITY COMMITTEE MEETING



Date: Thursday 30 March 2017

Time: 3.30 p.m.

Venue: Kent Life, Lock Lane, Sandling,
Maidstone

Membership:

Councillors Cox (Vice-Chairman), Mrs Gooch,
McLoughlin (Chairman), Perry and
Mrs Wilson

Page No.

1. Apologies for Absence
2. Notification of Substitute Members
3. Notification of Visiting Members
4. Disclosures by Members and Officers
5. Disclosures of Lobbying

Continued Over/:

Issued on Wednesday 22 March 2017

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact Debbie Snook on 01622 602030**. To find out more about the work of the Committee, please visit www.maidstone.gov.uk

**Alison Broom, Chief Executive, Maidstone Borough Council,
Maidstone House, King Street, Maidstone, Kent ME15 6JQ**

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|-----|--|---------|
| 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 26 January 2017 | 1 - 7 |
| 8. | Report of the Director of Finance and Business Improvement - External Audit Management Letter 2015/16 | 8 - 36 |
| 9. | Report of the Director of Finance and Business Improvement - Cobtree Manor Estate - Contingency and Reserves Report | 37 - 45 |
| 10. | Report of the Head of Regeneration and Economic Development - Cobtree Manor Estate Update March 2017 | 46 - 52 |
| 11. | Report of the Head of Regeneration and Economic Development - Cobtree Manor Park Visitor Centre/Café Update - March 2017 | 53 - 57 |

PART II

To move that the public be excluded for the item set out in Part II of the Agenda because of the likely disclosure of exempt information for the reason specified having applied the Public Interest Test.

Head of Schedule 12A and Brief Description

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|-----|---|--------------------------------|---------|
| 12. | Report of the Head of Regeneration and Economic Development - Cobtree Manor Estate Financial Position | 3 - Financial/Business Affairs | 58 - 63 |
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MAIDSTONE BOROUGH COUNCIL

COBTREE MANOR ESTATE CHARITY COMMITTEE

MINUTES OF THE MEETING HELD ON 26 JANUARY 2017

Present: Councillor McLoughlin (Chairman) and Councillors Cox, Mrs Gooch, Perry and Mrs Wilson

Also Present: Mr B Mee and Mr M Sharp – Cobtree Charity Trust Limited

22. **APOLOGIES FOR ABSENCE**

It was noted that apologies for absence had been received from Mr Roger Hext of the Cobtree Charity Trust Limited.

23. **NOTIFICATION OF SUBSTITUTE MEMBERS**

There were no Substitute Members.

24. **URGENT ITEM**

The Chairman said that he had agreed to take the report of the Director of Finance and Business Improvement relating to the Accounts 2015/16 as an urgent item as not all of the information was available when the agenda was published on 18 January 2017 and the accounts had to be approved for submission to the Charity Commission by 31 January 2017.

25. **NOTIFICATION OF VISITING MEMBERS**

There were no Visiting Members.

26. **DISCLOSURES BY MEMBERS AND OFFICERS**

There were no disclosures by Members or Officers.

27. **DISCLOSURES OF LOBBYING**

Councillor Cox stated that he had been lobbied generally on matters relating to the Cobtree Manor Estate.

28. **EXEMPT ITEMS**

RESOLVED: That the items on Part II of the agenda be taken in private as proposed.

29. MINUTES (PART I) OF THE MEETING HELD ON 3 AUGUST 2016

RESOLVED: That the Minutes (Part I) of the meeting held on 3 August 2016 be approved as a correct record and signed.

30. MATTERS ARISING FROM THE MINUTES (PART I) OF THE MEETING HELD ON 3 AUGUST 2016

Minute 10 – Tree Replacement Policy

The Parks and Leisure Manager advised Members that the Tree Replacement Policy would form part of the Arboricultural Management Plan to be reported back to the Committee within the next few months following an arboricultural survey of the Estate.

Minute 12 – Cobtree Manor Estate Update Report – CCTV

The Parks and Leisure Manager advised Members that it was the power supply to the CCTV in the car park that was not working. A report would be submitted to the Committee in the near future with options to resolve the problem and details of the costs involved.

Minute 18 (3) – Cobtree Manor Park Golf Course Tender Update Report

The Parks and Leisure Manager advised the Committee that the contract for the operation and management of the Cobtree Manor Park Golf Course had been awarded to Mytime with effect from 1 April 2017. Arrangements would be made for Members to meet with representatives of Mytime to discuss their proposals for developing the facility after the contract had gone live.

Minute 19 (3) – Cobtree Manor Estate Financial Position

The Senior Finance Manager (Client) advised the Committee that a report on the building up of a minimum contingency fund would be submitted to next meeting of the Committee scheduled to be held on 30 March 2017.

The Parks and Leisure Manager said that he would look into the possibility of holding the next meeting of the Committee at the Kent Life attraction to enable Planning Solutions to provide an update on their achievements to date and their plans going forward.

31. ACCOUNTS 2015/16

The Committee considered the report of the Director of Finance and Business Improvement setting out the audited Report and Financial Statements for the year ended 31 March 2016 for approval prior to submission to the Charity Commission by 31 January 2017.

It was noted that:

- The audit had been undertaken by UHY Hacker Young, the appointed external auditors to the Charity, who had indicated that they intended to issue an unmodified audit opinion.
- No major issues had arisen regarding the accounts following the audit. A number of minor amendments had been made to the draft accounts that were submitted for audit and there had also been a small number of unadjusted misstatements. None of these had had any impact upon the financial resources available to the Charity.
- The new Visitor Centre/Café was revalued following its completion. Whilst construction costs were £0.40m, the valuation was £0.25m. The reason for the reduction in value was that it was based on an appropriate rent that an occupier would pay to operate a café in that particular location.
- A new going concern accounting policy had been included in the financial statements for the year ended 31 March 2016 to reflect the sum of £0.58m due to the Borough Council and the fact that the Estate operated at a deficit in 2015/16 which had reduced available sums in the bank account.
- The total funds of the Charity as shown on the Statement of Financial Activities and the Balance Sheet had reduced from £4.97m to £4.48m which was mainly due to the use of funds held for the construction of the Visitor Centre/Café and for repairs to buildings at the Kent Life attraction.
- There had been a significant increase in income arising from the opening of the Visitor Centre/Café and the introduction of car parking charges, but there had also been a significant rise in costs, particularly in staffing costs.

In response to questions by Members, the Senior Finance Manager (Client) explained that:

- Note 9 to the financial statements (Intangible Fixed Assets) related to the purchase of the branding, logos and intellectual property (including the website domain name) pertaining to the Kent Life attraction from the previous operator.
- The net current liabilities shown on the Balance Sheet reflected the construction of the Visitor Centre/Café and the drawing down of permanent endowment funds.
- The seventh paragraph on page 6 of the Trustee's Report and Financial Statements relating to the identification of funding for the preferred future development option for the Cobtree Manor Park had been deleted as it had been superseded.
- Interest due to the Charity in respect of the permanent endowment funds invested with Charifund was included as part of the unrestricted

income. The permanent endowment funds which had been used to implement the master plan for the Cobtree Manor Park with the permission of the Charity Commission would gradually be re-paid.

RESOLVED: That the Annual Report and Financial Statements for the financial year 2015/16 be approved for submission to the Charity Commission.

32. COBTREE MANOR ESTATE UPDATE REPORT

The Committee considered the report of the Head of Regeneration and Economic Development providing an update on the operation of the Estate during the period August 2016 to January 2017.

In response to questions by Members, the Officers explained that:

- Improved security measures had been introduced following the break in and an insurance claim had been made to recover losses.
- Gert and Daisy - the Story of Maidstone Zoo, a two hour guided walk and talk with a local historian had been oversubscribed. Going forward, consideration was being given to capturing the stories about the Zoo on CD-ROM and to the introduction of a loyalty card.
- Options and costings for the improvement of the surface of the car park at the Cobtree Manor Park and the extension of the car park would be included in a report on schemes requiring capital investment over the next five years to be submitted to the next meeting of the Committee. The report would take into account concerns expressed about capacity issues at Cobtree Manor Park.
- The 14% increase in rounds played at the Golf Course in the third quarter of the year compared to the same period in 2015 reflected the efforts of Mytime to develop the business.
- The contract for the operation of the Golf Course had been awarded to Mytime, the current contractor. The contract would commence in April 2017, and to allow for this, a six month contract extension had been negotiated with Mytime at a cost of £50,000 as this was a period of reduced activity at the Golf Course.
- A web designer been engaged at minimal cost to design and build a website to promote Cobtree Manor Park. The website was due to go live by the end of the month.
- It had not been possible to secure funding from elsewhere for a Toucan Crossing over Forstal Road to connect the River Medway Cycle Path Scheme with Cobtree Manor Park. If funding was made available, and the Scheme went ahead, cycle racks would be provided and maintained as part of the Scheme.

