

To: All Members of the Council

Emma McQuillan, Democratic Services
Manager

Policy and Governance

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Calls may be recorded for training or monitoring

Date: 4 December 2015

Dear Councillor

COUNCIL (ACTING AS TRUSTEE OF THE SHOTTERMILL RECREATION GROUND
TRUST) MEETING - TUESDAY, 15 DECEMBER 2015

A MEETING of the WAVERLEY BOROUGH COUNCIL (AS TRUSTEE) will be held in
the COUNCIL CHAMBER, COUNCIL OFFICES, THE BURYS, GODALMING on
**TUESDAY, 15 DECEMBER 2015 at 7.30 pm (or at the conclusion of the Council
meeting)** and you are hereby summoned to attend this meeting.

The Agenda for the Meeting is set out below.

Yours sincerely

ROBIN TAYLOR

Head of Policy and Governance

AGENDA

1 **MINUTES**

To confirm the Minutes of the Meeting of the Trust held on 14 October 2014 (to
be laid on the table half-an-hour before the meeting).

2 **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

3 **DECLARATIONS OF INTEREST**

To receive from Members declarations of interest in relation to any items
included on the agenda for this meeting in accordance with the Waverley
Code of Local Government Conduct.

4 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Pages 3 - 38)

The report attached seeks approval of the Annual Trustee's report and accounts of the Shottermill Recreation Ground and Swimming Pool Trust for the year ended 31 March 2015. The Trust comprises the Haslemere Leisure Centre.

Recommendation

It is recommended that the Annual Trustee's report and annual accounts for the year ending 31 March 2015 be approved.

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WAVERLEY BOROUGH COUNCIL

COUNCIL (AS TRUSTEE OF THE SHOTTERMILL RECREATION GROUND AND SWIMMING POOL) – 15 DECEMBER 2015

Title:

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

[Portfolio Holders: Cllr Wyatt Ramsdale and Simon Thornton]

Summary and purpose:

This report seeks approval of the Annual Trustee's Report and accounts of the Shottermill Recreation Ground and Swimming Pool Trust for the year ended 31 March 2015. The Trust comprises the Haslemere Leisure Centre.

Legal Implications:

There are no direct legal implications relating to this report. In December 2011 the Trust approved a delegation to the Executive, acting as Trustee, to make all decisions on behalf of the full Trustee Board. The only exception was the approval of the annual report and financial statements because it is a requirement of the Charity Commission that this is approved by the Council, acting as Trustees.

Officers have investigated whether the constitution of the Trust could be changed to give full delegation to the Executive to avoid the Council having to meet as Trustee once a year. It is clear that this would require significant officer time and legal costs to be met by the Trusts.

Introduction

1. The Charity prepares an annual report and accounts in accordance with Charity Commission requirements which are then independently reviewed and filed with the Charity Commission.

Report and Financial Statements for the year ended 31 March 2015

2. The Annual Trustee's Report and accounts for the year ended 31 March 2015 have been prepared in accordance with the Charities Act 2011 and were subject to audit.
3. A copy of the Trustee's report and accounts is attached at Annexe 1 and the audit report from Grant Thornton will follow.
4. The transactions relating to the Shottermill Recreation Ground Trust also have to be included in the Council's Group Accounts because the Council, as sole trustee, has a significant interest and influence over it, which, in consideration of accounting statements overrides the legal form of the relationship.

Auditor

5. The audit of the Trust's accounts was carried out by Grant Thornton, for the third year, as part of a three year contract.

Refurbishment of Haslemere Leisure Centre

6. Haslemere Leisure Centre underwent refurbishment during 2014/15 to the value of £3.8million. The majority of this was funded by Waverley Borough Council along with some other external funding and a contribution from the Trust of £200,000 from its Unrestricted Funds as previously approved.
7. The value of the refurbishment to the Trust meant that the accounts for the year ended 31 March 2015 were subject to full audit instead of an independent review as in previous years. It is anticipated that the accounts for the year ended 31 March 2016 will revert back to requiring an independent examination.

