

APPENDIX B - WORMWOOD SCRUBS CHARITABLE TRUST TRUSTEES REPORT

▪ Reference and Administrative details

| | |
|---------------------------------------|---|
| <u>Charity Name and Number</u> | Wormwood Scrubs Charitable Trust, Registration No. 1033705 |
| <u>Charity Correspondent</u> | GARY HANNAWAY AD FINANCE & RESOURCES 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 3031 |
| <u>Email Address</u> | gary.hannaway@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 2010

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 £50,000 are delegated to the Cabinet Member for Residents Services and Regeneration, Cllr. Greg Smith.

The Audit 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. Geoff Alltimes C.B.E. Ms. Lyn Carpenter (Director of Residents Services) and Ms. Marianne Locke (Assistant Director, Parks & Culture) are the main officers responsible for the day to day running.

Ms Jane West, the Council's Director of Finance is the trust's Chief Finance Officer but day to day financial management of the trust is undertaken by Mr. Gary Hannaway (Assistant Director of Finance and Resources, 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.

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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 2008-09 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 | 2009/10 | 2008/09 | 2007/08 |
|--------------------------------------|------------------|------------------|------------------|
| Total Incoming Resources | 735,258 | 750,588 | 633,015 |
| Total Resources Expended | -785,445 | -699,602 | -400,532 |
| Net Incoming Resources | -50,186 | 50,986 | 232,483 |
| Total funds brought forward | 5,748,433 | 5,697,447 | 5,464,964 |
| Total funds carried forward | 5,698,247 | 5,748,433 | 5,697,447 |
| | | | |

The main income sources are pay and display income from the 5 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;

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- 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 Cash Balance is in the region of 99% 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 2009.

Plans for future periods

There are no specific plans for the future. However there are a number of issues which do require consideration.

During the lead up to the London 2012 Olympics and Paralympics the Linford Christie Outdoor Sports Centre (LCOSC) is hoping to have a role as a preparation camp for smaller teams involved in athletics, football and hockey. Most countries are looking for multi-sports venues where their team can train together for security and logistic reasons. However there is a role for smaller centres like the LCOSC in providing training facilities for teams from less affluent countries. The LCOSC has been included in a consortium of West London boroughs who are marketing their facilities jointly. In line with this a condition survey of the LCOSC will be undertaken in 2009/10 in order to quantify the level of maintenance works required to restore the stadium to a high quality training facility ready for the 2012 Olympics and Paralympics.

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

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requirement is being kept under review but there are no immediate plans to commission the works.

The artillery wall was noted last year 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.

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 trustees have appointed the Audit Commission to undertake the audit of accounts in the following year.

For and on Behalf of Wormwood Scrubs Charitable Trust

Signed

Name

Date

Appendix A – Investment Strategy

Extract from Council's Treasury Strategy Management Report February 2009

9. Annual Investment Policy

9.1 The Council is required to have regard to the DCLG's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). 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 borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non Specified' Investment categories. Counterparty limits will be as set by Council.

Specified Investments

9.2 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 (ie 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
Government Liquidity Funds
Callable deposits – under 1 year
Certificates of deposits - issued by banks and building societies.
UK Government Gilts
Treasury Bills

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- 9.3 The Council last reviewed the credit criteria for its lending list in February 2008. The Council uses Fitch ratings to decide its criteria. Where a counterparty does not have a Fitch rating, the equivalent Moody's rating will be used. All credit ratings will be monitored monthly.
- 9.4 The Council is alerted to changes in Fitch and Moody's ratings through its use of the Sector creditworthiness service. If a downgrade results in the counterparty/investment no longer meeting the Council's minimum criteria it will be withdrawn immediately.

The DCLG guidance requires authorities to specify their minimum acceptable credit rating. The minimum ratings required by the Council are:

| | Fitch Long Term | Short Term |
|--------------------|----------------------|------------|
| Banks | A | F1 |
| | Moody's Long Term | Short Term |
| Building Societies | A2 | P2 |

9.5 Non-Specified Investments

The Council has made no investments in non-specified investments to date. These are any investments not meeting the definition in para 9.2 above.