- It was anticipated that cash flows would improve once the new Golf Course contract was in operation.

The Committee agreed in principle to make funding of £30,000 available for the Toucan Crossing subject to assurances that the Cycle Path Scheme will go ahead and that the bus stop will be relocated close to the entrance to the Manor Park.

At the invitation of the Chairman, Mr Mike Sharp of the Cobtree Charity Trust Limited updated the Committee on the Trust's aspirations for a railway at the Cobtree Manor Estate. It was noted that discussions would need to take place with Kent Highways regarding construction, the Cobtree Charity Trust Limited regarding related funding arrangements and the operator of the Kent Life attraction before written proposals were put forward.

RESOLVED:

1. That the report be noted.
2. That agreement be given in principle to funding of £30,000 being made available for a Toucan Crossing over Forstal Road to enable the River Medway Cycle Path Scheme to link up with Cobtree Manor Park subject to assurances that the Cycle Path Scheme will go ahead and that the bus stop will be relocated close to the entrance to the Manor Park.
3. That options and costings for the improvement of the surface of the car park at the Cobtree Manor Park and the extension of the car park should be included in the report on schemes requiring capital investment over the next five years to be submitted to the next meeting of the Committee; this report should take into account concerns expressed about capacity issues at Cobtree Manor Park.
4. That the Officers be requested to submit a report to a future meeting of the Committee addressing capacity issues at Cobtree Manor Park.

33. **COBTREE MANOR PARK VISITOR CENTRE UPDATE**

The Committee considered the report of the Head of Regeneration and Economic Development setting out details of the performance of the Cobtree Manor Park Visitor Centre/Café since it opened in August 2015. It was noted that the full year budget for 2016/17 showed net expenditure for the Visitor Centre/Café of £72,940, but the forecast outturn was now predicting net expenditure of £94,670 which was £21,370 greater than the budget. The Parks and Leisure Manager explained that the outcome for December 2016 should read -£2,094. In response to questions by Members, the Officers explained that:

- Consideration was being given to ways to improve the speed at which customers were served at busy times by increasing the counter space to allow for self-service and a second till. A costed design was being

prepared with a view to the work being completed in time for the summer.

- A review had been undertaken of the menu to simplify and reduce the offer. EPOS analysis had identified popular and non-selling items and there had been streamlining of the offer to refine stocktaking and preparation processes. The electronic payment system was due to be upgraded.
- The ratio of staff costs to turnover varied, but there was now less reliance on agency staff as the casual pool had increased. Rotas were drawn up by the Cobtree Manager in consultation with the Catering Supervisor. The pricing structure had yet to be redefined.

During the discussion, concerns were expressed that whilst the Visitor Centre/Café had been trading for less than two years, and staff costs had been reduced, there was a risk that the operation would fail to make a profit over time. It was suggested that consideration should be given to the ratio of staff costs to gross profit.

RESOLVED: That the report be noted.

34. EXCLUSION OF THE PUBLIC FROM THE MEETING

RESOLVED: That the public be excluded from the meeting for the following items of business because of the likely disclosure of exempt information for the reason specified having applied the Public Interest Test:

**Head of Schedule 12A and
Brief Description**

Minutes (Part II) of the meeting held on 3 August 2016 3 – Financial/Business Affairs

Exempt Report of the Head of Regeneration and Economic Development – Cobtree Manor Estate Financial Position 3 – Financial/Business Affairs

35. MINUTES (PART II) OF THE MEETING HELD ON 3 AUGUST 2016

RESOLVED: That the Minutes (Part II) of the meeting held on 3 August 2016 be approved as a correct record and signed.

36. COBTREE MANOR ESTATE FINANCIAL POSITION

The Senior Finance Manager (Client) presented this item summarising the financial position of the Cobtree Manor Estate as at 31 December 2016 and covering the activities at the Golf Course, the Kent Life attraction, the Manor Park and the Visitor Centre/Café. It was noted that it was currently

forecast that the Estate would operate at a deficit for 2016/17. However, the underlying issues were being addressed, and, with the start of the new Golf Course contract, it was anticipated that the Estate would start to generate an annual operational surplus again going forward from 2017/18.

In response to questions by Members, the Officers explained that rechargeable costs, which included management costs, had increased due to more Officer-time being spent on Estate activities.

During the ensuing discussion, Members asked to see details of the budget projections for the Cobtree Manor Estate for next year, including rechargeable costs and projected income, to enable comparisons to be made year on year. Members also asked that a report be prepared reviewing all options in respect of the future operation of the Visitor Centre/Café.

It was suggested that, in order to maintain continuity and experience, Group Leaders be requested to try to ensure that the membership of the Committee remains the same during the next Municipal Year.

RESOLVED:

1. That the current financial position and forecast outturn be noted.
2. That the Officers be requested to provide details of the budget projections for the Cobtree Manor Estate for next year, including rechargeable costs and projected income, to enable comparisons to be made year on year.
3. That a report be submitted to a future meeting reviewing all options in respect of the future operation of the Visitor Centre/Café.
4. That, in order to maintain continuity and experience, Group Leaders be requested to try to ensure that the membership of the Committee remains the same during the next Municipal Year.

37. DURATION OF MEETING

2.30 p.m. to 4.05 p.m.

Agenda Item 8

COBTREE MANOR ESTATE CHARITY COMMITTEE

30 March 2017

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

External Audit Management Letter 2015/16

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

This report makes the following recommendations to this Committee:

1. It is recommended that the Committee notes the contents of the Management Letter and the proposed courses of action from officers.

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all – Ensuring that there are good leisure and cultural attractions.

Timetable

<i>Meeting</i>	<i>Date</i>
Cobtree Manor Estate Charity Committee	30 th March 2017

External Audit Management Letter 2015/16

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 As part of the external audit of the accounts a Management Letter has been produced. This is shown at **Appendix A**, and is for information only.
-

2. INTRODUCTION AND BACKGROUND

- 2.1 The audit of the Report and Financial Statements is now complete, and this was considered at the last meeting of the Committee.
- 2.2 As part of process the external auditors are required to produce a Management Letter.
-

3. MANAGEMENT LETTER 2015/16

- 3.1 The Management Letter is attached at **Appendix A**. The purpose of this letter is to bring to the attention of the Committee various matters that have arisen from the external audit.
- 3.2 Sections 1 to 4 provide a background and overview to the audit and to the letter itself. Sections 5 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.
- 3.3 Section 6 deals with status of audit issues that were raised during as part of the 2014/15 Management Letter. The most significant of these are as follows:

Issue	Summary	Management Response
1 - General charity records	MBC set up a separate accounting system for the Cobtree accounts.	This is still under consideration. The initial consideration for setting up a new company in the MBC financial ledger could cost the Trust around £10,000, so at the moment investigations are being made into using a smaller separate accounting package. This would still incur a cost, which would be lower than previously reported, and a report on this would be brought to the Committee at the appropriate time.
3 - Unincorporated legal status of the charity	Consideration be given to changing the legal structure of the charity.	Nothing further to add at this stage, the issue was discussed last year and it was agreed that no changes would be made.
4 - VAT	MBC stop claiming VAT on behalf of the Trust and set up a separate VAT registration.	This has been done. With regards to the comment on the possibility of an HMRC challenge this has not yet been forthcoming, and the MBC VAT officer is aware of the situation.

3.4 Section 7 deals with recommendations that have been made following the 2015/16 audit. These are summarised as follows:

Issue	Summary	Management Response
1 – Café records	The auditors encountered some difficulties with accessing the records they required.	The recommendation has been noted and improvements to the maintenance of records have now been made.
2 – Potential tax on commercial trading activities	The café and car parking operations could be considered to be commercial activities for the purpose of taxation, and it is possible that the tax threshold limit could be reached during 2016/17.	The situation will be monitored closely during 2016/17 to see if there is a possibility of reaching the limit. It could be argued that rather than being commercial activities the café and car parking operations exist 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.
3 – Financial performance at the café	The café has made trading losses since it opened, which are not sustainable.	The Committee has already received a report on the actions being taken to improve the financial position, and will continue to be advised of the situation.
4 – Car park income	The records relating to car park income could be improved.	Officers have accepted this recommendation and steps are being taken to ensure that the records are improved.
5 – Amortisation of website costs	This was not included in the draft accounts submitted for audit.	The point is noted. Amortisation is now shown in the accounts and will be for any future purchases of a similar nature.