Recommendation

It is recommended that the Annual Trustee's Report and annual accounts for the year ending 31 March 2015 be approved.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

CONTACT OFFICER:

Name: Graeme Clark **Telephone:** 01483 523099
E-mail: graeme.clark@waverley.gov.uk

Shottermill Recreation Ground and Swimming Pool

Report and Financial Statements

Year ended 31 March 2015

The Charity's Accounts are detailed below and comprise:

- **The Trustee's Annual Report**
- **Accounting Policies**
- **Statement of Financial Activity** – showing incoming resources and resources expended.
- **Balance Sheet** – showing assets and liabilities.
- **Notes to the Accounts**

The Trustee's Annual Report

The Trustee presents its report together with the Annual Accounts for the financial year ending 31 March 2015.

The annual report and accounts for the year ended 31 March 2015 have been prepared by the Trustee in accordance with the Charities Act 2011 and the Charities (Accounts and Reports) Regulations 2005. The Trustee has also complied with the duty in section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charities Commission.

Charity name: Shottermill Recreation Ground Trust
(working name: Haslemere Leisure Centre)

Charity number: 305060

Principal Office: Waverley Borough Council
The Burys
Godalming
Surrey
GU7 1HR

Name of Trustee: Waverley Borough Council
(address as above)
Contact: Mr G Clark

Bank details: The Trust currently uses the Bank Account of Waverley Borough Council.
HSBC Bank plc
110 High Street
Godalming
Surrey
GU7 1DP

Independent Examiner: Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Structure, governance and management:

The Governing Document is the Declaration of Trust dated 5 November 1909 and Conveyance dated 18 July 1946. These documents refer to the former Haslemere Urban District Council as Trustee. Following the Local Government reorganisation in 1974, the Haslemere Urban District Council was merged, together with several other district councils, to form Waverley Borough Council. Waverley Borough Council was the owner of the land on which the original leisure facility was situated subject to the Declaration of Trust of 1909. This Declaration of Trust provided that the land was to be held for recreational purposes for the benefit of the people of Shottermill and its immediate neighbourhood.

Following the need for extensive repairs to the leisure facility on the original site, it was concluded that the only means of funding a new leisure facility was to sell the original site for redevelopment and, with the proceeds of sale, to acquire land and build a new leisure facility. The sale was effected under the provisions of the Charities Act 1993 and was completed on 20 December 1996. In accordance with the provisions of the Trust, the money raised was applied to the provision of a new leisure facility (Haslemere Leisure Centre) on the 'Kings Road Site' which is within a one-mile radius of the original leisure facility.

During 2014/2015 the leisure centre was refurbished at a cost of some £3.8 million. Grant funding of £392,000 was received by Waverley Borough Council from Sport England towards the costs, the Trust contributed £205,000 and the remainder was paid for by Waverley Borough Council.

Waverley Borough Council is the sole Trustee of the Trust. Haslemere Leisure Centre was opened during 1998/1999 and the management of the leisure centre is wholly contracted out. The accounts shown below represent the costs of the Council as trustee in its capacity as a client of the management contractors.

Decision Taking: In the event that a key decision needs to be taken a meeting will be called of Waverley Borough Council in its capacity of Trustee and will comprise the full Council members.

Risk Exposure: Consideration has been given to the major risks to which the Trust is exposed. The legal rights and obligations of the Council are confined to its position as trustee, however, the Haslemere Leisure Centre is an important part of the Council's Leisure Strategy and it is reasonable to assume that the Council would step in to cover it should it fall into difficulties.

Aims and Objectives of the Charity for the public benefit:

The objectives of the Trust are the provision of recreation facilities for the area of Shottermill, Haslemere, Surrey which were successfully achieved during the financial year.

In line with the requirement to report on the charity's public benefit, the Trustees have considered the Charities Commission's guidance on public benefit including the guidance on geographical restrictions and access to facilities.

In accordance with the governing document and aims and objectives of the charity, the beneficiaries are the people of Shottermill and the immediate neighbourhood. This is considered reasonable as a geographical and catchment area for a recreational facility.

The Trust complies with the requirements of The Disability Discrimination Act in ensuring that the facility is accessible by all.

