



# Letchworth Garden City Heritage Foundation

Report and Accounts to 30th September 2002



Letchworth Garden City Heritage Foundation owns and manages a 5,300-acre Estate in Letchworth, the world's first Garden City.

Its task is to maximise the financial returns from the Estate in order to fund its charitable objects and further re-investment in the Estate.

**The objects of the Foundation are to carry on for the benefit of the local community of Letchworth Garden City, the industry, business or trade of:**

- 1 Promoting the preservation of buildings and other environmental features of beauty or historic interest within Letchworth Garden City;**
- 2 Providing or assisting in the provision of facilities for the recreation or other leisure activity of the local community in the interests of social welfare with the object of improving their conditions of life;**
- 3 Promoting the advancement of education and learning within Letchworth Garden City;**
- 4 Promoting the relief of poverty and sickness within Letchworth Garden City;**
- 5 Supporting any charitable organisation having an office or branch in Letchworth Garden City;  
and**
- 6 Promoting any other charitable purposes for the benefit of the local community.**

# The Seventh Annual Report and Accounts

The Heritage Foundation is an Industrial and Provident Society with charity status, registered under the Industrial and Provident Societies Act 1965. Registered No. 28211R.

This is the organisation's seventh Annual Report and Accounts.

The sixth Annual General Meeting of the Heritage Foundation was held on 27 March 2002 to receive the Report and Accounts for the year to 30 September 2001.

Paul Palmer and Allan Scouller retired by rotation, offered

themselves for re-election and were re-elected. Peter Jackson also retired and did not stand for re-election. Lorna Kercher, as the only other nomination to serve on the Board, was accordingly automatically elected.

In addition to the six ordinary members on the Board of Management, two places are permanently reserved for the Deputies of the two local authorities operating in the Garden City.

## Board of Management

P W Harkness (Chairman)  
W G Armitage  
K F Emsall\*  
P M Jackson (retired 13 March 2002)  
Mrs L Kercher (elected 27 March 2002)  
Mrs L A Needham\*\*  
P Palmer (re-elected 27 March 2002)  
J A Scouller (re-elected 27 March 2002)  
C D Wells

\*Deputy for Hertfordshire County Council

\*\*Deputy for North Hertfordshire District Council

At the seventh AGM, to be held on 26 March 2003, Peter Harkness and Dennis Wells retire by rotation and, being eligible, are standing for re-election to the Board of Management.

Anthony Stone and Guy Osborne were appointed as Governors representing our 'health' and 'sporting activities' objects respectively.

## Governors

P W Harkness (Chairman) (re-appointed 1 October 2002)  
W G Armitage  
Mrs E Barnes  
T Brazier (appointed 12 November 2002)  
Dr W B Broadbent  
J Coxall  
A D Eden (retired 20 April 2002)  
K F Emsall\*  
Mrs J Gates  
J Gillham (re-appointed 1 October 2002)  
M Gray  
W J Hall  
Mrs D M Harrison (retired 30 September 2002)  
P M Jackson  
Mrs L Kercher  
P B Lang (retired 30 September 2002 and re-appointed 12 November 2002)  
P Lennie  
A Lupton  
Mrs L A Needham\*\*  
G R L Osborne (appointed 1 October 2002)  
P Palmer  
Miss D Poynter  
Mrs M Protani  
J A Scouller  
A R Stone (appointed 1 October 2002)  
Dr K M Thompson  
Mrs S Turner  
S P Vilas  
C D Wells  
R Williams (appointed 12 November 2002)  
Mrs M Winstanley  
Dr R J T Wilson (re-appointed 1 October 2002)

\*Deputy for Hertfordshire County Council

\*\*Deputy for North Hertfordshire District Council

## Directors

S M Kenny, Director General  
Mrs M Hands, Director of Property  
A S Howard, Director of Marketing and PR  
H A Patterson, Secretary and Director of Community Affairs  
I Webb, Director of Finance

## Auditors

Ernst & Young LLP  
400 Capability Green  
Luton  
Bedfordshire  
LU1 3LU

## Bankers

HSBC Bank plc  
Station Place  
Letchworth Garden City  
Hertfordshire  
SG6 3AJ

## Solicitors

Brignalls Balderston Warren  
Broadway Chambers  
Letchworth Garden City  
Hertfordshire  
SG6 3AD

## Registered Office

Suite 401  
The Spirella Building  
Bridge Road  
Letchworth Garden City  
Hertfordshire  
SG6 4ET

## Report of the Board of Management

for the year ended 30 September 2002

### The Foundation's Mission Statement is:

"To create, maintain and promote a vibrant quality environment in the Garden City for all those who live, work and visit the world's first Garden City.

Our aim is to maximise the financial returns from the assets we hold in trust and to re-invest those returns:

- (a) to improve an increasingly valuable asset base; and
- (b) to support charitable activities which meet demonstrable needs and provide a proven benefit to the community.

Our vision is to establish and promote the success of the Garden City 'experiment' as a leading model for developing 21st Century communities."

Effect is given to the above mission statement through the Foundation maximising its effectiveness and furthering its charitable expenditure objectives through:

- 1 ensuring sufficient income, year on year, to allow proper provision for the management, maintenance and improvement of the Estate;
- 2 encouraging economic development and taking steps to increase business activity in the town;
- 3 improving the environment and overall quality of life in the Garden City;
- 4 marketing the Garden City both nationally and internationally as a unique and successful community;
- 5 ensuring that new residential developments and alterations to existing houses do not prejudice the Garden City environment;
- 6 making adequate provision for investment in land and/or buildings;
- 7 setting an appropriate level of charitable expenditure from its investment and other income;
- 8 setting administrative costs at an appropriate level, with due regard for overall effectiveness and efficiency;
- 9 minimising its exposure to tax charges, including irrecoverable VAT;
- 10 setting principles and standards of service; and
- 11 retaining Investors in People accreditation by further development of staff training and education processes.

### Governance

The Rules of the Heritage Foundation provide for up to 30 Governors as members of the Foundation who appoint six of the eight members of the Board of Management from their own number. Six Governors are elected directly by the community, ten are nominated (eight by clubs and societies whose interests mirror the Foundation's charitable objects and one each by Hertfordshire County Council and North Hertfordshire District Council), and fourteen Governors are appointed by the Board of Management. All Governors have the same status and the requirement for a proportion of each category to resign each year offers the potential for constant turnover of Governors. Governors usually meet four times a year, including two formal meetings (the

Annual General Meeting and the meeting to approve the Business Plan) and two informal meetings. In addition, they attend the Annual Town Meeting where the residents of Letchworth Garden City can ask any questions.

The Board of Management meets monthly for the purpose of establishing policy and directing the administration of the Foundation through the five Executive Directors.