3.5 Appendix I to the Management Letter summarised the accounting adjustments that were agreed following the audit of the accounts, and Appendix II summarises the minor differences that were identified but not adjusted for.

4. AVAILABLE OPTIONS

4.1 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.

5. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

5.1 That the Committee notes the contents of the Management Letter and the proposed courses of action from officers.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 Not applicable.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 A response to the Management Letter will be returned to the external auditors.

8. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	None	
Risk Management	A number of risks have been identified which are outlined in the report.	Section 151 Officer & Finance Team
Financial	The financial implications are outlined in the report.	Section 151 Officer & Finance Team
Staffing	None	
Legal	None	Legal Team, Section 151 Officer & Finance Team
Equality Impact Needs	None	

Assessment		
Environmental/Sustainable Development	None	
Community Safety	None	
Human Rights Act	None	
Procurement	None	
Asset Management	None	

9. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Management Letter

10. BACKGROUND PAPERS

None.

APPENDIX A

AUDIT MANAGEMENT LETTER

Audit management letter

for the year ended 31 March 2016 for

Cobtree Manor Estate

Prepared by: Allan Hickie, Audit Partner

Date of issue: 31 January 2017



1. Introduction

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1. Introduction

This report has been prepared for Maidstone Borough Council, which acts as the corporate trustee of Cobtree Manor Estate (“Cobtree”), to bring attention to those charged with governance various matters arising from the audit of the charity for the year ended 31 March 2016.

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included an examination of the transactions and controls thereon of the charity.

The work we have done was not primarily directed towards identifying weaknesses in the charity’s accounting systems, other than those that would affect our audit opinion, nor to the detection of fraud. We have, however, designed our audit procedures in such a way that we felt would increase our chance of detecting any fraud.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all weaknesses that may exist or improvements that could be made.

This report is to be regarded as confidential to the corporate trustee and is intended only for use by them, and their finance staff. No responsibility is accepted to any other person in respect of the whole or part of its contents. Before this report, or any part of it, is disclosed to a third party our written consent must be obtained.

The report is designed to include useful recommendations that may help improve performance and avoid weaknesses that could result in material loss to the charity or misstatement of the financial statements and other financial data.

Roles and Responsibilities

The corporate trustee is responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the corporate trustee confirms that our understanding of all of the matters referred to in this report are appropriate, having regard to their knowledge of the particular circumstances.

2. Overview

Audit Status and overall opinion

We set out below the current status of the audit and our timetable to completion.

We have substantially completed our work, and intend to issue an unmodified audit opinion, subject to the corporate trustee approving the financial statements and any other minor outstanding items listed below being received and/or completed.

The follow matters are outstanding at the date of this report:

- Final review and approval by you of the final financial statements;
- Agreement of the final financial statements, including the Trustees' Annual Report, to the latest draft;
- Post balance sheet events review to the date of signing the financial statements, including review of latest minutes and management accounts;
- Receipt of signed letter of audit representations.



2. Overview

Independence and ethical standards

We have not identified any potential threats to our independence as auditors. Please see Section 3 for further details.

Audit scope and objectives

We set out the scope and objectives of our audit. See Section 4.

Overall audit strategy

We set out our overall audit approach. See Section 5.

Key audit and accounting issues

We have obtained sufficient, appropriate audit evidence for the significant issues and risks identified during our audit.

During our audit we found no instances of fraud.

Recommendations

We are required to report to you on the significant deficiencies we found in internal controls during the course of our audit, along with any other deficiencies identified.



2. Overview

Misstatements and adjustments to the accounts

It is considered good practice to inform you of any material misstatements within the financial statements presented for audit that have been discovered during the audit. A material misstatement is one where the auditors believe that the misstatement is such as to affect the reader's understanding of the accounts. Materiality is considered in relation to the value of the misstatement and also its context and nature.

The adjustments agreed with you during the course of our audit are shown in Appendix I.

It is generally not practicable to make accounts completely accurate because judgements need to be made and it is difficult to obtain 100% of information about all transactions. Our role is to ensure that deviations from complete accuracy are not material to the reader of the accounts. During the course of our audit we did not identify any unadjusted audit differences.

Going concern

The corporate trustee needs to give consideration to the level of reserves maintained, and consider going concern for the period up to at least 31 January 2017, being an estimate of 12 months from the anticipated date of approval of the accounts, and ensure they agree with the assessment. The corporate trustee has confirmed that the financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the charity's needs. Our review supports the going concern status of the charity.

Thanks

We would like to take this opportunity to thank Maidstone Borough Council for the assistance afforded to us during the course of the audit.



3. Independence

Under current UK Ethical Standards we are required as auditors to confirm our independence to “those charged with governance” i.e. the corporate trustee.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to bear on our objectivity and independence as auditors.

The procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the audit engagement partner and the audit staff. This document considers such matters in the context of our audit for the year ended 31 March 2016.

In addition to performing the statutory audit, we also provide the following non-audit services:

Service	Possible threat	Safeguards
Preparation of the statutory financial statements from your underlying records and trial balance	Self-review	<p>The process is largely a mechanical one, taking your financial results and putting them into statutory accounts which comply with the relevant legislation and financial reporting standards.</p> <p>All adjustments identified will be discussed with finance staff at Maidstone Borough Council (the corporate trustee), who are qualified accountants, and will be agreed with them.</p> <p>We can rely on the</p>
VAT advice	Self-review	The VAT advice is provided by our tax partner, Brian Carey, who has no involvement in the audit process.



4. Audit scope and objectives

Our statutory audit of the financial statements is carried out in accordance with International Standards on Auditing (UK and Ireland) of the statutory financial statements, with the aim of forming an opinion whether:

The financial statements give a true and fair view of the state of the charity's affairs as at 31 March 2016 and of the result for the year then ended.

The financial statements have been properly prepared in accordance with UK GAAP.

The financial statements have been prepared in accordance with the requirements of the Charity SORP.

The information given in the Trustees' Report for the financial year is consistent with the financial statements.

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We also report on whether:

The charity company has kept adequate accounting records.

The financial statements are in agreement with the accounting records and returns.

Other information contained in the annual report is not consistent with the audited financial statements.

Certain disclosures of trustees' remuneration specified by law are not made.

We have not received all the information and explanations we require for our audit.



5. Overall audit strategy

Risk-based audit

We performed a risk-based audit, focussing our work on key audit areas. We began by developing an understanding of the charity's activities and the specific risks it faces. We held an initial planning meeting with key management and finance staff to ascertain management's own view of potential audit risk, and to gain an understanding of the activities. We have also developed an in depth understanding of the accounting systems and controls so that we may ensure their adequacy as a basis for the preparation of the financial statements, and that proper accounting records have been maintained.

Our audit procedures were carried out, and then we ensured the presentation and disclosure in the accounts meet all the necessary requirements.

Significant risks

As part of our audit procedures we are required to consider the significant risks that require special audit attention.

Auditing Standards require us to consider:

- Whether there is a risk of fraud;
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention;
- The complexity of transactions;
- Whether the risk involves significant transactions with related parties;
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty; and
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.



