

▪ **Reference and Administrative details**

<u>Charity Name and Number</u>	Wormwood Scrubs Charitable Trust, Registration No. 1033705
<u>Charity Correspondent</u>	MARK JONES DIRECTOR FOR FINANCE & RESOURCES ENVIRONMENT, LEISURE & RESIDENTS SERVICES DEPARTMENT FIRST FLOOR 77 GLENTHORNE ROAD LONDON W6 0LJ
<u>Trustees</u>	The Council of the London Borough of Hammersmith & Fulham
<u>Telephone</u>	020 8753 6700
<u>Email Address</u>	mark.jones@lbhf.gov.uk
<u>Governing Document</u>	WORMWOOD SCRUBS ACT 1879 AS AMENDED BY SCHEME OF THE CHARITY COMMISSIONERS DATED 25 MARCH 2002.
<u>Objects</u>	FOR RECREATIONAL USE AS SET OUT IN THE WORMWOOD SCRUBS ACT 1879.
<u>Area of Benefit</u>	WORMWOOD SCRUBS AND WEST LONDON. (Area prescribed by Governing Document)
<u>Area of Operation</u>	GREATER LONDON-HAMMERSMITH AND FULHAM-FULHAM
<u>Registration History</u>	23 Feb 1994 Registered
<u>Auditor Details</u>	Audit Commission, 1st Floor, Millbank Tower, Millbank, London, SW1P 4HQ

TRUSTEE'S REPORT FOR THE YEAR ENDED 31st MARCH 2012

Structure, Governance and Management

The Wormwood Scrubs Charitable Trust shares similar governance arrangements with the Council. Depending upon the scale of the proposal, decisions relating to the Trust will be taken either by Council or the Cabinet, an executive body set up to which operational decisions are delegated. Decisions under £100,000 are delegated to the Cabinet Member for Environment, Leisure & Residents Services, Cllr. Greg Smith.

The Audit, Pensions and Standards Committee is the specific body that the Council has established to receive the annual reports of the Trust.

Day to day running of the Trust is undertaken by officers in line with the Council's scheme of delegation. The *de facto* chief executive of the Trust, is the Council's Chief Executive, Mr. Derek Myers. Ms. Lyn Carpenter (Executive Director of Environment, Leisure & Residents Services) and Ms. Sue Harris (Director, Cleaner, Greener & Cultural Services) are the main officers responsible for the day to day running.

Ms Jane West, the Council's Executive Director of Finance and Corporate Governance is the Trust's Chief Finance Officer but day to day financial management of the Trust is undertaken by Mr. Mark Jones (Director for Finance and Resources, Environment, Leisure & Residents Services).

Risk Management

The trustees have a risk management strategy which comprises:

- An annual review of the risks the charity may face;
- Establishment of plans to mitigate those risks identified;
- Implementation of steps designed to minimise any potential impact on the charity should those risks materialise.

The work has identified only a few minor risks and the situation is being monitored (Appendix B).

A key element in the management of risk is the setting of a reserves policy and its regular review by trustees.

Objectives and Activities

Wormwood Scrubs is the subject of a charitable trust created by the Wormwood Scrubs Act 1879. The Council of the London Borough of Hammersmith & Fulham is the sole corporate trustee and holds the land in trust for the "use by the inhabitants of the metropolis for exercise and recreation". This is the Trust's sole objective.

In discharging this objective, the Trust seeks to encourage sporting and recreational use of Wormwood Scrubs through the provision and maintenance of an environment that is conducive to its objective.

The Linford Christie stadium is sited on Wormwood Scrubs and was built by the Greater London Council when that body was responsible for the Scrubs. The stadium is run by the Council and the Trust makes an annual contribution to its running costs.

In addition to supporting the recreational activities provided by the Council through the Linford Christie stadium, the Trust's main activity relates to the maintenance of the scrubs itself. Since 6th May 2008 Quadron Services Ltd has provided a grounds maintenance service at Wormwood Scrubs following a procurement exercise run by the Council.

Achievements and Performance

In 2011-12 the Trust maintained day to day operation of the scrubs.