There is also an Audit Committee to which an Internal Auditor reports. The Audit Committee meets every two to three months to assess the effectiveness of internal and external audit. The Internal Auditor works to a rolling audit programme approved by the Committee annually, but reviewed and updated as necessary at each Audit Committee meeting. The Audit programme ensures that all elements of Heritage Foundation activities are subject to audit over an acceptable period. The programme also recognises the need to revisit, within six months, any area of the business where the audit report has been graded 'unsatisfactory'. The Internal Auditor also undertakes regular supplementary audits of key business areas, recognising the high-risk areas within the Heritage Foundation's various activities. On a day-to-day basis, the Internal Auditor reports direct to the Director General.

In accordance with the Letchworth Garden City Heritage Foundation Act 1995, a Letchworth Commissioner is appointed by the President of the Law Society for the purpose of conducting independent investigations into complaints of alleged maladministration. During the year in question, the Letchworth Commissioner was not asked to deal with any complaints.

### Risk Management

The Heritage Foundation undertakes comprehensive risk analysis. This covers discrete but inter-related areas such as Governance, financial reporting, cash, IT, property, health and safety, environmental, human resources and reputation.

The analysis takes the form of an annual review of all aspects of the charity, identifying the risks facing the Foundation and its trading subsidiaries and ensuring that there are effective processes and controls in place covering them off.

The annual review process involves four distinct stages:

- (i) Reviewing all the activities of the Foundation and subsidiaries, which have a significant financial impact on the charity, directly or indirectly
- (ii) Identifying, documenting and assessing the significant risks and the processes and controls responding to these
- (iii) Determining an action plan for any areas where there is a perceived lack of control or apparent process.
- (iv) The Board of Management receiving a report from Directors on stages (i) to (iii), reviewing it, and endorsing action plans as necessary.

Management then review and update the documentation on a quarterly basis. Based on the above procedures, the Board of Management have identified and reviewed the major risks to which the Foundation is exposed and systems have been established to mitigate these risks.

## Business Planning

The Heritage Foundation and its subsidiaries engage in an annual business planning process. The annual Business Plan, setting out the Foundation's overall strategy and priorities, embraces for each element of the charity, objectives and targets for that year, and a performance review of the previous financial year. The Business Plan is prepared by Executive Directors, approved by Governors and finally the Board of Management.

The Board of Management, Directors and Managers review detailed management accounts on a monthly basis. Such analysis and review are cross-related to the Business Plan targets.

In particular, the performances of the disparate business activities within the Foundation's subsidiary companies are reviewed in the context of the management accounts and corrective action taken as necessary. This is all the more important, given that the subsidiaries often embrace new ventures.

The day-to-day financial management of the Foundation and its subsidiaries is delegated by the Board of Management to the Director General and then to the other Executive Directors.

## Responsibilities of the Board of Management in respect of the Accounts of the Foundation

The Board of Management of the Foundation is required to prepare accounts for each financial year which comply with the Industrial & Provident Societies Act 1965, the Friendly and Industrial & Provident Societies Act 1968, The Letchworth Garden City Heritage Foundation Act 1995 and Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2000). In preparing these accounts the Board of Management:

- (i) selects suitable accounting policies and then applies them consistently
- (ii) makes judgements and estimates that are reasonable and prudent
- (iii) states whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- (iv) prepares the accounts on the going concern basis unless it is inappropriate to presume that the activities of the Foundation will continue.

The Board of Management is responsible for keeping proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Foundation and enable it to ensure that the accounts comply with appropriate legislation and recommendations. The Board of Management is also responsible for safeguarding the assets of the Foundation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Review of Activities

Building on the success of last year, 2002 saw increases in both property income and expenditure in pursuit of our charitable objects and delivered a Group surplus of £7,032,000. Key steps were also taken to prepare for next year, the Centenary of Letchworth Garden City.

Property income grew by £117,000 to £6,700,000. Costs of activities in furtherance of the charity's objects amounted to £2,035,000 (2001: £2,021,000). Grants payable amounted to £428,000 (2001: £144,000). Reasons for this change are explained in Note 4 to the accounts.

Previous investment in our diverse property portfolio continued to produce good returns. In spite of a challenging economy, demand for industrial and retail property remained high. Our ability to reduce borrowings and fund further capital investment in the Estate was boosted with the completion of the sale of much of our social housing stock.

## Commercial Property

By far the largest element of our portfolio, rising rentals were achieved in all commercial property sectors.

Industrial lettings performed well. The most important letting was to Helmet Integrated Systems who relocated their manufacturing operations from Wheathampstead to become our first tenant at Focus 4, a development completed last year.

Elsewhere on our industrial estates, the combination of proactive estate management and a rolling programme of refurbishment and redecoration continued to attract enquiries and tenants.

This year, in line with the national economy, demand for office space fell. Nevertheless, the core IT infrastructure and services have proved to be an important factor in retaining the overwhelming majority of our office tenants in Spirella.

Demand for the Foundation's town centre retail properties remained high with rising rentals being achieved and virtually no voids. This is, in part, a consequence of the multi-million pound revitalisation, led by the Foundation, which culminated in the return of a large town centre supermarket in summer 1999.

Most encouragingly, a number of speciality retailers implemented their plans to expand their businesses and take on more space. Base Camp One, an outdoor leisure and accessories shop, which opened for business in The Arcade in 1997 expanded into another of our units in Leys Avenue. This enabled us to satisfy Comics Unlimited's requirement for a larger unit in The Arcade.

That said, trading in the town centre overall continues to be fragile in certain sectors. Overall the prospects for improving Letchworth's retailing offer are most likely to occur in the Garden Square Shopping Centre where a change of ownership is envisaged.

In the meantime, we continue to review and enhance our own retail portfolio and play our full part in working with other stakeholders to improve the town centre and encourage more people to shop and invest here. We are doing this in a number of ways, not least through the funding to Letchworth Chamber of Trade towards the employment costs of a Town Centre Manager.

## Trading subsidiaries

The Group operates a number of subsidiary businesses, which undertake trading activities.

Letchworth Garden City Farms Ltd staged an impressive recovery after last year's double setback of the late opening of Standalone Farm due to the national foot and mouth epidemic and the fall in world grain prices.

The company, which subsidises the operation of Standalone, a recreational and educational attraction, transformed a £31,000 loss into a profit of £71,000 as visitors returned to Standalone and improved yields were delivered.

Given the continued uncertainties within the arable farming sector, we have introduced 100 beef cattle for fattening and onward sale during 2002-03.

Letchworth Garden City Services Ltd operates conferencing, bar and catering facilities, supplies IT infrastructure and sells Garden City souvenirs. Last year, the company reported losses of £118,000. This year, that loss has been reduced to £30,000.