Achievements and Performance: The Trust achieved its objectives by the provision of a leisure centre run on behalf of the Trust by DC Leisure to the benefit of those set out in the governing document.

Financial Review: Expenditure totalled £243,647 (excluding Depreciation) against income of £63,182 (excluding assets given for use by the charity). The deficit of £180,465 was met from the Unrestricted Funds Account, which remains in surplus.

Reserves Policy: The Trust will maintain a reasonable level of reserves, which will be used entirely in the execution of its aims and objectives.

Plans for the future: For the continued provision of recreation facilities for the Shottermill area.

Provision of information to auditors:

Auditor reappointment: The audit of the Trust's annual report and accounts was carried out by Grant Thornton UK LLP for the third year. This was part of a three year contract after which the reappointment of auditors will be subject to review.

Graeme Clark
Director of Finance and Resources and Section 151 Officer of Waverley Borough Council

Date:

Trustee's Responsibilities Statement

The trustee is responsible for preparing the Trustee's Annual Report and the financial statements in accordance with applicable law and regulations.

The Charities Act 2011 requires the trustee to prepare financial statements for each financial year. The trustee has to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The trustee must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the trustee is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustee is responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations and the provisions of the trust deed. 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.

The trustee confirms that:

- so far as the trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- the trustee has taken all the steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

The trustee is responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Main Accounting Policies

1. General Principles

The financial statements summarise the Shottermill Recreation Ground Trust's transactions for the 2014/2015 financial year and its position at the year-end on 31 March 2015. The Accounts have been prepared in accordance with the *Accounting and Reporting by Charities: Statement of Recommended Practice* (the SORP 2005), applicable accounting standards and the Charities Act 2011. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the trustee and a letter of support has been obtained from the charity's parent entity to confirm it may continue as a going concern for at least 12 months from the balance sheet date.

2. Funds Structure

The Charity has two funds, which are:

- Unrestricted Funds – these are funds which are available to the trustees to apply for the general purposes of the charity as set out in its governing document. These are 'general funds' which are free to be used for any of the charity's purposes.
- Endowment Funds – these are held on trust to be retained for the benefit of the charity as a capital fund. This fund is formed from the initial gift and any subsequent increases or decreases.

The Endowment Funds of this charity are classed as Permanent Endowment Funds as the trustees must maintain the whole of the fund. The Endowment Funds comprise the land held for recreation purposes as set out in the governing document and the subsequent building of the current leisure centre, which forms the fixed assets of the charity.

The analysis of the Charitable Funds is disclosed in note 9 on page 11.

3. Incoming Resources

Income is accounted for in the year that the charity is entitled to it, not simply when cash is received. Where income has been recognised, but cash has not been received, a debtor for the relevant amount is recorded in the balance sheet.

Where the amount of an item of income relating to the financial year is not known at the 31 March, estimation techniques are applied to ensure that the accounts reflect the most likely position.

The following income is received:

- Grant from Waverley Borough Council – a transfer of funds is made during the year to the value of grant agreed for the financial year, which is the net of total estimated support costs, energy costs, audit fees and management fee income.

- Investment income – the Shottermill Recreation Ground Trust uses Waverley Borough Council's bank account. Interest is calculated on the working balance according to the interest rates obtained on Waverley's investments. Interest earned for the year is credited at the year-end to the Shottermill Recreation Ground Trust.
- Other incoming resources – spend on the charity's assets by Waverley Borough Council and DC Leisure is included here as assets given for use by the charity. In 2014/2015 the leisure centre was refurbished by Waverley Borough Council, the value of this spend is treated as an incoming resource to the Trust.

4. Resources Expended

Activity is accounted for in the year that it takes place, not simply when cash payments are made. Where expenditure has been recognised, but the payment not made, a creditor for the relevant amount is recorded in the balance sheet.

Where the amount of an item of expenditure relating to the financial year is not known at the 31 March, estimation techniques are applied to ensure that the accounts reflect the most likely position.

Costs of Generating Funds:

- The costs of administration is the charge from Waverley Borough Council for support services.
- The Trust made a contribution towards the refurbishment costs from unrestricted funds in furtherance of the Trust's aims and objectives.

