

# **TAUNTON DEANE BOROUGH COUNCIL**

**EXECUTIVE 28 MAY 2003**

## **REPORT OF THE FINANCIAL SERVICES MANAGER**

**This matter is the responsibility of the Executive Councillor for Leisure, Arts and Culture, Councillor Mrs Bradley**

### **GALMINGTON PLAYING FIELD**

#### **1 Purpose**

- 1.1 To inform the Executive of the financial consequences of the Charity Commission inquiry into the Council's management of the Galmington Playing Field.

#### **2 Galmington Playing Field – Annual Running Costs**

- 2.1 The Council had been accounting for, and treating the Galmington Playing Field as though it were part of the Council's general asset base. However a local benefactor conveyed the field to the Council in 1931 for use by the local community. This subsequently became registered as a charitable trust. There was adverse public reaction to suggestions that the Council were contemplating the disposal of the Playing Field to the neighbouring NHS Trust. In turn this led to the holding of an inquiry by the Charity Commission into the Council's administration of the Trust.
- 2.2 The Council is the owner of the Playing Field and also the trustee of the Charity, and the Trust is subject to different accounting rules from the other playing fields owned by the Council. The Trust is subject to the rules laid down by the Charity Commission and other relevant charity legislation. As such the Council must account for the income and expenditure relating to the Playing Field separately from the other Council property.
- 2.3 Indeed the Council is required to show the financial transactions relating to the Trust in separate accounts, as opposed to including them within the General Fund. In addition these accounts must be reported separately in the Council's Annual Statement of Accounts and the Council has to make annual returns to the Charity Commission.
- 2.4 At present the Galmington Playing Field costs more to maintain than the income that it receives from the bookings of the football pitches on it. In 2002/03 the field cost a net £7,903 to run. This cost has currently been met from the Parks and Playing Fields budget within the General Fund. These transactions must now be removed from the General Fund.
- 2.5 However the Council as trustee is obliged to make financial provisions for the Trust to ensure that it is able to continue operations in future years. Therefore the Council has two options:
  - a) to raise income levels through, for example, an increase in the price of pitch bookings to cover the running costs.

b) to continue to meet the annual deficit through an annual contribution from the General Fund budget.

It is clear that with an annual deficit of £7,903 in 2002/3 that option (a) is not feasible. Indeed it would require an increase in pitch fees of some 300% to meet the current deficit. In turn this would create inconsistency with the other pitch hire charges levied at other parks within the Borough. Therefore option (b) above is the only realistic option to meet the annual deficit.

- 2.6 By doing this, there will be no impact on the General Fund as the Council is already meeting the annual deficit on the pitch. However the income and expenditure will be removed from the Parks budget and replaced with an annual deficit contribution to the Trust.

### 3 **Capital**

- 3.1 The Trust should have only one asset; the playing field itself. As trustee the Council is required to protect any capital that the trust has and as such is not allowed to sell or dispose of any of the capital of the Trust without the prior consent of the Charity Commission. However in 1987 a portion of the field was sold to the adjoining Hospital without reference to the Commission.
- 3.2 The amount received was £4,900 and regrettably, due to a lack of financial records for that period, it has not been possible to confirm the precise treatment of this income. However, it is thought that it would have been treated as a capital receipt and used to finance other General Fund capital expenditure at that time.
- 3.3 As part of the Charity Commission inquiry mentioned in paragraph 2.1 the Commission have confirmed that they require the Council to re-establish this capital receipt as an additional asset of the Trust. The effect of this is that the capital receipt, together with compounded annual interest since 1987/88, will be maintained as an interest bearing “permanent endowment” of the Trust. In total this now amounts to £16,150. The annual interest generated from this investment will now be used to reduce the annual deficit of the playing field. This interest would ordinarily be credited to the General Fund, therefore the amount of interest that Fund receives will reduce by an estimated £560 per annum.
- 3.4 In order to create this endowment it is necessary to take this amount from the General Fund reserve, and as such, approval by Council is required.

### 4 **Effect on Corporate Priorities**

- 4.1 This report impacts on the following corporate priorities:
- Helping Communities shape their own future,
  - Encouraging healthier lives,
  - Protecting our Environment.

## 5 **Recommendations**

5.1 It is recommended:

- a) That the Executive note the contents of this report, and
- b) The Executive request Council approval for the transfer of £16,150 from the General Fund Reserve for the creation of the permanent endowment fund of the Galmington Playing Field Trust.

**Background Papers:** Agenda Item 5, Executive Meeting 17 July 2002, Galmington Playing Field, Possible sale of part of site to the Taunton & Somerset NHS Trust.

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