The company took over the management and operation of 'The Business Exchange' meeting room facilities in the Spirella Building from North Hertfordshire Partnership Ltd (Business Link North Hertfordshire). After a two-year gestation period, it had failed to attract sufficient bookings. Accordingly, the Exchange closed in June 2002.

Broadway Cinema Ltd, a 90% shareholding, produced an outstanding performance in 2002 so much so that grant subsidy, previously provided through the Heritage Foundation's 'recreation and leisure' charitable object, was not required. Cinema attendance was up, thanks to such releases as 'Harry Potter and the Philosopher's Stone' and 'Lord of the Rings: The Fellowship of the Ring'. Concession sales were up too as core costs were maintained. All told, the result was a £38,000 profit.

During the year, the Foundation took up the opportunity to take a 100% shareholding in Garden City Technologies Ltd. The company was re-capitalised during 2002 in order to fund its targeted future growth, selling IT and telephony services. Its profits rose to £107,000 after reporting a £19,000 loss last year.

Letchworth Cottages and Buildings Ltd (LCB) has exempt charitable status. During the year, social housing properties managed by LCB were sold, or leased to William Sutton Trust, a Registered Social Landlord. Capital income generated from the sale will be retained by LCB to help sponsor new social housing initiatives to be delivered in partnership with the RSL sector.

The Foundation's share of the disposal proceeds allowed both the repayment of borrowings and further investment in the Estate.

## Promoting the environment

As guardians of the Garden City's physical environment, the Foundation maintains and improves many of its key features and, where necessary, requires others to play their part too.

Our landscape design and forestry teams continued to implement works towards the completion of the Garden City Greenway.

This new 12.7-mile (20.4km) walkway around the Garden City Estate is the Foundation's major contribution towards the Centenary celebrations and will be formally opened in May 2003.

Work to create a custom-built facility for Letchworth Scouts and Guides, at a cost of £320,000, got underway at Wymondley Wood. In addition, the Foundation is providing a grant of £13,000 towards first year rentals, reducing in subsequent years, together with a £5,000 grant towards the costs of a Centenary Jamboree for 150 boys and girls to celebrate the opening of their new centre in Spring 2003.

Our Estates and Planning team continued to work with local residents and businesses to consider plans to alter, repair or extend their properties. The overwhelming majority of applications for 'landlord's consent' were agreed. However, we are concerned that the implementation of some plans, if repeated across Letchworth's residential areas pose a serious threat to the visual appearance of the Garden City, most notably hard standings and unauthorised works.

Given the increases in both car ownership and on-street parking restrictions, we fully understand the wish of local people to create hard standings at the front of their properties. That said, to safeguard the Garden City's unique street scene and visual amenity, we require 50% of frontages to be retained as gardens. The Foundation's publicity campaign, promoting the retention of gardens, gates and hedges in Letchworth's residential streets was stepped up through the local media during the year.

Following the success of North Hertfordshire District Council's £822,000 Heritage Lottery Fund bid in respect of the restoration of Kennedy Gardens, the Foundation responded to the Council's request for additional funding with a further £27,000 grant. In total, we are providing £89,500 towards the £1.25m scheme.

The Settlement, an important landmark building, continues to thrive as a centre for community learning and recreation. The Foundation, which is responsible for the upkeep of the building's exterior, agreed a grant of £2,500 towards improving its gardens.

During the year, the Foundation backed St Francis College's plans to bring its theatre back into public use with a £50,000 award, subject to certain conditions being met.

Last year, we reported our concerns regarding the lack of progress in respect of the restoration of Howard Hall. This much loved public building, created through public subscriptions as a memorial to Ebenezer Howard's first wife Lizzie who died in 1904, is at a key entrance point to the town centre. In spite of repeated requests for its future to be resolved, the lessee, North Hertfordshire District Council, failed to respond to our concerns.

Accordingly, we were forced to serve a Section 146 Notice in March 2002. This required the Council to commence work on securing the exterior of the building within a six-month period.

Work has started on-site. However, legal redress will continue until we are satisfied with the scope and timing of the works.

A review of stabling and grazing facilities in Letchworth was completed. We await the outcome of planning applications for two stable complexes to the north and south of the town.

## Promoting charitable activities

Grants for 'education and learning' totalling £90,000 were awarded. The largest awards went to Letchworth state secondary schools Highfield and Fearnhill, £25,000 each, in respect of their bids to gain Specialist School Status.

19 schools shared a £20,000 award to purchase high-speed network colour LED printers for their IT suites. This was due, in part, to the continuing role of our Education Liaison Officer, a post which is 40% funded by North Hertfordshire College.

Funded through our 'education and learning' object, the First Garden City Heritage Museum boosted visitor numbers significantly with its series of topical exhibitions including 'Sirens, Silk and Spitfires: The Garden City at War 1939-1945'.

We continued to support The Place, a centre of excellence and learning for the visual and performing arts. Plinston Hall welcomed thousands of visitors for its ever-expanding programme of drama, live music shows, specialist interest groups and educational classes. Funding for these popular Garden City venues was maintained through our 'recreation and leisure' object.

The Spirella Ballroom, which is hired out by Letchworth Garden City Services Ltd for business and social functions, also receives a charitable subsidy from the Heritage Foundation under our 'recreation and leisure' object.

Once again, visitor numbers to Spirella and its Ballroom on 'Heritage Open Weekend' exceeded expectations. Spirella hosted major events for the Town and Country Planning Association and the International Planning History Society, the latter attracting 170 delegates from 26 countries for a four-day conference entitled 'Cities of Tomorrow'.

Our dedicated staff at the Ernest Gardiner Day Hospital worked tirelessly to improve the care and attention extended to their patients. The League of Friends, a voluntary organisation, raises money to pay for Hospital equipment. During the year, our staff worked closely with the League to deliver a number of successful fundraising events. A sponsored ten-pin bowling evening organised by Letchworth Howard Rotary Club raised £2,500.

Also within our 'relief of poverty and sickness', the number of registered users of our Shopmobility scheme rose to over 100. Operating from our Tourist Information Centre, this service is targeted to meet the needs of the partially mobile when visiting the town centre.

The Foundation's minibus service, funded through our 'supporting charitable organisations' object provided free transport for over 10,500 elderly and disabled passengers during the year.

## Promoting the Centenary

Our Marketing and PR team spent much of this year preparing for next year's Centenary celebrations.

After a campaign led by the Foundation and supported by thousands of residents who signed petitions, Consignia announced that the town could change its name. From next April, 'Letchworth' will formally be known as 'Letchworth Garden City' thus recognising an important element of its heritage.

In December 2001, Heritage Foundation Governors selected the winner of our competition to create a unique logo identity for the Centenary from a shortlist of four designs.