5. VAT

Irrecoverable VAT is charged to the category of resources expended to which it was incurred.

6. Tangible Fixed Assets

Tangible fixed assets have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis provided that it yields benefits for more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of assets (eg repairs and maintenance) is charged to revenue as it is incurred.

The de minimis level for the recognition of fixed assets is £1,000 for vehicles, plant and equipment and £10,000 for land and buildings.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years.

Impairment: following a revaluation, a reduction in value is regarded as additional depreciation and included in the Resources Expended section of the Statement of Financial Activities.

Depreciation: depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. It is accounted for in the Resources Expended section of the Statement of Financial Activities.

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the life of the individual asset as advised by a suitably qualified officer

Newly acquired/enhanced assets receive a full depreciation charge in their first year, regardless of the precise timing of the expenditure. Assets disposed of receive no depreciation charge in the year of disposal. Where an asset has major components with different estimated useful lives, these are depreciated separately.

Following a revaluation, a full year of depreciation is charged in the year of revaluation.

Waverley Borough Council as Trustee of Shottermill Recreation Ground

Statement of Financial Activities

2013/2014 (Unaudited)		Unrestricted Funds £'000	2014/2015 Endowment Funds £'000	Total Funds £'000
£'000				
	Incoming Resources			
	Incoming Resources from generated funds			
(2)	Investment Income (Interest on cash balance)	(2)		(2)
	Incoming resources from charitable activities			
(67)	Grant from Waverley Borough Council	(40)		(40)
	Management Fee	(16)		(16)
	Other incoming resources			
(3)	Assets given for use by the charity		(3,580)	(3,580)
	Sale of gym equipment	(5)		(5)
(72)	Total Incoming Resources	(63)	(3,580)	(3,643)
	Resources Expended			
	Charitable activities			
1	Fees	1		1
2	Audit Fee	2		2
38	Management fee	0		0
35	Support costs	36		36
	Contribution towards refurbishment	205		205
194	Depreciation and Impairment		2,288	2,288
270	Total Resources Expended	244	2,288	2,532
198	Net (incoming)/outgoing resources	181	(1,292)	(1,111)
	Other recognised gains/losses			
0	(Gains)/losses on revaluation of fixed assets		515	515
198	Net Movement in Funds	181	(777)	(596)
	Reconciliation of Funds			
(9,297)	Funds brought forward as at 1 April 2014	(340)	(8,759)	(9,099)
198	Net Movement in Funds	181	(777)	(596)
(9,099)	Funds carried forward as at 31 March 2015	(159)	(9,536)	(9,695)

Balance Sheet as at 31 March 2015

The assets in this Balance Sheet comprise Haslemere Leisure centre and its plant and equipment.

31 March 2014	31 March 2015		
£'000	Unrestricted Funds £'000	Endowment Funds £'000	Total £'000
	Fixed Assets		
8,568		9,163	9,163
191		373	373
<u>8,759</u>	<u>0</u>	<u>9,536</u>	<u>9,536</u>
	Total Fixed Assets		
	Current Assets		
0	29		29
373	179		179
<u>373</u>	<u>208</u>	<u>0</u>	<u>208</u>
<u>9,132</u>	<u>208</u>	<u>9,536</u>	<u>9,744</u>
	Total Assets		
	Less: Current Liabilities		
(33)	(49)		(49)
<u>9,099</u>	<u>159</u>	<u>9,536</u>	<u>9,695</u>
	Total Assets less Current Liabilities		
	The Funds of the Charity:		
(340)	(159)		(159)
(8,244)		(9,536)	(9,536)
(515)		0	0
<u>(9,099)</u>	<u>(159)</u>	<u>(9,536)</u>	<u>(9,695)</u>
	Total Charity Funds		

The notes on pages 10 to 12 form part of these accounts

Graeme Clark
Director of Finance and Resources and Section 151 Officer of Waverley Borough Council

Date:

Notes to the Financial Statements

1. Related Party Transactions

Disclosure is required of any transactions which the Trust or any institution connected with it has entered into with a related party. Such transactions might inhibit the charity from pursuing its own separate interests.