On the 3rd December 2007, the Cabinet of the London Borough of Hammersmith and Fulham approved the award of a contract on behalf of the Council and the Wormwood Scrubs Charitable Trust for grounds maintenance to Quadron Services Ltd for a period of seven years with an option to extend for a further seven years. The contract commenced on 7th May 2008.

Financial Review

Summary of Financial position	2011/12	2010/11	2009/10	2008/09
Total Incoming Resources	579,106	654,208	735,258	750,588
Total Resources Expended	(687,501)	(673,004)	(785,444)	(699,602)
Net Incoming Resources	(108,395)	(18,796)	(50,186)	50,986
Total funds brought forward	5,679,451	5,698,247	5,748,433	5,697,447
Total funds carried forward	5,571,056	5,679,451	5,698,247	5,748,433

The main income sources are pay and display income from the 4 machines in Wormwood Scrubs Car Park and licence income for the use of the car park. Expenditure is deemed to be in line with the objectives of the Trust.

The Trust's policy is to consider the level of its Balance annually;

- Whether the Trust has approved a balanced budget,
- The robustness of the assumptions and calculations that have underpinned the budget strategy,
- The frequency and effectiveness of in year budget monitoring,
- The effectiveness of Risk Management,
- The affordability of its commitments in respect of grounds maintenance and support of the Linford Christie Stadium,
- The review of, and the opinion of, the Trust's financial standing by the External Auditor,
- The condition of the Trust's assets,
- The affordability considerations of prudential borrowing

Currently, the Fund's usable reserves are in the region of 83% of the turnover of the Trust, which is considered prudent given the factors identified above.

Determining an adequate level of Balance requires professional judgement in the context of assessing performance against the key criteria listed above. Consequently, it is considered inappropriate to stipulate either a minimum or a maximum level of Trust Balance. It is considered more important that the key criteria are reviewed annually at the time of preparing the annual Revenue Budget and reviewing the previous year's performance.

The Trust's investments are managed by the Council. Please see appendix A for an extract from the **Council's Treasury Management Strategy Report** governing the investment policy adopted, adopted by the Council in February 2012.

The Trust undertook a number of capital projects in 2011-12. Work to repair/replace the fencing adjoining the All Weather Pitches has now been completed at a cost of £25,000. A substantial lighting replacement programme costing £90,000 was concluded in the end of 2011 resulting in new lighting throughout the communal building. More recently, work has also been completed to service the floodlights throughout the site.

Plans for future periods

There are a number of issues which are being considered.

Although the facility is not being used as an Olympic training area for the London 2012 Olympics and Paralympics the Linford Christie Outdoor Sports Centre (LCOSC), has picked up displaced activity from those facilities that are hosting Olympic teams

In 2012-13 the stadium will continue to host an array of local sporting events including 26 school sports days (2 of which are borough championships) which are anticipated to attract approximately 6,500 participants and 1,700 helpers and spectators.

Investment into the facility continues and has had a significant impact on user experience. During 2012 work will commence on a project utilising £160k of section 106 money that will include extensive repair of the changing block roof, a sanitary ware replacement programme and repair/replacement of doors and shutters.

Future projects in the pipeline include the potential restoration of the covered running track. Appropriate funding opportunities are currently being identified and the project is being considered in partnership with Thames Valley Harriers.

The car park has a maintenance regime identifying minor repairs that have safety implications. A full survey was carried out in 2004 identifying the need for more extensive work to be carried out in the medium term. This requirement is being kept under review but there remain no immediate plans to commission the works.

The artillery wall was noted in 2009 as being in need of repair. The Council had identified a contractor to demolish the wall at zero cost but subsequent investigations found that part of the wall is listed so demolition is no longer an option. The deterioration of the wall will continue to be monitored.

Opportunities for more significant investment are continually being sought via Sport England and other Governing bodies.