5. Overall audit strategy

The identified significant audit risks were communicated to you in our audit planning report issued before our main fieldwork began. We now note the work performed and conclusions drawn on the following pages:

Significant risk	Explanation of the risk	Audit work performed	Conclusion
<p>Revenue recognition (mandatory risk)</p>	<p>The auditor's responsibility is to conduct the audit on the basis that there is an assumption that revenue recognition is a fraud risk.</p> <p>Work is therefore required to ensure that all income is recognised appropriately and in line with the charity's accounting policies and the charity SORP.</p> <p>We are also required to confirm that income has been correctly classified between restricted and unrestricted funds.</p>	<p>Obtain an understanding of all sources of income, and any contracts or terms & conditions attached.</p> <p>Sample testing income, verifying to supporting documentation to ensure income has been recognised in the correct period.</p> <p>Cut off testing around the period-end to ensure all income is included in the relevant period.</p> <p>Review to ensure that income has been correctly classified between restricted and unrestricted funds, reviewing any terms and conditions etc.</p> <p>Analytical review.</p>	<p>Nothing has come to our attention to suggest there is any fraud risk associated with revenue recognition, however we have made some general comments and recommendations relating to income from the café and car park meters in section 7 of this report.</p>



5. Overall audit strategy

Significant risk	Explanation of the risk	Audit work performed	Conclusion
<p>Management override (mandatory risk)</p>	<p>The corporate trustee and other management have the primary responsibility for the detection of fraud, as an extension of their role in preventing fraudulent activity. The Corporate trustee should ensure a sound system of internal controls is in operation to support these, and other, objectives.</p> <p>Auditing Standards presume a significant risk of management override of the system of internal controls, because management can often find themselves in a unique position where they could potentially override routine day to day financial controls.</p> <p>Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error.</p> <p>We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent.</p>	<p>Management often find themselves in a unique position where potentially could override routine day to day financial controls.</p> <p>Our audit considers this risk and we adapt our procedures accordingly.</p> <p>During our audit we considered the possibility of manipulation of financial results, for example through the use of journals or management estimates, such as provisions and accruals.</p>	<p>Our audit procedures have not identified any instances of management override.</p>



5. Overall audit strategy

Significant risk	Explanation of the risk	Audit work performed	Conclusion
<p>Non-depreciation of freehold buildings</p>	<p>Where the accounting policy is not to depreciate it is necessary to complete an annual impairment review to consider the carrying value of the buildings.</p> <p>Due to the absence of depreciation there is a risk that the carrying value of the property is overstated.</p> <p>If this were to be the case funds will also be overstated.</p>	<p>Review and analysis of any impairment review undertaken.</p>	<p>No impairment review was carried out by the charity.</p> <p>However from our own impairment review carried out, the non-depreciation of freehold buildings appears appropriate.</p>



6. Status of audit issues raised in prior year

This section updates you on the status of the issues your previous auditors brought to your attention last year, and confirms whether any further action is required.

Issue / Observation arising in 2015	Risk rating in prior year	Solution suggested in prior year	Follow up comments, including whether further action required	New risk / priority rating
<p>1. General charity records. During the audit we had significant difficulty in trying to agree the amounts included in the accounts and as a result had to spend a considerable amount of time in reworking the 2015 accounts to a position where we were comfortable with the figures.</p> <p>27</p> <p>There is a distinct lack of an audit trail and this is mainly down to the fact that the charity's records are so intrinsically linked to MBC records that the accounts are effectively created from the council ledger and spreadsheets. This therefore appeared to result in some amounts being included in the charity's accounts as a balancing figure in order to get MBC's books to agree.</p>	 <p>High</p>	<p>We would strongly recommend that MBC set up the charity's own accounting records. This could be done by way of a spreadsheet or alternatively it may be easier to use a simple piece of accounting software.</p> <p>This would enable MBC to record the double entry of all transactions which relate to the charity, even if the transaction goes through the MBC bank account.</p> <p>To do this a MBC loan/intercompany account would need to be set up in the charity's records and every time a CME transaction goes through the MBC bank account then an entry can be made to the loan account, with a corresponding debit to expenditure or credit to income.</p> <p>If something similar is set up in MBC then, as a double check, the two loan accounts should always agree.</p>	<p>The records have not yet been set up separately for the charity, although the records supporting the creditor loan balance for amounts owing to MBC were much clearer this year.</p>	 <p>Med</p>



6. Status of audit issues raised in prior year

Issue / Observation arising in 2015	Risk rating in prior year	Solution suggested in prior year	Follow up comments, including whether further action required	New risk / priority rating
<p>2. Capital expenditure. As part of our audit testing it was identified that capital costs of £963k for the visitor centre, Kent Life and playground had not been capitalised, instead incorrectly being treated as an income and expenditure item.</p> <p>A significant part of the £963k related to previous years, resulting in a prior period adjustment being required.</p> <p>Furthermore an additional capital accrual was identified as part of our after date invoice review.</p>	 <p>Med</p>	<p>In future we recommend that you carefully review any potential capital costs to ensure that they are treated correctly in the accounts.</p> <p>Any capital items that are deemed to be a work in progress should be treated as 'assets under construction'.</p> <p>It is recommended that material after date invoices received are reviewed to ensure that all amounts relating to 31 March are included in the accounts.</p>	<p>Capital expenditure incurred during 2015/16 has generally been accounted for correctly, although some adjustments have been agreed with you, for example £30k of café equipment has been capitalised with your agreements, plus a further £5k for the mono-pump in relation to irrigation works.</p> <p>We recommend that in future you carefully check to ensure that all expenditure which should be capitalised has indeed been treated this way.</p>	 <p>Low</p>
<p>3. Unincorporated legal status of the charity. The charity is structured as an unincorporated trust, with no limited liability for the corporate trustee, Maidstone Borough Council.</p> <p>Our management letter last year set out various risks associated with this current set up, which we will not repeat again here.</p>	 <p>Med</p>	<p>We recommend you give consideration to changing the legal structure of the charity, and consider both the limited by guarantee company and new CIO structure.</p>	<p>We understand that this issue has been considered and, for now, the corporate trustee is comfortable with the position, however our previous advice in respect of this observation remains.</p>	 <p>Med</p>



6. Status of audit issues raised in prior year

Issue / Observation arising in 2015	Risk rating in prior year	Solution suggested in prior year	Follow up comments, including whether further action required	New risk / priority rating
<p>4. VAT. As noted in the independence section, we have been asked to carry out a VAT review, separate to the audit.</p> <p>This VAT review and the report issued to you identified that the all sources of income received during the year were exempt from VAT.</p> <p>Therefore even if the charity were voluntarily registered for VAT, input VAT would not be able to be reclaimed on purchases as they are deemed to be exempt supplies.</p> <p>We noted from our audit testing that Maidstone Borough Council have been claiming input VAT on the charity's behalf for a number of years, and we believe that this is incorrect.</p> <p>We have not been able to quantify the amount involved but it is likely to be substantial.</p>	 <p>Med</p>	<p>We would recommend that Maidstone Borough Council stop reclaiming input VAT on the charity's behalf with immediate effect.</p> <p>We would also advise that you seek professional advice to quantify the amount likely to be recovered by HMRC.</p>	<p>UHY completed our VAT review in late 2015 and early 2016.</p> <p>The charity has now been registered for VAT in its own name from 1 April 2016, the first day of the next accounting period.</p> <p>Given the income in the year 2015/16 from income streams which would count towards the VAT registration thresholds, there is potentially a risk that HMRC could challenge whether the charity should have registered before it did, and raise an assessment for the output tax that should have been declared.</p>	<p>This matter has been dealt with and resolved</p>
<p>5. Fund accounting.</p> <p>The charity has received some donations that were received specifically for capital purposes, however this income has been incorrectly recognised through the general unrestricted funds.</p>	 <p>Med</p>	<p>It would be normal for any income (grants or donations) received specifically for capital purposes to be allocated to a restricted fixed asset fund.</p> <p>This helps to ensure that the capital income is spent in line with the purposes intended.</p>	<p>The only restricted income in 2015/16 is the income from the Will Trust, reflected as a donation, and this has correctly been treated within restricted funds.</p>	<p>This matter has been dealt with and resolved</p>



6. Status of audit issues raised in prior year

Issue / Observation arising in 2015	Risk rating in prior year	Solution suggested in prior year	Follow up comments, including whether further action required	New risk / priority rating
<p>6. Fixed assets. It was noted during our fixed assets testing that an impairment review had not been carried out.</p> <p>Where the accounting policy is not to depreciate it is necessary to complete an annual impairment review to consider the carrying value of the buildings.</p>	 <p>Low</p>	<p>In order to ensure that the carrying value of the property is not overstated, it is important that the charity carries out an annual impairment review.</p> <p>This should be done in advance of the audit fieldwork.</p>	<p>A valuation has been procured during the year showing that the Manor Golf course and also the visitor centre/café were being carried in the accounts in excess of current value, and hence an adjustment was made by you to reduce the carrying value.</p> <p>The Golf Course has been revalued to an amount equal to 7/9th of the valuation report to reflect that the charity only owns 7/9th of the land, the remaining 2/9th being held by MBC.</p> <p>Discussions with finance staff have enabled us to conclude that there are no further indicators of impairment, and that therefore an impairment review is not required.</p>	 <p>Low</p>
<p>7. MBC creditor Due to the number of changes made to the original accounts presented for audit, it was difficult to agree the year end MBC council to third party supporting documentation.</p> <p>Ideally there should be an easy way of agreeing and identifying the balance in the MBC accounts especially as it is such a significant number.</p>	 <p>Low</p>	<p>This is linked to the point raised re: the inadequacy of the charity's records so please see the significant deficiencies in internal control section.</p>	<p>We were provided with MBC's audited accounts for the year ended 31 March 2016, together with supporting schedules, to which we were able to agree the MBC creditor balance (there is a £347 difference due to a difference on the trial balance relating to additional expenses)</p>	<p>This matter has been dealt with and resolved</p>



7. Recommendations for the current year

Significant deficiencies in internal control

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you. As the purpose of the audit is for us to express an opinion on the charitable company's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We confirm that we have not identified any significant deficiencies in internal control during the 2016 audit.