Transparency is important to ensure the reported financial position and results do not include transactions influenced by interests other than the Trusts.

Waverley Borough Council is sole trustee of the Trust and, therefore, the only related party. The accounts presented represent the costs of the Council as trustee in its capacity as client of the management contractors. The costs go through the Council's own finance system and bank account.

2. Officers' Emoluments

There are no employees with emoluments over £60,000 charged to the Shottermill Recreation Ground Trust in 2014/2015.

No remuneration was paid to Trustees or persons connected with the Trustees.

3. Support Costs

Support costs are those costs that, whilst necessary to deliver an activity, do not themselves produce or constitute the output of the charitable activity. They cover costs incurred in supporting the governance of the charity as well as the general management, budgeting and accounting & human resources. The staff that support the Trust are paid by Waverley Borough Council and then recharged to the Trust accounts.

Charitable Activities		Basis of Allocation	
2013/2014 £'000 (Unaudited)	2014/2015 £'000		
22	Leisure staff support	20	The support costs are allocated at the year end
8	Finance	11	on the basis of time spent on the charity.
3	Legal	3	The charge includes overheads.
2	Information Systems support	2	
<u>35</u>	Total	<u>36</u>	

4. Audit Costs

Audit fees are paid in arrears, the fees for the review of the 2014/2015 Accounts will be charged to 2015/2016 and will be for a full audit, at a cost of £5,000, due to the value of the incoming resources.

The Shottermill Recreation Ground Trust paid the following fees relating to external audit:

2013/2014 (Unaudited)		2014/2015
£		£
2,000	External Audit Fees	2,000
<u>£2,000</u>		<u>£2,000</u>

5. Fixed Assets

Movement on Fixed Assets

Operational Assets	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Total £'000
Cost or Valuation			
At 1 April 2014	9,022	488	9,510
Donations *	3,312	268	3,580
At 31 March 2015	12,334	756	13,090
Depreciation and Impairments			
At 1 April 2014	(454)	(297)	(751)
Charge for 2014/2015	(155)	(69)	(224)
Impairments **	(2,562)	(17)	(2,579)
At 31 March 2015	(3,171)	(383)	(3,554)
Balance Sheet amount at 31 March 2015	9,163	373	9,536
Balance Sheet amount at 31 March 2014	8,568	191	8,759

* Donations comprise the refurbishment costs of the leisure centre and new equipment paid for by Waverley Borough Council.

** The leisure centre was revalued as at the 31 March 2015 following the refurbishment. The value given was lower than the opening value plus refurbishment costs hence an impairment was recognised. Due to the existence of previous revaluation gains within the revaluation reserve (per note 9) £515k of the impairment was processed through the revaluation reserve (which is represented on the SOFA within the (gains)/losses on revaluation of fixed assets line) and the remainder through the depreciation and impairment line on the SOFA.

Depreciation Methods used

Land and Buildings

Depreciation on buildings has been calculated on a straight-line basis using asset lives estimated by Waverley Borough Council's Estates and Valuation Manager.

Vehicles, Plant and Equipment

Depreciation on vehicles, plant and equipment has been calculated on a straight-line basis using asset lives of between five and ten years, depending on the type of asset.

6. Valuation Information

The valuation of the Council's assets:

Land and Buildings

The land and buildings were valued externally by Waverley's Estates and Valuation Manager, Gary Streets MRICS, in accordance with the Royal Institute of Chartered Surveyors (RICS) Statement of Asset Valuation Practice and Guidance Notes (Red Book) as supplemented by the Manual of Valuation (White Book). The land and buildings are valued at the lower of net current replacement cost or net realisable value in existing use. The de minimis level for land and buildings has been set at £10,000.

Vehicles, Plant and Equipment

The value of vehicles, plant and equipment in the Balance Sheet, reflects their net current replacement value (i.e. what it would cost, at today's prices, to replace the asset in its current condition to perform its current function). The de minimis level for vehicles, plant and equipment is £1,000.