- 9.6 However 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.
 - 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

10. Methodology for establishing Credit Criteria

- 10.1 Whilst this Council did not have any deposits with Icelandic banks, this Council is looking to enhance its credit criteria by not only looking at the long term ratings but other rating components that the rating agencies use such as the short term, individual and support rating plus the country sovereignty rating.
- 10.2 It is proposed that the Council establish a methodology to decide what levels of credit quality the council consider appropriate in determining its policy on deposit taking institutions.
- 10.3 The proposed Credit Criteria methodology is set out in Appendix B and it is further proposed, that amendments to this be delegated to Cabinet so that the Council can respond to changes in market conditions in a timely manner.
- 10.4 Our Treasury Advisors confirm that these limits are similar to other local authorities that have similar cash balances invested and are considered to be practicable and prudent.
- 10.5 Each month the Treasury Section receives an up to date list of the credit rating for individual counterparties from our treasury advisors. In addition to this if any changes in the credit rating of individual counterparties or in banking structures eg. on mergers or takeovers occur during the month they email any amendments to the Treasury Section on a daily basis and the section adds/deletes counterparties as appropriate to/from the approved counterparty list. This does mean that organisations will be added to and removed from the lending list during the year depending on changes to the ratings.
- 10.6 Since the last report to Committee the banking sector has become a volatile area and the current policy is that whilst we maintain our lending list in accordance with agreed limits. We are at present operating a more restricted lending list. For illustrative purposes Appendix C is attached to show the countries and organisations on the lending list at the present time using the methodology.
- 10.7 **Nationalised Banks** in the UK have credit ratings which do not conform to the credit criteria usually used to identify banks which are of high credit worthiness. In particular, as they are no longer separate institutions in their own right, it is impossible for Fitch to assign them an individual rating for their stand alone financial strength. Accordingly, they have been assigned an F rating which means that at a historical point of time, they have failed and are now owned or part owned by the Government. However, these institutions 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, on both counts, they have the highest ratings possible.

- 10.8 **Part Nationalised Banks** in the UK – they haven't been fully nationalised but receive substantial support (greater than 50% ownership) from the UK Government, in which case the individual rating is E i.e. the Fitch definition is "A bank which requires external support".

11. **Money Market Funds and Government Liquidity Funds**

- 11.1 As a result of the financial crisis the council is facing increasing difficulty in placing funds in secure and liquid institutions. Money Market Funds are highly liquid investments instruments and could be used in a similar way as a Call Account, A core balance is placed in the account but the balance may increase or decrease on any given day according to the amount of surplus cash available. The ability to use Money Market funds would greatly assist in the day to day management of the cashflow as the lending list has been considerably reduced as a result of the uncertainties in the banking industry.
- 11.2 There are three underlying principles to investments, security, liquidity and yield. Money Market Funds address all three of these principles. They generally have the highest security – AAA and liquid – with daily access, and often have enhanced yield compared to short term cash instruments.
- 11.3 Money Market Funds are more advantageous in a falling interest rate market. This is because when base rate is cut, Money Market Funds which are holding longer term investments can still enjoy the higher rates until they mature and have to lock into the lower money market rates. The lag usually varies between 2 and 4 weeks.
- 11.4 Appendix D outlines the background to Money Market funds. The Council will only use Funds which have a credit rating of AAA and when making a selection for which funds to use the following criteria will be considered.
- Size of fund
 - Number of clients
 - Diversification of client base
 - Minimum initial amount
 - Transactional amount
 - Cut off times
 - Performances
 - Fees

Government Liquidity Funds are funds which operate in exactly the same way as Money Market Funds giving same day liquidity. They are AAA rated funds dealing only in UK and European government papers and are managed on a very cautious basis.

12. Interest Rate Outlook for investments

- 12.1 Bank rate started on a downward trend with a 0.25% reduction from 5.75% in December 2007 with further cuts of 0.25% in February and April 2008, then 0.5% in October and 1.5% in November and 1% in December. A further cut of 0.5% was made on 8th January 2009 reducing base rate to 1.5%. Further cuts of 1.0% are expected during Q1 2009. It is then expected to stabilise at 0.50% until starting to rise gradually with the first increase in Q2 2010 and then to be back up to 4.00% during Q1 2012.
- 12.2 The Council should, therefore avoid locking into longer term deals while investment rates are down at historically low levels.
- 12.3 For its day to day cash flow management, the Council will seek to utilise its business reserve accounts and short dated deposits (1-3 months) in order to benefit from the compounding of interest.
- 12.4 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

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▪ **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 | Medium | Medium | Potential loss of income. | No immediate impact expected. |
| 002 | Hammersmith Hospital Trust car park income | The licensing agreement with Hammersmith Hospital Trust is due for renewal in 2006 with a possible impact on the level of income. | High | Medium | Potential loss of income. | Decision still pending. |
| 003 | Condition – Wormwood Scrubs car park | Wormwood Scrubs car park is in need of resurfacing. Surveys are being carried out to determine the cost. | 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. |