Our campaign to actively involve and encourage the community to take a leading role in the celebrations has proved successful with over 40% of our Centenary fund already awarded. Public meetings were held throughout the year. Each attracted over 100 representatives of local clubs and societies and some very positive feedback.

We are providing a £3,800 grant to Letchworth Chorale towards the costs of their Centenary concert, a performance of Elgar's 'The Dream of Gerontius', the largest musical event ever staged in the Garden City.

Letchworth Garden City Band received a £1,200 grant towards the costs of commissioning the composer, Phillip Lawrence, to write a special Centenary piece for the band.

A calendar of events for 2003 has been published on a dedicated Centenary website and extensively promoted through the pages of 'Insight' magazine and the local press.

During the year, the Foundation supported the publication of two new books – 'Letchworth Remembered – Memories of the Garden City 1939 to 1960' edited by Heather Elliot and John Sanderson and the revised edition of 'Letchworth, the First Garden City' by Dr Mervyn Miller.

Both titles are on sale at our award-winning Tourist Information Centre (TIC) together with a range of Centenary souvenirs. Based in Station Road, our TIC, which is totally funded by us, continues to provide the primary access point to information on the Centenary and Heritage Foundation itself.

## Grant Making Policies

The Board of Management determines each application for grant, if over £1,000, or the Small Grants Committee, if under £1,000. Membership of the Small Grants Committee includes a Board of Management member and other Governors.

The decisions of the Small Grants Committee are put to the Board of Management for information purposes.

The board's decision-making in respect of grant applications is guided by a Grants Policy, most recently reviewed by them in April 2002. That policy sets out what the Foundation is trying to achieve, under each of the charitable objects, by giving grants.

## Relationships with Third Parties

The Heritage Foundation works closely with a wide range of organisations in relation to its charitable activities. For example, its grant giving under the 'education and learning' charitable object is guided by an Education Steering Group, whose members include North Hertfordshire College, head teachers, Chairs of Governors of Letchworth schools, and a representative of the Board of Management.

The Advisory Management Committee, set up under the Scheme of Management, to review refusals of 'landlord's consents' by the Board of Management, also includes members of the local community.

The Foundation has a close working relationship with North Hertfordshire District Council (NHDC). There are quarterly meetings between Directors of both bodies and bi-annual meetings between Letchworth Members of NHDC and the Foundation's Board of Management. The Foundation has also supported NHDC initiatives through charitable giving, most recently in respect of the £1m+ scheme to renovate Kennedy Gardens.

## Investment Policy

The Foundation's income is derived in the main from its property investments, which embrace long leasehold interests, and rack-rented properties in the industrial, commercial, retail, and residential sectors. Additional income is received from the Foundation's trading subsidiaries when these profits are gift aided to the Foundation.

The Foundation's strategy is to seek, wherever possible, to enhance its rent roll, thus providing the revenue to fund its charitable objects. However, strategic disposal of land on the basis of long leases is necessary on occasions to raise capital to fund further Estate investment and regeneration.

The Foundation ensures that it maximises its income from property investments by undertaking strategic master planning of the estate. In recent years this has embraced Town Centre Revitalisation Strategies, an Industrial Strategy, an Urban Design Strategy, a Stabling and Grazing Review, a review of unadopted roads, of barns and of allotments, as well as a comprehensive review of Letchworth Cottages & Buildings Ltd's social housing activities. The Foundation has also sought to preserve the visual amenity and value of the Garden City Estate by publishing a Design Guide and detailed Supplementary Guidance Notes to inform and educate owners of residential properties, either freehold or leasehold.

The Foundation's property team bring forward proposals for site acquisition, development or disposal against the backdrop of the appropriate strategic plans. The proposals are 'option tested', include robust financial appraisals, and are then scrutinised by Directors in terms of consistency with Business Plan objectives, priorities and cash flow implications. Only when Directors are satisfied with the proposals are they submitted to the Board of Management.

In terms of new developments, rental assumptions are 'bench-marked' against the local and regional marketplaces and realistic void assumptions included

For rack rented properties, rental evidence is sought, through both internal staff and property consultants. This is also the case when rent reviews are undertaken under provisions in leases.

In all its property dealings, the Foundation is cognisant of the need to look at the long-term interests of the Garden City Estate. This is particularly important in terms of being opportunistic in acquiring property interests which will allow the Foundation to undertake future development on a broader scale and then release value, whether it be through capital or revenue.

## Funds Policy

**General Fund:** This fund comprises property and assets inherited upon vesting under the Letchworth Garden City Heritage Foundation Act, 1995. This has been added to by subsequent years' revaluation of investment properties together with profits on disposal of capitals assets. This revenue is required to support the revaluation of the investment properties and is not cash and is not considered to be distributable. Subsequent years' revaluation increases or decreases will be added to or deducted from this fund. The Foundation's main areas of operation, captured within the Incoming Resources netted with the Resources Expended appearing within the Statement of Financial Activities, achieve a near break-even result having little or no effect on the retained funds.

**Restricted Fund:** This fund represents the statutory reserves of Letchworth Cottages & Buildings Ltd (LCB), a registered charity with restrictions on its ability to utilise its reserves. The fund exists in order to provide LCB with the ability to undertake new developments in Letchworth, which meet current and future identifiable social housing needs. A review is being undertaken of detailed Census data in respect of social housing needs. This will drive planning applications and subsequent investment.

## Report of the Board of Management

for the year ended 30 September 2002

### Results for the Year

The results for the year are set out in the Consolidated Statement of Financial Activities. There were no new activities during the year. One activity, the Business Exchange, was discontinued in June 2002, following a business review. The net movement in funds for the year was £7,032,000. £1,681,000 was attributable to the General Fund and £5,351,000 to the Restricted Fund attributable to Letchworth Cottages & Buildings Ltd. The incoming resources generated from the administration of the estate amounted to £9,202,000. Total resources expended was £9,081,000. The net incoming resources for the year was £121,000. Surpluses on sales and leasing of land and buildings and the revaluation of tangible fixed assets totalling £6,911,000. The total reserves held at the 30 September 2002, on the General Fund amounted to £101,233,000 and on the Restricted Fund £7,991,000 making an overall total of £109,224,000. The reserves were represented by the net assets set out in note 19 from which the incoming resources are generated. The overall results of the trading subsidiaries was very encouraging with a total profit generated amounting to £186,000.

As a result of Letchworth Cottages and Buildings Limited's wish to retain Social Housing Status for the majority of its properties, a sale to a Registered Social Landlord was undertaken during the year. Within the individual statutory accounts for Letchworth Cottages and Buildings Limited and Letchworth Garden City Heritage Foundation, profits from the disposal were recognised of £1,403,000 and £4,332,000 respectively. These profits were in respect of the sale of a 125 year lease to William Sutton Trust, together with profits from the sale of properties to tenants.

