Wimbledon and Putney Commons Conservators

Annual Open Meeting 29 July 2020
Presentation of the Financial Statements
Nigel Ware

Good evening. I am now going to give a presentation on the annual financial statements. The Chairman has explained that we will deal with questions in the Q&A section later in the agenda. If there is not time to answer your particular question, a response will be posted on the Annual Open Meeting page of the website in the next couple of weeks.

I hope that some of you will have downloaded copies of the 2020 annual report from the website. The financial statements themselves will be found starting on page 32 of the annual report.

Firstly, I would like to deal with the Statement of Financial Activities which is in essence the profit and loss account of the charity. The important thing to remember about charity accounts is that there are two types of funds – unrestricted funds and restricted funds.

Restricted funds are those funds that have been given to the charity for a specific purpose and may only be used for that purpose. In our case the main restricted funds during the year were The Windmill Restoration Fund, the Horseride Appeal, the Wildlife Garden Appeal and the National Lottery Heritage Fund project which Diane has already described.

All other funds received are unrestricted funds and can be used generally for the purposes of the charity. Within unrestricted funds it is possible for the Board at its discretion to designate funds for a particular purpose and the WPCC does this for Election Expenses. The Election is being held in the first quarter of 2021 so these funds will be expended in the current financial year.

One of the issues that had a major impact on the financial statements in 2019-20 was the prior year adjustment which is explained in the report and accounts. As part of the work on the proposed constitutional changes I carried out a review of the financial statements going back to 1990, and during that review it became apparent that a considerable amount of expenditure on the construction of buildings had been written off as an expense rather than capitalised as fixed assets. I should explain that it has for many decades been standard accounting practice to capitalise as fixed assets any expenditure on an asset that is going to be of enduring benefit over a number of accounting periods – that expenditure is then depreciated over the life of the asset - which means writing off an equal amount each year to the income and expenditure account.

The overall impact of the prior year adjustment has been to increase net assets at 1 April 2018 by £1.2m and to increase unrestricted funds by a corresponding amount. Full details of the changes made to the accounts will be found in note 19.

I will now deal with the Statement of Financial Activities on page 32 of the annual report. The results are broken down into the two types of funds. If we look first at the restricted funds you will see that we started off the year with a balance of £39k, we received £100k of income in the year and spent £76k leaving a balance of £63k to be carried forward. The largest items of restricted income and expenditure related to the National Lottery Heritage Fund Project.

Moving on to the unrestricted funds. Our income this year was £1,774k which was 3.3% higher than last year. The main component of this increase was an increase of £39k in the levy income. Regrettably, the start of the lockdown in March had quite a negative impact on our sports related income in the last quarter of the financial year.

As I have explained in previous years, a consideration of our expenditure is complicated by the inclusion of a number of non-cash figures relating to the Local Government Pension Scheme, which I shall refer to as the LGPS. By non-cash I mean that these are items which under the relevant accounting standard are required to be charged to the Statement of Financial Activities but do not result in us having to make a physical payment to the pension scheme in respect of them. These additional non-cash costs amounted £348k in the year ended 31 March 2020. If you turn to page 17 of the annual report, you will see that we have summarised the statement of financial activities in order to distinguish these non-cash LGPS costs. Ignoring these additional costs our expenditure on unrestricted funds was £1,738k which was an increase of 4.2% in comparison with the previous year.

The main increases in expenditure were:

* £20k of repair and improvement works at the Richardson Evans Memorial Playing Fields buildings;
* Professional fees of £27k relating to a project to consider the possibilities for re-developing the pavilion at the playing fields, and
* An increase in depreciation charges of £23k

The overall result for the year was an operating profit of £36k before the non-cash items relating to the LGPS.

Taking the non-cash items into account we ended up with net expenditure of £312k for the year to which we add a loss on our investment portfolio of £89k and then deduct an actuarial gain on the LGPS of £528k which leaves us with a net increase in unrestricted funds of £127k for the year. The loss on the investment portfolio has been recouped after the year end as a result of the rise in the financial markets.

Turning now to the balance sheet which you will find on page 33. The charity's net assets before the LGPS liability were £3.1m at the year-end which has increased substantially from the previously reported figures as a result of the prior year adjustment that I described earlier. We then have the pension scheme liability of £2.5m which reduces the net assets to £546k. The pension liability has gone down this year by £180k as a result of the large actuarial gain that arose during the year.

The cash flow statement on page 34 shows that our cash balances increased by £39k during the year which left us with bank balances at the year-end of £332k. I have explained in the trustees' report that we realised £100k from our investment portfolio in February 2020, fortunately shortly before the markets crashed, to provide funds for the anticipated expenditure on constitutional reform. In the event, the constitutional reform has been put on hold as a result of Covid-19 so the funds raised are being used to support our cash flow during the period of reduced income arising as a result of the lockdown.

Those of you who have been regular attenders at these open meetings since I became a conservator will remember that a major feature of the questions asked by the audience has been in relation to the local government pension scheme. During the year we have discussed with the Merton Pension Fund the possibility of closing the scheme to new entrants. I must emphasise that such a change would not impact on current employees who would remain in the LGPS in accordance with their contracts of employment.

The actuaries to the scheme have indicated that if we were do what we wanted, we would suffer a 10% increase in our employer contributions and more seriously would have to provide security to the pension scheme. In normal circumstances this would involve a charge over the assets of the organisation but, of course, in our case we are precluded by our governing legislation from alienating our assets so a charge is not possible. The alternative is to provide a bond to the pension scheme, but, having investigated this, it would not be affordable for us. Thus, for the moment we are at something of an impasse, but we continue to explore other possibilities. In this context, it is worth pointing out that in 2019 the Government opened a consultation about the future of the LGPS and one of the areas consulted on was whether a more lenient approach could be taken to employers wanting to leave the scheme – the government has not yet responded to the consultation on this matter.

The good news about the pension scheme in the last year is that the results of the triennial actuarial valuation have been published and they show that our section of the scheme had a surplus at the valuation date with its assets being sufficient to cover 104% of its accrued liabilities.

Looking ahead to the current financial year, it is too early in the year to work out with any certainty what impact Covid will have on us. The gradual easing of lockdown will obviously help matters, particularly if this enables our sports activities to re-start in the autumn. However, a spike in Covid cases over the winter could bring a reintroduction of restrictions. In the first quarter of the current financial year we have suffered a loss of income as a result of Covid of about £20,000 and extra expenditure of about £7,500. Therefore, all I can say is that the future is very uncertain for us with the result that we hope for the best but plan for the worst.

That concludes my presentation on the financial statements and I can hand you back to Diane.