Trustees' responsibilities in relation to financial statements

Charity law requires the trustees to prepare financial statements for each year which show a true and fair view of the state of affairs of the charity and its financial activities for the period. In preparing the financial statements, the trustees are required to:

- Select suitable accounting policies and apply them consistently.
- Make sound judgements and estimates them are reasonable and prudent.
- Prepare financial statements on the going concern basis unless it is not appropriate to assume that the charity will continue in operational existence.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position and to enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The appointment of the auditor to undertake the audit of accounts in the following year is pending further to the abolition of the Audit Commission.

For and on Behalf of Wormwood Scrubs Charitable Trust

Signed



Mark Jones
27 September 2012

Appendix A – Investment Strategy

Extract from Council’s Treasury Strategy Management Report February 2012

10. ANNUAL INVESTMENT STRATEGY

- 10.1 The Council must have regard to the CLG’s Guidance on Local Government Investments (“the Guidance”) and the 2011 revised CIPFA’s Treasury Management in Public Services of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”).
- 10.2 Although the annual investment strategy has to be approved by full Council, it is proposed that amendments to the investment methodology are delegated to Cabinet to enable changes to be made on a timely basis to reflect changes in market conditions.
- 10.3 The Council’s investments priorities are:-
- (a) the security of capital and
 - (b) the liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments.

- 10.4 In accordance with the above, and in order to minimise the risk to investments, the Council has clearly stipulated below the minimum acceptable credit quality of counterparties for inclusion on the lending list.
- 10.5 The Council’s officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The Council will engage with its advisors to maintain a monitor on market pricing such as “Credit Default Swaps” and overlay that information on top of the credit ratings.
- 10.6 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 10.7 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.
- 10.8 Investment instruments identified for use in the financial year are listed below under the ‘Specified’ and ‘Non Specified’ Investment categories.
- 10.9 The DCLG guidance requires authorities to specify their minimum acceptable credit rating. The minimum ratings required by the Council are:

Sovereign Rating AA+

	Long Term	Short Term	Individual	Support
Fitch	A-	F2	bbb-	2

	Long Term	Short Term	Financial Strength
Moody's	A3	P-2	C
	Long Term	Short Term	
S&P	A-	A-3	

11. CREDITWORTHINESS POLICY

11.1 This Council applies the creditworthiness service provided by Sector. This service employs a modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays.

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Spreads (CDS) to give early warning of likely changes in credit rating; and,
- Sovereign ratings to select counterparties from only the most creditworthy countries.

11.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands.

Table 7 - Exposure limits and Duration

	Exposure limit £ million	Duration
Purple	25	2 years
Blue *	35	1 year
Orange	20	1 year
Red	20	6 months
Green	10	3 months
No Colour	0	not to be used

*only applies to nationalised or semi nationalised UK Banks

11.3 Their exceptions to this methodology include:

UK Government (no maximum amount)

- Debt Management Office
- Treasury Bills
- Government Gilts

Public Authorities (Exposure limit of £25 million with a maximum duration of 364 days)

- Unitary Authorities
- Local Authorities
- Borough and District Council's
- Met Police
- Fire and Police Authorities

These authorities do not have credit ratings but statute (LG Act 2003 s13) suggests that credit risk attached to these authorities is an acceptable one.

Money Market Funds

All funds have a AAA credit rating which have a 60 day weighted average maturity. These funds allow instant access to cash, and provide enhanced yield and security.

Exposure limit of £10 – no maximum duration as these are instant access funds.

11.4 Whilst the Council have adopted the Sector methodology for applying creditworthiness if any of the counterparties rating fall below the Council's acceptable minimum credit rating (Para 10.9) they will be withdrawn immediately from the counterparty list.

11.5 The Council is alerted to changes to ratings of all three agencies through its use of Sector creditworthiness service.

- If a down grade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of movements in Credit Default Swaps against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

11.6 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information on government support for banks and the credit ratings of that government.

12. COUNTRY LIMITS

12.1 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ from Fitch Ratings (or equivalent from other agencies). The exposure limit to any one Country will be £20 million with the exception of the UK which will be unlimited.