Upon consolidation of these results, an accounting loss of £3,573,000 arises which, with profits arising on other disposals during the year, resulted in the overall loss of £3,247,000 reflected in the Statement of Financial Activities (SOFA). The accounting loss is offset by an increase in asset value on the retained residential estate totalling £3,741,000. Over time, as the life of the 125 year lease diminishes value will pass back to Letchworth Garden City Heritage Foundation, increasing the asset value still further. Future profits will arise as properties, presently let to William Sutton Trust under a 25 year management lease, revert back to Letchworth Garden City Heritage Foundation and are disposed of.

### Changes in Tangible Assets

Details of changes in tangible fixed assets are included in notes 10 and 11. Cluttons Daniel Smith were instructed to carry out the annual property valuation as at 30 September 2002. This gives rise to an increase in values of £10,158,000 which is reflected in the accounts. The Board of Management has reviewed this valuation and is satisfied that it is appropriate.

### Political Contributions

The Foundation does not make any political contributions nor does it support either directly or indirectly any political organisation or promulgate political, religious or trade union views.

### H A Patterson

Secretary

By order of the Board of Management

12 February 2003

## Independent Auditors' Report

for the year ended 30 September 2002

### To the Governors of Letchworth Garden City Heritage Foundation

We have audited the Foundation's accounts for the year ended 30 September 2002, which comprise the consolidated statement of financial activities, summary income and expenditure account, balance sheets, consolidated cash flow statement, and the related notes 1 to 22. These accounts have been prepared on the basis of the accounting policies set out therein.

The report is made solely to the Foundation's Governors, as a body. Our audit work has been undertaken so that we might state to the Foundation's Governors those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Foundation and the Foundation's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Board of Management and Auditors

As described on page 3, the Board of Management is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965, the Friendly and Provident Societies Act 1968 and the Letchworth Garden City Heritage Foundation Act 1995. We also report to you if, in our opinion, the Annual Review and Report of the Board of Management are not consistent with the accounts, if the Foundation has not kept proper accounting records, if we have not received all the information and explanations we require for our audit. We read the Annual Review and Report of the Board of Management and consider the implications for our report if we become aware of any apparent misstatements within them.

### Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the accounts, and of whether the accounting policies are appropriate to the Foundation's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Foundation and of the Group as at 30 September 2002 and of the incoming resources and resources expended including income and expenditure of the Group for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Act 1965, the Friendly and Industrial and Provident Societies Act 1968 and the Letchworth Garden City Heritage Foundation Act 1995.

**Ernst & Young LLP**  
Registered Auditor  
Luton

12 February 2003

## Consolidated Statement of Financial Activities

for the year ended 30 September 2002

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2002 £'000	Total 2001 £'000
<b>Incoming Resources</b>					
Activities for generating funds:					
Property income		6,140	559	6,699	6,582
Business services and retail sales		551	–	551	619
Farm income		703	–	703	670
Activities in furtherance of the charity's objects:					
Educational farm income		234	–	234	134
Cinema income		746	–	746	601
Other incoming charitable revenues resources		115	–	115	109
Investment income and interest		88	66	154	50
<b>Total Incoming Resources</b>		<b>8,577</b>	<b>625</b>	<b>9,202</b>	<b>8,765</b>
<b>Resources Expended</b>					
Costs of generating funds:					
Property and related costs		2,322	372	2,694	3,038
Cost of business services and retail activities		722	–	722	825
Farm costs		542	–	542	527
		<b>3,586</b>	<b>372</b>	<b>3,958</b>	<b>4,390</b>
Charitable Expenditure:					
Costs of activities in furtherance of the charity's objects:					
Provision of an educational farm		230	–	230	265
Cinema expenditure		696	–	696	658
Provision of community hall and facilities		403	–	403	404
Provision of day hospital		242	–	242	227
Provision of heritage museum		150	–	150	124
Provision of minibus service		58	–	58	59
Provision of environmental improvements		156	–	156	173
Provision of community information		48	–	48	57
Miscellaneous charitable expenditure		52	–	52	54
		<b>2,035</b>	<b>–</b>	<b>2,035</b>	<b>2,021</b>
Management and administration		2,079	–	2,079	2,105
Grants payable	4	428	–	428	144
<b>Total Charitable Expenditure</b>		<b>4,542</b>	<b>–</b>	<b>4,542</b>	<b>4,270</b>
Interest payable	7	581	–	581	734
<b>Total Resources Expended</b>	3	<b>8,709</b>	<b>372</b>	<b>9,081</b>	<b>9,394</b>
<b>Net Incoming/(Outgoing) Resources</b>		<b>(132)</b>	<b>253</b>	<b>121</b>	<b>(629)</b>
<b>Other Recognised Gains and Losses</b>					
(Deficit)/surplus on sale and leasing of investment properties		(4,650)	1,403	(3,247)	1,194
Revaluation of tangible fixed assets		6,463	3,695	10,158	5,813
<b>Net Movement in Funds</b>		<b>1,681</b>	<b>5,351</b>	<b>7,032</b>	<b>6,378</b>
<b>Fund Balances Brought Forward at 1 October 2001</b>		<b>99,552</b>	<b>2,640</b>	<b>102,192</b>	<b>95,814</b>
<b>Total Funds Carried Forward at 30 September 2002</b>	16	<b>101,233</b>	<b>7,991</b>	<b>109,224</b>	<b>102,192</b>

## Consolidated Summary Income and Expenditure Account

for the year ended 30 September 2002

	<b>Total 2002 £'000</b>	<b>Total 2001 £'000</b>
<b>Income</b>		
Gross income of continuing operations	9,048	8,715
Surplus on sales and leasing of land and buildings	–	1,194
Interest receivable	154	50
	<hr/>	<hr/>
Gross Income	9,202	9,959
<b>Expenditure</b>		
Expenditure on charitable activities	8,497	8,660
Deficit on sales and leasing of land and buildings	3,247	–
Interest payable	581	734
	<hr/>	<hr/>
Gross Expenditure	12,325	9,394
<b>Retained (Deficit)/Surplus for the Year</b>	(3,123)	565
Minority interest	(3)	–
	<hr/>	<hr/>
<b>Net (Deficit)/Surplus Attributable to the Group</b>	<b>(3,126)</b>	<b>565</b>

The Consolidated Summary Income and Expenditure Account is presented in order to ensure compliance with the Industrial and Provident Societies Acts.

The Consolidated Summary Income and Expenditure Account is derived from the Consolidated Statement of Financial Activities on page 10 which, together with the notes on pages 14 to 32, provide full information on the movements during the year of all the funds of the Group.