7. Debtors

31 March 2014 Closing Balance £'000		31 March 2015 Closing Balance £'000
0	Trade Debtors	29
<u>0</u>	Total of Debtors	<u>29</u>

8. Creditors

31 March 2014 Closing Balance £'000		31 March 2015 Closing Balance £'000
(33)	Trade Creditors	(49)
<u>(33)</u>	Total of Creditors	<u>(49)</u>

9. Analysis of Charitable Funds

	1 April 2014 Opening Balance £'000	Incoming Resources £'000	Resources Expended £'000	Asset Revaluations £'000	31 March 2015 Closing Balance £'000
Unrestricted Funds	340	63	(244)	0	159
Endowment Funds	8,244	3,580	(2,288)	0	9,536
Revaluation Reserve	515	0	0	(515)	0
	<u>9,099</u>	<u>3,643</u>	<u>(2,532)</u>	<u>(515)</u>	<u>9,695</u>

10. Approval of Accounts

The Accounts were approved by Graeme Clark, Director of Finance and Resources and Section 151 Officer, of Waverley Borough Council on 15th September 2015.

The Audit Findings for the Shottermill Recreation Ground Trust

Year ended 31 March 2015

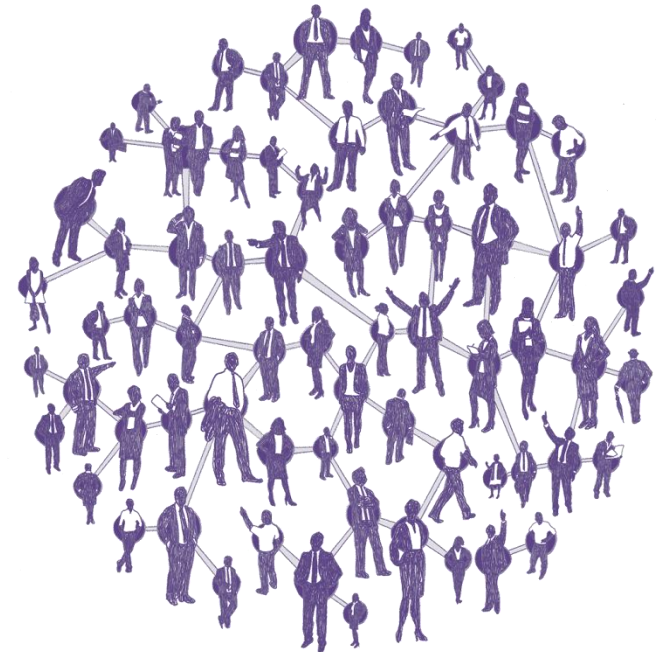
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Grant Thornton at a glance

1 in 3

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Shottermill Recreation Ground Trust
Waverley Borough Council
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11 December 2015

Dear Councillor Knowles

Audit Findings for Shottermill Recreation Ground Trust for the year ended 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

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As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully

Tom Davies – Engagement Lead

Chartered Accountants

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Section 1: Status of the audit and opinion

- 01. Status of the audit and opinion
- 02. Audit findings
- 03. Fees, non audit services and independence
- 04. Communication of audit matters

Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware which would require modification of our audit opinion, subject to the outstanding matters detailed below.



We are currently in the process of undertaking our final internal review processes, including our review of the revised Accounts, to ensure that all amendments have been processed correctly. However at the current date we are satisfied that the Charity has processed all of the required amendments to date, so the likelihood of any further amendments arising is reasonably low, and will not impact the main Financial Statements.

Audit opinion

Our anticipated audit report will be unqualified and include an Other Matter paragraph

Other Matter paragraph – a paragraph included in the auditor’s report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor’s judgment, is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report.

The Other Matter paragraph included states:

Other Matter

The charity was not required to have a statutory audit for the year ended 31 March 2014 as it was entitled to exemption from the provisions of the Charities Act 2011 relating to the audit of the financial statements for the year by virtue of Section 144 and no Trustee or Trustees had requested an audit pursuant to Section 144 of the Act. Accordingly the corresponding figures for the year ended 31 March 2014 are derived from financial statements that are unaudited.