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We are also required to communicate other significant audit findings such:

- where we consider a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate in the particular circumstances of the entity;
- significant difficulties, if any, encountered during the audit; or
- other matters, if any, arising from the audit that, in our professional judgement, are significant to the oversight of the financial reporting process are communicated to those charged with governance.

We have had some difficulties, with these mainly arising due to the immediate availability of accounting records for the new income streams, especially the café. Specific comments are made later in section 7 about the café.

With the exception of the above issue we have nothing to bring to your attention in respect of the three bullet points above.



7. Recommendations for the current year

Other deficiencies in internal control

We also bring to your attention other deficiencies that came to our attention during our work, again along with our recommendations, and your own response:



Medium risk/priority



Low risk/priority

	Priority	Area	Observation	Recommendations	Management response
1.		Café records	<p>A number of observations were made in respect of the records over café income and expenditure:</p> <ul style="list-style-type: none"> • The café records were not immediately available; • There was no clear record linking the daily takings to bankings; • For a period of time taking were allowed to accumulate into larger sums before being banked. Holding large sums of cash like this is not ideal to the risk of theft etc. 	<p>It is important that all accounting records, for all income streams, are passed through to the people responsible for maintaining the financial records.</p> <p>We understand that since April 2016, the amount recorded from the till daily has been the amount banked on each paying in slip, to ensure a clear audit trail.</p>	



7. Recommendations for the current year

	Priority	Area	Observation	Recommendations	Management response
2.	 Med	Potential tax on commercial trading activities	<p>The charity has generated significant income in 2015/16 from two income streams (the café and car parking) which could be seen to be commercial trading. For the purpose of the accounts we have included this income under the heading of ‘charitable income’ on the basis that the expansion of the facilities falls very loosely into the charitable object of benefiting the inhabitants of Maidstone.</p> <p>Charities with income of over £200k have a small scale trading limit of £50k, and are permitted to carry out trading and generate income (not profits) up to this level without incurring a tax liability.</p> <p>In 2015/16 it appears from the information available to us that the café function has operated at a loss for the period from opening in August 2015 to 31 March 2016. With few costs associated with the car park the profit from the car park is likely to be close to the income figure of £26k.</p> <p>We are aware from discussions with you that income from both the café and the car park are expected to be substantially higher for the first full year of operation through to 31 March 2017.</p> <p>There is a risk that, if the café has been profitable, and potentially just due to the car parking income, that the charity will have a tax liability for 2016/17 (although any losses for 2015/16 should be available to offset against some of these profits).</p> <p>Any tax issues would disappear if it is possible to argue that income and profits from these two sources fall into, or are closely related, to the charity’s objects.</p>	<p>We pointed out this potential tax issue last year (in an email from Brian Carey on 12 February 2016), questioning whether the charitable trust had ever been required to submit a tax return to HMRC.</p> <p>In this email we acknowledged that HMRC may be content that no tax charge arises because the income from the golf course, which at the time was the main income potentially subject to tax, was being applied for charitable purposes.</p> <p>We did, however, suggest that with the changes in the type and scale of income received by the trust going forward that this point should be raised with HMRC to ascertain the filing requirement that the Trust will have. We have not been asked to look into this further, and are not aware that you have had any discussions with HMRC.</p> <p>We recommend that the tax position of the charity is given some immediate thought.</p>	



7. Recommendations for the current year

	Priority	Area	Observation	Recommendations	Management response
3.	 Med	Financial performance of the café	The café has made a significant loss (c. £90k) during the period, which we know you are aware of. Nevertheless we feel the need to draw attention to the need to put measures in place as soon as possible to improve the financial performance of the café.	<p>The loss largely arises due to high staff costs, and the use of expensive agency staff in particular. From our review of your forecast and year to date performance for 2016/17 a further loss of approaching £100k is forecast, and so we recommend that you careful review how the café can be returned to profitability or even a break even position.</p> <p>We would remind you that the corporate trustee has a responsibility to ensure charitable funds are not put at risk, and by 31.3.17 the café will have suffered a deficit of nearly £200k across the first year and a half of operation.</p>	
4.	 Low	Car park income	<p>The records relating to income from car parks could be improved.</p> <p>There was no clear record on the accounting system to breakdown income by car park, nor is there a clear record of season ticket parking sales.</p>	<p>It would be helpful if income from each car park is recorded separately, which would enable comparisons between periods to be made easily.</p> <p>Season ticket sales should be recorded separately since if these straddle accounting periods it may be necessary, if sufficiently material, to consider deferring some income into the next period.</p>	
5.	 Low	Amortisation of website costs	No amortisation (depreciation) had been included in respect of the new website costs, and so an adjustment has been agreed with you for £12,500.	<p>The charge included will write off the cost of the £50k investment over a 4 year period.</p> <p>In future years you should ensure this amortisation charge is reflected in the accounts before the audit.</p>	



Appendix I - Agreed accounting adjustments

A significant number of differences have been identified during the audit and posted to the statutory accounts, following agreement with your key management:

Net expenditure/deficit before investment gains/losses per client	(78,200)
Being reanalysis of Cafe set up costs	33,396
Related depreciation costs	(3,340)

	30,056
Reanalysis of service charges & other receipts	32,698
S/c and other receipts re electricity	(16,892)
S/c and other receipts re Sewage	(8,553)
S/c and other receipts re Water	(7,253)

	-
Being the depreciation charge on plant and machinery not posted	(2,513)
Amortisation of intangible assets (website)	(12,500)
Capitalisation of new mono pump re irrigation works	5,156
Debtor for oven reimbursement due from MyTime	9,266
Difference on trial balance relating to additional expenses posted that would increase MBC creditor	(347)

Total impact of all agree accounting adjustments	29,118
Net expenditure/deficit before investment gains/losses per financial statements	(49,082)



Appendix II – Unadjusted audit differences

We are required to bring to your attention audit adjustments that the corporate trustee is required to consider. We confirm that no such adjustments were identified.

	£
Net expenditure/deficit per accounts before investments gains/losses	(49,082)
<hr/>	
Dilapidation costs capitalised which appear to be professional expenses in nature and perhaps should therefore be expense through the SoFA	(5,568)
Being the capitalisation and depreciation charge of the coffee machine identified during the repairs and renewals testing	4,220 (422) ----- 3,798
VAT recoverable on coffee machine above	844
Total impact of unadjusted differences	----- (926)
<hr/>	
Net expenditure/deficit before investment gains or losses if unadjusted differences all included	(50,008)
<hr/>	



**COBTREE MANOR ESTATE
CHARITY COMMITTEE**

30 March 2017

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Contingency & Reserves Report

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

This report makes the following recommendations to this Committee:

1. It is recommended that the Committee notes the contents of the report and agrees to receive a further report that identifies the allocation of reserves for specific purposes.

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all – Ensuring that there are good leisure and cultural attractions.

Timetable

Meeting	Date
Cobtree Manor Estate Charity Committee	30 th March 2017

Contingency & Reserves Report

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To establish what would be an appropriate level of reserves that the Cobtree Trust would need to maintain as a contingency against unforeseen and unexpected events, and to consider the factors that need to be taken into account when setting the level. The report also outlines the need for reserves to be set-aside for other purposes.
-

2. INTRODUCTION AND BACKGROUND

- 2.1 In recent years the financial resources of the Trust have been under considerable pressure for a number of reasons, the principal ones being the reduction in the value of the golf course contract, and the opening of the new café/visitor centre, which has been operating at a loss to date.
- 2.2 The Trust has had sufficient funds held in reserve to meet all its financial obligations to date, and with a new golf course contract in place now, along with additional income from the contract at Kent Life and car parking charges at the Manor Park plans are in place that should enable the Trust to operate on a more secure financial basis going forward.
- 2.3 At the meeting of the Committee in August 2016 Members requested that a report be brought forward to consider what would be an acceptable minimum level of reserves to be held going forward, and this report sets out how this can be achieved taking all relevant factors into account.
-

3. BACKGROUND

- 3.1 Historically the finances of the Trust have been sound, and have generated a healthy annual surplus based primarily around the golf course contract, which has been the largest single source of income. This comfortably covered the operating costs of the Manor Park, which had no significant income generating activities to offset its running costs. In addition the Trust receives around £45,000 per annum from Cobtree Charity Trust Ltd in the form of investment income from a will trust fund, and further income from its own investment holding.
- 3.2 However in recent years a number of factors have placed the finances of the Trust under pressure:
- The golf course contract value has been reduced, reflecting a decline in the popularity of the game, although the Cobtree course itself has continued to be popular in comparison to other local courses.