## Balance Sheets

as at 30 September 2002

	Notes	Group		Foundation	
		2002 £'000	2001 £'000	2002 £'000	2001 £'000
<b>Fixed Assets</b>					
Tangible assets:					
Investment properties	10	96,968	93,648	92,715	77,814
Operational assets	11	13,630	13,823	10,062	10,049
		<u>110,598</u>	<u>107,471</u>	<u>102,777</u>	<u>87,863</u>
Tangible assets in course of construction		789	3,944	789	3,944
Investments	12	27	27	2,322	1,507
		<u>111,414</u>	<u>111,442</u>	<u>105,888</u>	<u>93,314</u>
<b>Current Assets</b>					
Stocks	13	625	622	10	9
Properties held for sale		157	325	157	325
Debtors	14	2,340	2,683	1,967	2,547
Loans due within one year	15	2,667	357	347	363
Loans due after one year	15	714	794	2,368	2,498
Cash at bank and in hand		3,538	398	2,156	-
		<u>10,041</u>	<u>5,179</u>	<u>7,005</u>	<u>5,742</u>
<b>Creditors</b>					
Amounts falling due within one year	16	<u>(4,750)</u>	<u>(5,109)</u>	<u>(5,288)</u>	<u>(5,584)</u>
<b>Net Current Assets</b>					
		<u>5,291</u>	<u>70</u>	<u>1,717</u>	<u>158</u>
<b>Total Assets Less Current Liabilities</b>					
		116,705	111,512	107,605	93,472
<b>Creditors</b>					
Amounts falling due after more than one year	16	(7,218)	(9,012)	(7,102)	(8,806)
<b>Provisions for Liabilities and Charges</b>					
Provision for pension payments	17	<u>(112)</u>	<u>(160)</u>	<u>(112)</u>	<u>(160)</u>
		<u>109,375</u>	<u>102,340</u>	<u>100,391</u>	<u>84,506</u>
<b>Capital Funds</b>					
General fund	18	101,233	99,552	100,391	84,506
Restricted fund	18	7,991	2,640	-	-
	19	<u>109,224</u>	<u>102,192</u>	<u>100,391</u>	<u>84,506</u>
Minority interests in subsidiaries		151	148	-	-
		<u>109,375</u>	<u>102,340</u>	<u>100,391</u>	<u>84,506</u>

**P W Harkness**  
Chairman

**C D Wells**  
Board Member

**S M Kenny**  
Director General

12 February 2003

## Consolidated Cash Flow Statement

for the year ended 30 September 2002

	Notes	2002 £'000	2001 £'000
<b>Net Cash Inflow from Operating Activities</b>	21	<u>1,889</u>	<u>1,487</u>
<b>Returns on Investments and Servicing of Finance</b>			
Interest received		168	47
Interest paid		(557)	(683)
Interest paid on finance leases		(21)	(24)
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>		<u>(410)</u>	<u>(660)</u>
<b>Capital Expenditure and Financial Investment</b>			
Additions to investment property		(219)	(685)
Sales of investment property		9,727	5,869
Purchase of operational assets		(480)	(394)
Assets in course of construction		(2,754)	(5,858)
Purchase of properties held for resale		(686)	(336)
Sales of properties held for resale		878	583
Loans to, less repayments from, staff, businesses and local organisations		28	7
Repayment of loans relating to leasehold enfranchisement		54	96
<b>Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment</b>		<u>6,548</u>	<u>(718)</u>
<b>Net Cash Inflow before Use of Liquid Resources and Financing</b>		<u>8,027</u>	<u>109</u>
<b>Management of Liquid Resources</b>			
Net maturities of money market deposits	22	(2,326)	98
<b>Net Cash (Outflow)/Inflow from Management of Liquid Resources</b>		<u>(2,326)</u>	<u>98</u>
<b>Financing</b>			
Repayment of capital element of finance lease and hire purchase obligations	22	(101)	(152)
Repayment of other loan	22	(31)	(20)
New bank loan	22	2,500	-
Repayment of bank loan	22	(4,420)	(1,180)
<b>Net Cash (Outflow) from Financing</b>		<u>(2,052)</u>	<u>(1,352)</u>
<b>Increase/(Decrease) in Cash</b>	22	<u>3,649</u>	<u>(1,145)</u>

## Notes to the Accounts

at 30 September 2002

### 1. Accounting Policies

#### Accounting convention

The accounts which are prepared in accordance with the Charities Act and with applicable accounting standards including the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP2000) issued October 2000 are prepared under the historical cost convention modified by the revaluation of investment properties. Following the implementation of SORP2000, the comparatives have been restated to comply with the new disclosure requirements.

#### Basis of consolidation

Consolidated accounts of the Group incorporate the accounts of Letchworth Garden City Heritage Foundation and its subsidiary undertakings all of which are made up to 30 September. An entity Statement of Financial Activities is not presented as the charity is relying on paragraph 304 of SORP2000.

#### Incoming resources

The types of income included within each category are as follows. Unless otherwise stated, all income is recognised on an accruals basis, matching it to the period in which the goods or services provided relates:

Other Incoming Charitable Revenue Resources – include, but are not exclusive, Museum admissions, patient meals, external mini bus income and Plinston charitable lettings.

Property income – comprises primarily rent receivable on investment properties. It excludes service charges which are recognised in the period to which they relate and are credited against the relevant expenditure.

Educational Farm income – income sourced from public admission, souvenirs and refreshments, sundry rents, stabling and grazing and livestock sales.

Cinema income – comprises primarily admissions, concession sales and advertising revenue.

Business services and retail sales – income derived from Spirella Business Exchange (closed June 2002), Ballroom lettings, Plinston Hall commercial sales, souvenir sales, telephone and IT services.

Farm income – income derived from sales and grants received arising from commercial farm management of the Foundation's arable farmland.

Investment income and interest – income derived from the investment of excess cash.

#### Gifts and intangible income

Since its creation, The Ernest Gardiner Day Hospital has been supported by a "League of Friends" who have raised funds to purchase furniture and equipment. Historically the value of these gifts has not been reflected in the accounts. From 1 October 2002, the accounting policy will be to reflect the fair value of all future gifts in the SOFA as incoming resources.

#### Resources expended

The types of expenditure included within each category, in addition to payroll related, accommodation, external advisors, utilities, communications, insurance and depreciation, is as follows. Costs are accounted for under these headings within the business areas that incur them. All costs are accounted for on an accruals basis:

Property and related costs – include, property lettings and bad debt provision.

Provision of educational farm – include maintenance of plant equipment buildings and grounds, farm vehicle costs, purchase of animal food and care costs, purchase of goods for resale in farm shop.

Farm costs – include maintenance of plant equipment buildings and grounds, farm vehicle costs, seeds, fertilizer, sprays, contractor costs, agency commission cost and managing agents fees.