Section 2: Audit findings


- 01. Status of the audit and opinion
- 02. Audit findings**
- 03. Fees, non audit services and independence
- 04. Communication of audit matters

Significant findings

	Risks identified in our audit plan	Commentary
1.	<p>The revenue cycle includes fraudulent transactions</p> <ul style="list-style-type: none"> Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue 	<p>The work planned and performed was as follows:</p> <ul style="list-style-type: none"> Review and testing of revenue recognition policies <p>No issues were noted from our testing in this area.</p> <ul style="list-style-type: none"> Performance of testing on material revenue streams, in particular, we will be focussing on the assets given for use by the Charity from the main Council during the year. <p>No issues were noted from our testing on the Charity's material revenue streams included within the 2014-15 Accounts.</p>
2.	<p>Management override of controls</p> <ul style="list-style-type: none"> Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities 	<p>The work planned and performed was as follows:</p> <ul style="list-style-type: none"> Review of accounting estimates, judgements and decisions made by management, again in particular focussing on the judgements around the valuation and impairment of the Haslemere Leisure Centre. <p>No issues of management override were noted from our testing.</p> <ul style="list-style-type: none"> Testing of journals entries. <p>No issues of management override or any other areas were noted from our testing.</p> <ul style="list-style-type: none"> Review of unusual significant transactions. <p>No issues of management override were noted from our testing of the significant transactions included within the Accounts.</p>

Significant findings – accounting policies




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Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<p>The Charity's Revenue Recognition Policy is included within Note 3 – Incoming Resources. The Policy is as follows:</p> <p>Activity is accounted for in the year that it takes place, not simply when cash is received. Where income has been recognised, but cash has not been received, a debtor for the relevant amount is recorded in the balance sheet.</p> <p>Where the amount of an item of income relating to the financial year is not known at the 31 March, estimation techniques are applied to ensure that the accounts reflect the most likely position.</p> <p>The following income is received:</p> <ul style="list-style-type: none"> • Grant from Waverley Borough Council – a transfer of funds is made during the year to the value of grant agreed for the financial year, which is the net of total estimated support costs, energy costs, audit fees and management fee income. • Investment income – the Shottermill Recreation Ground Trust uses Waverley Borough Council's bank account. Interest is calculated on the working balance according to the interest rates obtained on Waverley's investments. Interest earned for the year is credited at the year-end to the Shottermill Recreation Ground Trust. • Other incoming resources – spend on the charity's assets by Waverley Borough Council and DC Leisure is included here as assets given for use by the charity. 	<p>The accounting policy is adequately disclosed in line with the requirements of the Charity SoRP.</p> <p>Our testing of the various revenue sources received by the charity did not identify any instances of inappropriate revenue recognition.</p>	<p style="text-align: center;">  Green </p>




Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Significant findings – accounting policies (continued)

Accounting area	Summary of policy	Comments	Assessment
Estimates and judgements	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Useful life of tangible fixed assets Impairments PPE Revaluations Depreciation 	The charity's critical judgements and estimation uncertainties relating to PPE are disclosed within Note 6 the Accounts, and are in line with the requirements of the Charity SoRP.	 Green
Going concern	The Trustees' have a reasonable expectation that the entity will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Trustees' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies	We have reviewed the charity's policies against the requirements of the Charity SoRP and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 Green

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

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	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> The principal laws and regulations with which the entity complies include the Charities Act 2011 and the Charities (Accounts and Reports) Regulations 2005. The Trustees have also complied with the duty in section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charities Commission. We are not aware of any significant incidences of non-compliance.
4.	Written representations	<ul style="list-style-type: none"> Representations will be requested from the entity's Trustee (Waverley Borough Council) to confirm that support will be provided to the entity for at least 12 months from the date of the approval of the financial statements, and that the parent has no intention to dissolve the entity.
5.	Disclosures	<ul style="list-style-type: none"> A number of minor disclosure issues were identified during the course of the audit, further details of which can be seen within the 'Disclosure Issues' Page, which follows within this report.