- The running costs of the park have been increased following the implementation of the master plan, which saw the opening of the new play area, and a substantial improvement to the infrastructure within the park. This has significantly increased visitor numbers and consequently the costs of maintaining the upkeep of the park.
 - The new visitor centre/café has opened, and as a result of a number of operational issues that have previously been reported to the Committee it has to date operated at a loss.
- 3.3 To date previously accumulated surpluses have been sufficient to cover the operating losses that the Estate has incurred in the last two years. However those surpluses are now running low and Members have expressed concern over this. It should be stressed that this does not represent a threat to the ongoing operation of the park. The Trust does have an investment of £1.1m in Charifund which could be utilised. However, this represents the permanent endowment fund that the Trust holds, and it should only be used as a last resort in the absence of any other funds.
- 3.4 The financial position of the Trust is now starting to improve, and whilst the current financial year will again be a difficult one the Trust has projected an improved position beyond this year. A new 20 year golf course contract comes into effect on 1st April 2017, which alongside the 10 year contract for the operation of the Kent Life attraction will provide a significant stable income stream alongside the investment income. In addition the introduction of car parking charges at the Manor Park has also provided significant income to offset the running costs at the park, and it is hoped that once the operational issues at the visitor centre/café are fully resolved it can at least break-even. It may generate a surplus going forward but this has not been factored into the projections.
- 3.5 This means that projections indicate that the Trust can anticipate generating an annual operating surplus from next year onwards, which can be utilised to increase the level of reserves held; to set aside funds for future capital works, such as the refurbishment of the play area; and to re-invest in the permanent endowment following the withdrawal of funds for the master plan. An indicative projection of the financial position is shown at **Appendix A**, and is discussed in more detail in section 5 of this report.

4. CHARITY COMMISSION GUIDANCE

- 4.1 The Charity Commission document CC19 'Charity Reserves: Building Resilience' provides useful guidance and advice around the levels of reserves charities should hold. In particular it sets out some general principles and factors that need to be considered when setting levels of reserves.
- 4.2 Factors that need to be considered when deciding what reserves are required for include planning for unforeseen emergencies or commitments, a loss of a regular income source, longer term financial plans or shorter term budget issues. The likely impact of these factors then needs to be

considered in terms of deciding what an appropriate level of reserves would be, taking into account the likelihood and risk of them actually occurring. These should be tailored to the requirements and circumstances of individual charities, and the level of reserves set should be expressed as a target figure or range.

4.3 For Cobtree specifically it would mean considering the following possible scenarios and requirements:

- The contractors at the golf course or Kent Life failing to meet their obligations either operationally or financially, meaning that there could be a loss of income and/or additional expenditure.
- The closure of the visitor centre/café or the Manor Park, which could also mean a loss of income and/or additional expenditure. A significant drop in visitor numbers in general could have a similar impact.
- A significant reduction or loss of investment income, or rental income from the domestic properties on the estate.
- The requirement to re-invest in the endowment fund the sum withdrawn to fund the cost of the master plan.
- The need to set aside sums for capital replacement and any future capital expenditure.

5. FINANCIAL PROJECTION

5.1 **Appendix A** is an indicative financial projection over the next ten years for the operational activities of the Trust. It shows that in broad terms the operations of the Trust can expect to show an annual surplus of £150,000 per annum from 2017/18 onwards. However, within this projection there are a number of areas that are more sensitive to external factors. These are primarily the trading areas – the car park and the visitor centre/café, and the investment income, both areas being vulnerable to external factors that might be beyond the control of the Trust.

5.2 The golf course and Kent Life contract payments are more certain as they are based on the terms of the respective contracts. There are no changes planned for the current operational model of the Manor Park, which makes it reasonable to assume that the park running costs will remain at current levels.

6. LEVEL OF RESERVES REQUIRED

6.1 Reserves need to be held for three specific reasons:

- i. To establish sufficient funds for ongoing equipment replacement and capital expenditure.

- ii. To re-invest in the permanent endowment investment to replace the funds withdrawn to fund the master plan.
 - iii. To have sufficient funds in place to meet the costs of unexpected events.
- 6.2 Over the course of the next 10 years the projection at **Appendix A** shows that surpluses totalling £1.4m could be generated, which can all be set aside to cover the three areas identified at 6.1. In order to identify how this will be allocated it will be necessary to quantify (a) a programme of anticipated capital works and (b) any additional reserves needed to meet the costs of unexpected events. Whatever remains after this can be set aside to re-invest in the permanent endowment investment.
- 6.3 A draft five year capital programme is attached at **Appendix B** which indicates that around £0.4m will need to be allocated for a number of schemes. The most significant scheme is £0.3m to redesign and resurface the car park, and this is discussed further in the Cobtree Manor Estate Update Report elsewhere on this agenda.
- 6.4 With regard to (b), the Trust is projecting £150,000 of unrestricted reserves as at the end of 2016/17. This represents 13 months of annual net revenue, which is relatively high in relation to standard charity benchmarks. Accordingly, based on the financial projections we would not anticipate needing to add to unrestricted reserves, but this conclusion will obviously need to be monitored regularly in the light of actual performance.
- 6.5 This report is intended to provide Members with information to inform decisions about the level of reserves required to meet ongoing commitments and unexpected events. It is proposed that a further report be brought back to the next meeting of the Committee that more specifically recommends the amounts to be set aside for each of the three areas identified at 6.1.

7. AVAILABLE OPTIONS

- 7.1 Members could accept the recommendation, or they could propose alternative uses for the surpluses generated by the operational activities of the Estate.

8. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 8.1 It is considered to be good financial practice for any organisation, particularly a charity to have a sufficient level of reserves, so it is recommended that any surpluses generated are set-aside as outlined at 6.1 to establish these reserves, subject to a further report that will set the levels of reserves within the three areas.
-

9. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

9.1 The Committee had previously requested that this report be brought before them.

10. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

10.1 Officers will submit a further report that recommends the sums that need to be set-aside for the areas identified.

11. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	None	
Risk Management	Not having sufficient reserves potentially exposes the Trust to the risk of not being able to meet its financial obligations.	Senior Finance Manager - Client
Financial	Establishing a sufficient level of reserves will provide sufficient resources to mitigate against unforeseen or unexpected events.	Senior Finance Manager - Client
Staffing	None	
Legal	As the committee making decisions about the management of the Cobtree Manor Estate Trust, which is a charity, the committee must act in the best interests of the charity. This report sets out sound financial principles to ensure the charity continues to hold adequate reserves.	Interim Head of the Legal Partnership
Equality Impact Needs Assessment	None	
Environmental/Sustainable Development	None	
Community Safety	None	
Human Rights Act	None	

Procurement	None	
Asset Management	None	

12. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- **Appendix A:** 10 Year Financial Projection
- **Appendix B:** Draft 5 Year Capital Programme

13. BACKGROUND PAPERS

None.