13. INTEREST RATE OUTLOOK FOR INVESTMENTS

13.1 Bank Rate has been unchanged at 0.50% since March 2009. Bank rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 3 of 2013. Bank Rate forecasts for financial year ends (March) are as follows:-

2011/12 0.50%
 2012/13 0.50%
 2013/14 1.25%
 2014/15 2.50%

13.2 There is downside risk to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate.

13.3 The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next five years are as follows:

2012/13 0.70%
2013/14 1.00%
2014/15 1.60%
2015/16 3.30%
2016/17 4.10%

13.4 For its cash flow generated balances, the Council will utilise its business reserve accounts, money market funds and short dates deposits (overnight to three months) in order to benefit from the compounding of interest.

13.5 Specified Investments

A specified investment is defined in the guidance as an investment which satisfies the conditions set out below:

- (a) The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- (b) The investment is not a long-term investment (i.e. over 364 days)
- (c) The investment does not involve the acquisition of share capital or loan capital in any body corporate

Types of specified investments include and may be used by the Council are:

- Term deposit – UK government
- Term deposits – other Local Authorities
- Term deposits – banks and building societies
- Money market funds
- Callable deposits – under 1 year
- Certificates of deposits - issued by banks and building societies.
- UK Government Gilts
- Treasury Bills

13.6 Non-Specified Investments

If there was a core cash balance available after taking into account the cash flow requirements and the outlook for short-term interest rates then the following non-specified investments could be used after consultation with our Treasury Advisor.

- Term deposits with banks with maturities in excess of one year.
- Term deposits with building societies with maturities in excess of one year
- Term deposits with Local Authorities with maturities in excess of one year.
- Structured deposits.
- Bond Funds with AAA rating credit criteria
- Callable deposits in excess of one year

- Certificates of deposits - issued by banks and building societies in excess of one year.
- UK Government Gilts in excess of one year

14. CREDIT CRITERIA

- 14.1 The banking sector is still a volatile area and the current policy is that whilst we maintain our full lending list in accordance with the methodology approved by Council on the 24 February 2010 we have been operating a more restricted lending list, lending only to UK banks, other Local Authorities and AAA Money Market Funds. For illustrative purposes Appendix C is attached to show the countries and organisations on the lending list at the present time using the approved methodology.
- 14.2 The limits are driven by the methodology which is explained in paragraph 11 above the maximum limits for these banks are shown in table 7. The limits can change if there are rating changes, however the maximum limit would never be more than £25 million except for the part nationalised banks which have a £35 million limit.

15. NATIONALISED BANKS AND PART NATIONALISED BANKS

- 15.1 In the UK, the nationalised and part-nationalised banks have credit ratings which do not conform to the credit criteria usually used to identify banks which are of high credit worthiness, as they are no longer separate institutions in their own right. However, the Council has agreed to invest in these institutions as they are now recipients of an F1 short term rating as they effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. They also have a support rating of 1; in other words, the highest rating on both counts.

▪ **Appendix B – Risk Assessment**

Risk Index No.	AREA OF RISK	IMPACT OF RISK	SEVERITY High/Medium/Low	POTENTIAL High/medium/Low	VALUATION	COMMENT
001	Pay and Display income level	i) Theft of cash boxes. ii) Lower income levels due to decisions taken about Pay and Display tariffs.	High	High	Potential loss of income.	Pay & display tariffs to be reviewed in 2012/13
002	Hammersmith Hospital Trust car park income	The licensing agreement with Hammersmith Hospital Trust has a three month notice period with a possible impact on the level of income.	High	Medium	Potential loss of income.	Contract to be reviewed in 2012/13
003	Condition – Wormwood Scrubs car park	Wormwood Scrubs car park is in need of resurfacing. A review of the car park is planned for 2012.	High	Low	Significant expenditure.	The risk should be manageable. In the year of resurfacing works funds will be managed accordingly.
004	Insurance claims against Trust	Liability of trust in case of personal injury claims.	Low	Low	Possible liability of Trust in case of insurance claim.	Wormwood Scrubs would be covered by the Council's insurance.
005	Safety of Artillery Wall	Cost of demolition, collapse could possibly lead to damage or liability of Trust.	Low	High	Cost of demolition or insurance claims.	The condition of the wall is being monitored.