Cost of business services and retail activities – include souvenirs, café bar and catering stock for resale together with equipment costs, advertising, professional fees, IT support and depreciation.

Cinema – include film rentals, concession purchases, advertising, maintenance of equipment and cleaning.

Management and administration – the Foundation operates a number of centralised functions that support all of its activities: Marketing and Public Relations (Including Tourist Information Centre), Finance, Company Secretary, Human Resources, Director General, Health and Safety, Information Technology, Internal Audit, General Administration, and Community Affairs. The costs within these functions include training, recruitment, office costs, travel, legal fees, computer consumables, maintenance fees, service charges, machinery rental, cleaning and security.

Provision of community hall and facilities – include training, recruitment, office costs, legal fees, computer consumables, maintenance fees, machinery rental, equipment hire, security, artistes' fees, and ticketing costs.

Day hospital – include training, recruitment, office costs, legal fees, computer consumables, maintenance fees, equipment hire, patient meals and ambulance hire.

Heritage museum – include training, recruitment, office costs, legal fees, computer consumables, maintenance fees, equipment hire, exhibit costs, reproduction expenses, archive maintenance, display costs.

Minibus service – include training, recruitment, vehicle maintenance costs, and equipment hire.

## Notes to the Accounts

at 30 September 2002

### 1. Accounting Policies (continued)

Environmental improvements – include CCTV costs, planting costs.

Community information – publishing and distribution costs.

Miscellaneous charitable expenditure – include the provision of Christmas lights, support payments to the CAB, and repair costs.

#### Grants payable

Prior to 1 October 2001, grants were recognised in the financial statements on a paid basis, with commitments not paid by the year end disclosed in the notes. From 1 October 2001, grants are recognised on a committed basis.

#### Investment Properties

Certain of the Foundation's properties are held for long-term investment and are stated in the balance sheets at their market value at the balance sheet date. Other properties classified as operational properties are held at cost.

The Board of Management believes that this policy is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes to the current value, are of importance rather than a calculation of systematic annual depreciation.

All movements in the value of investment properties, whether arising from disposals or revaluation, are reflected in the Consolidated Statement of Financial Activities. The cumulative unrealised gains are disclosed in the notes to the accounts.

#### Depreciation of tangible fixed assets

Depreciation is not provided in respect of land and investment properties other than leasehold properties with less than 25 years to run.

The cost of other tangible fixed assets is written off by equal annual instalments over their expected useful life as follows:

Operational buildings		2%
Short leasehold properties	% based on remaining length of lease	
Vehicles, machinery and equipment		20%
Furniture and fittings		10%
Office equipment		20%

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### Investments

Investments in subsidiary undertakings are recorded at cost and are reviewed annually for impairment. Other investments are recorded initially at cost and revalued to market value annually. All such movements in value are reflected in the Consolidated Statement of Financial Activities. The carrying value of other investments are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Stocks

Farm stocks are valued at the lower of professionally valued estimated cost of production and net realisable value as appropriate. Estate stocks are included at the lower of cost and net realisable value with due allowance made for all obsolete and slow moving items.

#### Leases and Hire Purchase

Tangible fixed assets held under leasing or hire purchase arrangements that transfer substantially all the risks and rewards of ownership to the Foundation are identified as a specific class of asset. Such assets are subject to depreciation over the shorter of the lease term and the estimated useful life of the assets. The finance charges are charged to the Consolidated Statement of Financial Activities over the primary periods of the agreements and represent a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the Consolidated Statement of Financial Activities on a straight line basis over the term of the lease.

#### Funds

**General Fund:** This fund comprises property and assets inherited upon vesting under the Letchworth Garden City Heritage Foundation Act 1995. This has been added to by subsequent years' revaluation of investment properties together with profits on disposal of capitals assets. This revenue is required to support the revaluation of the investment properties and is not cash and is not considered to be distributable. Subsequent years' revaluation increases or decreases will be added to or deducted from this fund. The Foundation's main areas of operation, captured within the Incoming Resources netted with the Resources Expended appearing within the Statement of Financial Activities, achieve a near break-even result having little or no effect on the retained funds.

**Restricted Fund:** This fund represents the statutory reserves of Letchworth Cottages & Buildings Ltd (LCB), a registered charity with restrictions on its ability to utilise its reserves. The fund exists in order to provide LCB with the ability to undertake new developments in Letchworth, which meet current and future identifiable social housing needs. A review is being undertaken of detailed Census data in respect of social housing needs. This will drive planning applications and subsequent investment.

## Notes to the Accounts

at 30 September 2002

### Pensions

#### a) Defined Benefit Scheme

The Foundation participates in a pension scheme which provides benefits based on pensionable earnings near retirement. The associated pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as possible, to the working lives of the employees concerned.

#### b) Defined Contribution Scheme

The Foundation operates an additional defined contribution pension scheme for certain employees. Contributions are charged to the Consolidated Statement of Financial Activities as they become payable.

## 2. Trading Results of Subsidiaries

The Foundation has three wholly owned trading subsidiaries which are incorporated in England and Wales. Letchworth Garden City Farms Ltd, farms the rural estate under a tenancy agreement with the Foundation and operates a model farm centre. Letchworth Garden City Services Ltd provides bar and catering facilities within Plinston Hall, retails crafts and souvenirs through the Letchworth Shop and provides other business services. Garden City Technologies Ltd provides IT and telephone services. All companies gift aid distributable profits to the Foundation and pay rent and interest on loans from the Foundation.

Letchworth Garden City Services Ltd has a controlling interest in Broadway Cinema Ltd, which operates a three screen cinema in the town.

In addition, the Foundation has a charitable subsidiary, Letchworth Cottages and Buildings Ltd, which is a housing association that retains its surplus and therefore constitutes a restricted fund within the Group accounts of the Foundation.

A summary of the results and net assets of each subsidiary is shown below.

	LGC Farms Ltd £'000	LGC Services Ltd £'000	Broadway Cinema Ltd £'000	Garden City Tech Ltd £'000	Letchworth Cottages and Buildings Ltd £'000
2002:					
Turnover	889	565	697	870	559
Profit/(loss) before tax	71	(30)	38	107	1,656
Gross assets	1,290	2,666	1,809	906	8,056
Gross liabilities	(150)	(2,537)	(295)	(320)	(65)
Net assets	<u>1,140</u>	<u>129</u>	<u>1,514</u>	<u>586</u>	<u>7,991</u>
2001:					
Turnover	774	496	569	618	921
Profit/(loss) before tax	(31)	(118)	(37)	(19)	340
Gross assets	1,422	3,173	1,818	517	3,184
Gross liabilities	(353)	(3,014)	(341)	(703)	(88)
Net assets/(liabilities)	<u>1,069</u>	<u>159</u>	<u>1,477</u>	<u>(186)</u>	<u>3,096</u>

The profit before tax of Letchworth Garden City Farms Ltd is shown before gift aid payments of £51,000 (2001: nil).