COBTREE MANOR ESTATE TRUST - DRAFT FINANCIAL PROJECTION

Activity	Year Ending 31st March	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
AC50 Golf Course - Annual payment from operator		£36,000	-£150,000	-£154,500	-£159,135	-£163,909	-£168,826	-£173,891	-£179,108	-£184,481	-£190,016
AC50 2/9ths Golf Course payment to MBC		£0	£33,333	£34,333	£35,363	£36,424	£37,517	£38,642	£39,802	£40,996	£42,226
AE21 Kent Life - Annual Payment from operator		-£45,000	-£61,268	-£61,000	-£70,000	-£73,500	-£75,400	-£70,000	-£72,200	-£75,000	-£78,400
AE20 Manor Park - Running costs		£173,000	£200,000	£206,000	£212,180	£218,545	£225,102	£231,855	£238,810	£245,975	£253,354
AE20 Manor Park - Car parking income		-£60,000	-£60,000	-£60,000	-£60,000	-£60,000	-£60,000	-£60,000	-£60,000	-£60,000	-£60,000
AE20 Manor Park - Rental income		-£27,000	-£27,000	-£27,000	-£27,000	-£27,000	-£27,000	-£27,000	-£27,000	-£27,000	-£27,000
AE20 Cobtree Charity Trust Ltd. Will Trust Income		-£45,000	-£45,000	-£45,000	-£45,000	-£45,000	-£45,000	-£45,000	-£45,000	-£45,000	-£45,000
AE22 Café/Visitor Centre - net surplus/deficit		£50,000	£25,000	£0	£0	£0	£0	£0	£0	£0	£0
Bank Investment Income		-£50,000	-£50,000	-£50,500	-£51,005	-£51,515	-£52,030	-£52,551	-£53,076	-£53,607	-£54,143
NET SURPLUS (-) OR DEFICIT (+)		£32,000	-£134,935	-£157,667	-£164,597	-£165,954	-£165,638	-£157,944	-£157,772	-£158,117	-£158,979

Cumulative Annual Surpluses: -£1,389,602

APPENDIX B

COBTREE MANOR PARK - DRAFT 5 YEAR CAPITAL PROGRAMME

	Year 1 2017/18	Year 2 2018/19	Year 3 2019/20	Year 4 2020/21	Year 5 2021/22
Café improvement to serving areas	£12,000				
External seating - redesign, additional seating, surfacing and shade sails.	£15,000				
CCTV - Improvements	£10,000				
Toilet Improvements		£10,000			
Visitor Centre Interpretation Boards - renew		£4,000			
Car park redesign and surfacing*			£300,000		
Play Area Refurbishment					£50,000
Entrance gate - automation				£20,000	
Total	£37,000	£14,000	£300,000	£20,000	£50,000

Total resources required: £421,000

*Estimated cost based on tarmac-ing the whole car park. This may be reduced through using an aggregate in bays and tarmac for the roadway.

Agenda Item 10

Cobtree Manor Estate Charity Committee

30th March 2017

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Cobtree Manor Estate Update Report March 2017

Final Decision-Maker	Cobtree Manor Estate Charity Committee
Lead Head of Service	Head of Regeneration and Economic Development
Lead Officer and Report Author	Jason Taylor – Parks and Leisure Manager
Classification	Public
Wards affected	Boxley

This report makes the following recommendations to this Committee:

1. The Committee is asked to note the contents of the Estate Update in Appendix I.

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all -Ensuring that there are good leisure and culture facilities

Timetable

Meeting	Date
Cobtree Manor Estate Charity Committee	30 th March 2017

Cobtree Manor Estate Update Report March 2017

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The information in the report is intended to give the Committee an understanding of the day to day work of the Estate and the issues that affect its management. It also provides a record of all that has been achieved across the different parts of the estate.
 - 1.2 The estate update covers the period from when the Committee last met in January 2017.
-

2. INTRODUCTION AND BACKGROUND

- 2.1 The Cobtree Manor Estate covers a large area of land left in trust to the people of Maidstone. The Cobtree Charitable Trust Ltd hold the freehold to the estate and Maidstone Borough Council has a 999 year lease on the land. The Council set up a charity, the Cobtree Manor Estate Trust, in order to manage the land. Maidstone Borough Council is the Corporate Trustee of CMET.

Cobtree Manor Estate Charity - 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."

- 2.3 As requested previously by the Committee additional information regarding the Cobtree Café/Visitor Centre is supplied in a separate report.
-

3. AVAILABLE OPTIONS

- 3.1 To note the contents of the report and Appendix I.

3.2 The committee could choose not to note the information contained in the report and Appendix I, however receiving regular reports is in the best interest of good estate management.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 It is recommended that the information in Appendix I to the report is noted in order to ensure an accurate record of work across the estate is maintained

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 The committee has previously resolved to receive regular updates on the ongoing work across the Estate.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 Any comments from the Committee will be passed on to the relevant parties.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The work of the charity links directly to its charitable objects and the corporate priorities of the Council.	Head of Regeneration and Economic Development
Risk Management	Risks to running the estate are dealt with in the annual Estate Risk Management Report.	
Financial	Financial risks are considered in the ongoing finance updates.	Cobtree Finance Officer
Staffing	No implications.	
Legal	No implications.	Interim Head of the Legal Partnership
Equality Impact Needs Assessment	No implications.	
Environmental/Sustainable Development	No implications.	

Community Safety	No implications.	
Human Rights Act	No implications.	
Procurement	No implications.	
Asset Management	No implications.	

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix I: Cobtree Manor Park Update Report March 2017

9. BACKGROUND PAPERS

None

Cobtree Manor Park Update Report March 2017

The report covers the period from January 2017 to March 2017

Park

Maintenance of the park over this period covers Winter and early Spring

Works to the park include:

Continuing renovation to shrubbery areas;

Further removal of accumulated rubble and arisings;

Preparation of areas for the sowing of Pictorial Meadows

Design of planting for planters around the Visitor Centre

An ongoing assessment of the Arboretum trees continues to inform an Arboretum Management Plan, improved curation, documentation, labelling and interpretation. A summary and a tree replacement policy will be available at the meeting.

Two students with additional needs from the Grange School in conjunction with Hadlow College, studying for Level 2 qualifications in Conservation/ Horticulture, are undertaking six week work placements, one day per week, working with the Cobtree Ranger.

Incidents

An insurance claim is progressing to recover losses from the November break-in.

In December, a car struck the park fencing on Forstal Road causing damage to a tree and section of fencing. The Police investigation is still ongoing. Fencing has been repaired by MBS in January.

Events

MVCP run events:

A programme has been devised for 2017 including an Easter Trail, Teddy Bear's picnic, Mini-Beast Safari, Geocaching, Pollinators, and Rustic Christmas Decorations. Two Bush-craft sessions are planned following the popularity of last year's sessions.

'In-house' events

February half-term Natural crafts with Churros and Hot Chocolate refreshment attracted 44 participants.

Planned events include:

- Mother's Day Decorate a Cupcake.
- Easter Egg Hunt.
- Easter Bonnet Photo Competition.
- Making Animal Masks.
- Two Story Trails with picnic.
- Decorate a Molehill Photo Competition.
- Father's Day - Decorate a mug for Dad.
- Themed summer family trails.
- An Autumn Arboretum walk.
- Halloween – Evening Fright Trail.
- A Maidstone Zoo Day is in the planning stage for Autumn 2017.

Café

Staffing: recruitment is ongoing to maintain and augment a pool of at least 10 Casual staff.

In this period the café has delivered catering for 75 at the Town Hall for a DWP function.

The distribution of leaflets to the neighbouring industrial estate has resulted in an increase to telephone orders, particularly for weekend breakfasts.

Visitor Centre

Harpers Construction has completed the majority of Year 1 building rectifications, with one minor rectification to the flooring outstanding.

In order to improve the outside seating area, 5 trees not thriving due to damage and or disease have been felled. Five planters built by the Men in Sheds project will be planted up over the next month.

Community

The Men In Sheds project continues to construct bird and owl boxes. The Elephant House has some condensation problems affecting the project's machinery. They propose to seek funding both to cure this problem and for the installation of a toilet.

SHED's Green Shoots therapeutic Garden Project have started a community garden in the 'secret garden' by Dingly Dell cottage. Five regular volunteers have established the structure, cultivated the plots and planted a native hedgerow on the boundary.

Marketing and Publicity

A website www.cobtreemanorpark.co.uk has been launched in February. This can now be utilised for event promotion and marketing.

Cobtree Manor Park Car Park

As requested at the last meeting an indicative price for surfacing the car park at the park has been sought. This initially is to surface the whole car park and install all of the required drainage and kerbs. Before the work took place we would look at whether the lay out could be improved and how we would soften the look of the car park.

The estimate price to surface the existing car park is £296,000.

River Cycle Path Update

Unfortunately due to the delay in funding confirmation the pathway across Forstal Field and the road crossing have not been progressed as part of the project. Officers are currently talking to the project team and whether the road crossing can be done as a separate project. The road crossing is still seen as very important as families will use the river path to access Cobtree Manor Park.

It is hoped that there will be an update on this and an opinion from Kent Highways regarding the tunnel under Forstal Road at the meeting on 30th March 2017.