Internal controls

- The purpose of an audit is to express an opinion on the financial statements.
- Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control
- The matters being reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with ISA 265
- If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported

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	Assessment	Issue and risk	Recommendations
1.	●	<ul style="list-style-type: none"> • The entity currently shares a bank account with the Trustee, Waverley Borough Council. The entity's cash balance is calculated by the Trust Accountant at year end based on the Trust's activity during the year, subject to any adjustments for accruals. However there is a risk that if any adjustments or activity are not picked up correctly then the cash balance may be misstated without the secondary check of the independent cash balance from the bank account. 	<ul style="list-style-type: none"> • We recommend that the entity opens a separate bank account to the account which is currently used by both the entity and the Trustee. This would then enable separate bank reconciliations to be performed and any transactions between the entity and the Trustee could then be clearly seen as intra-group transactions between the two bodies involved. <p>Management response</p> <ul style="list-style-type: none"> • [...]

Assessment
 ● Significant deficiency – risk of significant misstatement
 ● Deficiency – risk of inconsequential misstatement

Adjusted misstatements

There were no adjusted misstatements.

Unadjusted misstatements

There were no unadjusted misstatements.

Disclosure issues

- The following are disclosure points that are pertinent to the users of the accounts (rather than cosmetic changes e.g. grammar)

	Disclosure issue identified	Management's response	Accounts updated?
1	<ul style="list-style-type: none"> Per Note 4 (Audit Costs) the external audit fee is £2,000 and there are no non-audit fees payable. We have confirmed that there are no non-audit fees payable. But we have agreed an Fee of £5k with the Charity due to the fact this is the first year it has required a full Audit – they have included £2k as this was the fee for the Independent Examination undertaken in 2013-14. Given the fact that they only found out about this in October we would be comfortable that they do not increase for the additional £3k. An additional narrative disclosure confirming the additional £3k has been proposed as in effect the cost is now going to be processed through the 15-16 Accounts. 	<ul style="list-style-type: none"> TBC 	<ul style="list-style-type: none"> Yes – we confirm that this item has been correctly processed within the revised Accounts.
2	<ul style="list-style-type: none"> Split out the Revaluation Reserve from the Endowment Fund on the Balance Sheet and Note 9 (and add a narrative to Note 9 stating that the Revaluation Reserve only relates to the donated assets). The Charity has agreed to disclose this split for both the current and prior years to enable easy comparison. 	<ul style="list-style-type: none"> TBC 	<ul style="list-style-type: none"> Yes – we confirm that this item has been correctly processed within the revised Accounts.
3	<ul style="list-style-type: none"> The draft Accounts did not explicitly include a full Trustee's Statement of Responsibilities, as these were originally included within the Notes to the Accounts. The Charity has now agreed to split this Statement out as required. 	<ul style="list-style-type: none"> TBC 	<ul style="list-style-type: none"> Yes – we confirm that this item has been correctly processed within the revised Accounts.
4	<ul style="list-style-type: none"> Initially there wasn't sufficient disclosure within Note 5 of the level of assets which had been donated to the Charity by the Trustee during 2014-15, and the subsequent impairment which was charged against those assets during the year. The Charity has now agreed to add some additional narrative to make this clear. 	<ul style="list-style-type: none"> TBC 	<ul style="list-style-type: none"> Yes – we confirm that this item has been correctly processed within the revised Accounts.
5	<ul style="list-style-type: none"> The Charity has enhanced its disclosure around its Going Concern status to provide further information on the support that will be provided by the Trustee should the need arise. 	<ul style="list-style-type: none"> TBC 	<ul style="list-style-type: none"> Yes – we confirm that this item has been correctly processed within the revised Accounts.

Section 3: Fees, non audit services and independence

01. Status of the audit and opinion

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

Non-audit fees and independence

	Fees	Threat Y/N	Safeguard
Shottermill Recreation Ground Trust Audit	£5,000	• N	N/A
Total audit services	£5,000		

The above non-audit services are consistent with the entity's policy on the allotment of non-audit work to your auditors.

Independence and ethics:

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements
- We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards

Section 4: Communication of audit matters

- 01. Status of the audit and opinion
- 02. Audit findings
- 03. Fees, non audit services and independence
- 04. Communication of audit matters**

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the Company accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence		✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to Going Concern		✓

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International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISA's (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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