Cobtree Manor Estate Charity Committee

30th March 2017

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Cobtree Manor Park Visitor Centre/Café Update. March 2017

Final Decision-Maker	Cobtree Manor Estate Charity Committee
Lead Head of Service	Head of Regeneration and Economic Development
Lead Officer and Report Author	Jason Taylor – Parks and Leisure Manager
Classification	Public
Wards affected	Boxley

This report makes the following recommendations to this Committee:

1. The Committee is asked to note the contents of Visitor Centre/Café Update.
2. To approve the inclusion of the Cobtree Manor Park Café in an invitation to tender for an external operator for the Council's various catering outlets, reserving the right to not appoint if the Committee decides to continue operation in house.
3. To approve the installation of a server hatch for the café at a cost not exceeding £5,000.
4. To receive a further report on the results of the tender exercise in order to make a decision on the future operation of the café.

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all - Ensuring that there are good leisure and culture facilities

Timetable

Meeting	Date
Cobtree Manor Estate Charity Committee	30 th March 2017

Cobtree Manor Park Visitor Centre/Café Update

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The information in the report is to update the committee on the performance of the Cobtree Manor Park Visitor Centre as agreed at the Committees 3rd August 2016 meeting.
- 1.2 Contained within this report is a table which shows the financial performance of the Visitor Centre/ Café since it opened in August 2015.
- 1.3 Committee is also being asked to make a decision on the option to include the Cobtree Manor Park Café in an Invitation to Tender for the Council's carious catering outlets.

2. INTRODUCTION AND BACKGROUND

- 2.1 The Cobtree Manor Visitor Centre/ Café opened in August 2015, and has now been operational for 18 months.
- 2.2 Below, in Table 1, is a breakdown of the month on month café/ visitor centre costs and income from when the facility opened to the current time.

Table 1:

	Salaries	Agency Staff Cost	Total Staff Cost	Catering Provision cost	Staff & Catering Provision Cost	Average Service Costs	Total Cost	Sales (Income)	Outcome
Aug-15	2,392	5,719	811	4,709	12,820	2,844	15,664	- 13,591	2,073
Sep-15	3,822	6,485	10,307	6,562	16,869	2,844	19,713	- 16,349	3,364
Oct-15	3,179	9,883	13,062	8,766	21,828	2,844	24,672	- 18,972	5,700
Nov-15	2,768	7,725	10,493	8,471	18,964	2,844	21,808	- 8,729	13,079
Dec-15	3,159	7,779	10,938	3,949	14,887	2,844	17,731	- 9,730	8,001
Jan-16	2,205	6,344	8,549	1,314	9,863	2,844	12,707	- 8,367	4,340
Feb-16	3,584	7,727	11,311	5,029	16,340	2,844	19,184	- 12,392	6,792
Mar-16	6,064	5,191	11,255	2,625	13,880	2,844	16,724	- 14,082	2,642
	27,173	56,853	76,726	41,425	125,451	22,752	148,203	- 102,212	45,991
Apr-16	6,185	5,314	11,499	8,393	19,892	3,286	23,178	- 21,027	2,151
May-16	6,403	4,118	10,521	6,464	16,985	3,286	20,271	- 19,805	466
Jun-16	8,024	2,403	427	11,493	21,920	3,286	25,206	- 19,818	5,388
Jul-16	9,632	854	10,486	11,704	22,190	3,286	25,476	- 36,492	- 11,016
Aug-16	10,674	3,526	14,200	7,535	21,735	3,286	25,021	- 32,848	- 7,827
Sep-16	12,667	2,133	14,800	17,293	32,093	3,286	35,379	- 21,179	14,200
Oct-16	10,672	453	11,126	15,058	26,184	3,286	29,470	- 21,605	7,864
Nov-16	9,726	47	9,773	10,162	19,935	3,286	23,221	- 10,942	12,279
Dec-16	7,287	-	7,287	3,081	10,368	3,286	13,654	- 11,888	1,766
Jan-17	10,828	-	10,828	1,151	11,979	3,286	15,265	- 10,100	5,165
Feb-17	6,303	-	6,303	5,894	12,197	3,286	15,483	- 13,935	1,548
Totals	98,401	18,848	107,250	98,228	215,478	36,146	251,624	- 219,639	31,984

- 2.3 It should be noted that Staff costs have increased since the January report to include £3,278 Casual's holidays excess, and £2,723 Agency staff costs outstanding from earlier in this financial year and the previous financial year, which had not previously been billed.
- 2.4 We will be making a number of changes in April which will enhance the customer experience whilst improving the business in the cafe. These changes include:
 - 2.5 During holidays and weekends we are going to change the menu to food that can be served straight away. This will comprise of food that customers can select, pay for and go, as opposed currently where customers queue, place an order, wait for food to be cooked to order and served by a member of staff. This will greatly reduce waiting times, enable us to operate with fewer staff and mean fewer lines have to be stocked.
 - 2.6 Through benchmarking we know that our prices are considerably lower than other park cafes in the area, we will increase our prices so that they are more comparable to the offer elsewhere. We have not increased our prices across the board since the café opened 20 months ago.
 - 2.7 We are going to trial using quality recyclable packaging at busy times rather than using crockery and cutlery as we currently do. This will reduce the amount of time that staff spend collecting and cleaning crockery and cutlery, which will enable us to reduce the number of staff required. We do currently use take away containers but going forward these will be of sustainably sourced materials as opposed to foam boxes. We will be installing more bins with signage encouraging customers to use them.
 - 2.8 We propose the installation of a service hatch in the window next to the main entrance door. This will give us a second point of sale for ice creams and drinks and a separate, faster moving queue. The cost of this will be approximately £5,000.
 - 2.9 We are going to trial moving the counter forward so that customers are collecting their food, drinks and ice cream on their way to the till. This will operate more like a canteen. This is a system that works very well in other park cafes and will make for a much smoother operation. We can trial this for an initial period before committing to making permanent changes to the current counter.
 - 2.10 These changes will reduce customer complaints about long waiting times for food, reduce the number of staff needed, which will increase profit from the operation and make it more sustainable in the long term.
 - 2.11 Maidstone Borough Council will shortly be running a tender process to find an external operator for its cafes in Mote Park and at Maidstone Museum. There is an opportunity to include Cobtree Café in the Invitation to Tender. This would give CMET the opportunity to test the market for an external operator and assess the potential income from such an arrangement against the current operational performance.

2.12 Cllr Cox visited the café in mid-March as discussed at January’s meeting. At this meeting he highlighted a number of issues that the team quickly resolved. The visit helped highlight these issues which will improve the offer in the café, and we hope that he will revisit in the future.

3. AVAILABLE OPTIONS

3.1 To approve the inclusion of the Cobtree Manor Park Café in an invitation to tender for an external operator for the Council’s various catering outlets, reserving the right to not appoint if the Committee decides to continue operation in house. **This option is recommended.**

3.2 To reject the inclusion of the Cobtree Manor Park Café in an invitation to tender for an external operator for the Council’s various catering outlets. This is not recommended as it would be a missed opportunity and there would be no commitment to appoint but we would be able to test the market and assess the likely revenue available from an external operator.

3.3 To approve the installation of a new server hatch for the café at a cost not exceeding £5,000. This will give us a second point of sale for ice creams and drinks and a separate, faster moving queue which will result in increased revenue. **This option is recommended.**

3.4 To reject the proposal to install a new server hatch as the café is currently operating at a loss and further capital expenditure would not be prudent.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 It is recommended that options 3.1 and 3.3 above are approved for the reasons stated.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 The committee has previously resolved to receive regular updates on performance of the Café/ Visitor Centre.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 Any comments from the Committee will be passed on to the relevant parties.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
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Impact on Corporate Priorities	The work of the charity links directly to its charitable objects and the corporate priorities of the Council.	Head of Regeneration and Economic Development
Risk Management	Risks to running the estate are dealt with in the annual Estate Risk Management Report.	
Financial	Financial risks are considered in the ongoing finance updates.	Cobtree Finance Officer
Staffing	No implications.	
Legal	The legal team will assist in the preparation of the tender in the usual way.	Interim Head of the Legal Partnership
Equality Impact Needs Assessment	No implications.	
Environmental/Sustainable Development	No implications.	
Community Safety	No implications.	
Human Rights Act	No implications.	
Procurement	No implications.	
Asset Management	No implications.	

8. REPORT APPENDICES

None

9. BACKGROUND PAPERS

None

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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