The profit before tax of Letchworth Cottages and Buildings Ltd of £1,656,000 (2001: £340,000) includes a profit on disposal of fixed assets of £1,403,000 (2001: £nil). In addition to this profit before tax Letchworth Cottages and Buildings Ltd has a revaluation surplus arising in the year of £3,695,000 (2001: £456,000). None of the other subsidiaries has any recognised gains or losses other than the profit/(loss) before tax.

## Notes to the Accounts

at 30 September 2002

### 3. Analysis of Total Resources Expended

	Staff costs £'000	Other direct costs £'000	Total 2002 £'000	Total 2001 £'000
<b>Costs of generating funds:</b>				
Property and related costs	998	1,696	2,694	3,038
Cost of business services and retail activities	129	593	722	825
Farm costs	72	470	542	527
	<u>1,199</u>	<u>2,759</u>	<u>3,958</u>	<u>4,390</u>
<b>Charitable expenditure:</b>				
Costs of activities in furtherance of the charity's objects:				
Provision of an educational farm (object iii)	95	135	230	265
Cinema expenditure (object ii)	189	507	696	658
Provision of community hall and facilities (object ii)	214	189	403	404
Provision of day care hospital (object iv)	159	83	242	227
Provision of heritage museum (object iii)	83	67	150	124
Provision of minibus service (object iv)	48	10	58	59
Provision of environmental improvements (object i)	7	149	156	173
Provision of community information	-	48	48	57
Miscellaneous charitable expenditure	-	52	52	54
	<u>795</u>	<u>1,240</u>	<u>2,035</u>	<u>2,021</u>
Management and administration	1,032	1,047	2,079	2,105
Grants payable	-	428	428	144
	<u>1,827</u>	<u>2,715</u>	<u>4,542</u>	<u>4,270</u>
Interest payable	-	581	581	734
Total resources expended	<u>3,026</u>	<u>6,055</u>	<u>9,081</u>	<u>9,394</u>

#### Analysis of Property & Related costs

Marketing and PR	53
Professional fees	345
Property rents and letting costs	907
Depreciation and amortisation	254
Staff welfare, training and employment costs	40
Office accommodation and running costs	66
Disallowed VAT	31
	<u>1,696</u>

#### Analysis of Management & Administration

Marketing and PR	98
Professional fees	188
Depreciation and amortisation	158
Staff welfare, training and employment costs	110
Office accommodation and running costs	406
Bank charges	42
Disallowed VAT	45
	<u>1,047</u>

The Consolidated Statement Of Financial Activities ("SOFA") has been prepared in accordance with the new SORP 2000. It has been formatted to highlight the individual incoming resources and the associated direct costs of the Foundation and its subsidiary undertakings' activities. The overall Management and Administration costs incurred in operating all of these activities, which are recorded centrally, are shown as a separate line in the SOFA. Given the range of the Foundation's activities under six separate legal entities and embracing 18 disparate activities, it is not practicable to allocate management and administrative costs.

## Notes to the Accounts

at 30 September 2002

### 4. Grants Payable

	2002 £	2001 £
The amount payable in the year comprises:		
Institutional grants:		
Largest 63 grants	361,938	69,753
Smaller grants	42,417	38,149
<b>Total institutional grants:</b>	<u>404,355</u>	<u>107,902</u>
Individual grants:		
Community grants – grants over £1,000 to 10 individuals (2001: 11 individuals)	18,262	26,310
Small community grants to individuals	5,443	9,359
<b>Total individual grants:</b>	<u>23,705</u>	<u>35,669</u>
<b>Total grants payable:</b>	<u>428,060</u>	<u>143,571</u>
<b>Reconciliation of grants payable:</b>		
Commitments at 1 October 2001	–	–
Commitments made in the year	428,060	143,571
Grants cancelled or recovered	–	–
Grants payable for the year	428,060	143,571
Grants paid during the year	157,681	143,571
<b>Commitments at 30 September 2002</b>	<u>270,379</u>	<u>–</u>
Commitments at 30 September 2002 are payable as follows:		
Within 1 year (note 16)	270,379	–
After more than 1 year (note 16)	–	–
	<u>270,379</u>	<u>–</u>

#### Commitments

Prior to 1 October 2001, grants were recognised in the financial statements on a paid basis, with commitments not paid by the year end disclosed in the notes. From 1 October 2001, grants are recognised on a committed basis. Had this policy been adopted in the prior year, the total grants payable for the year ended 30 September 2002 would have been £281,000 and the comparative for the year ended 30 September 2001 would have been £291,000.

#### Institutional grants: Grants awarded of £1,000 or more:

Object	2002		2001	
	Number	Value of Grants (£)	Number	Value of Grants (£)
(i) Preservation of buildings and other environmental features	4	109,050	–	–
(ii) Assisting in the provision of facilities for recreation	15	71,769	6	32,786
(iii) Advancement of education and learning	40	160,948	7	19,779
(iv) Relief of poverty and sickness	3	17,179	1	1,450
(v) Supporting Garden City charitable organisations	1	2,992	2	15,738
(vi) Supporting other charitable purposes	–	–	–	–
	<u>63</u>	<u>361,938</u>	<u>16</u>	<u>69,753</u>

## Notes to the Accounts

at 30 September 2002

## 4. Grants Payable (continued)

Analysis of institutional grants payable		2002		2001
<b>Object (i) ...preservation of buildings and other environmental features</b>				
North Hertfordshire District Council – Kennedy Gardens restoration	2	89,500	–	–
St. Mary's Church	1	10,250	–	–
Hertfordshire County Council – Wilbury traffic calming	1	9,300	–	–
	4	109,050	–	–
<b>Object (ii) ...assisting in the provision of facilities for recreation</b>				
The Place – Letchworth Arts Centre	2	22,834	1	4,938
Letchworth Garden City Rugby Union F.C.	1	16,000	–	–
Letchworth & Baldock District Scouts	2	9,100	1	13,975
Garden Square Shopping Centre Christmas Grotto	1	5,000	–	–
Letchworth Chorale Centenary Concert	1	3,800	–	–
Letchworth Centenary Flower Festival	1	3,600	–	–
Letchworth Settlement Trust	1	2,500	–	–
Poetry ID Centenary Programme	1	2,000	–	–
Letchworth Garden City Eagles Youth Football Club	1	1,853	1	4,299
Norton Bowling Club	1	1,482	–	–
North Hertfordshire Bowls Club	1	1,400	–	–
Letchworth Garden City Band Centenary Composition	1	1,200	–	–
Wilbury P.C.C.	1	1,000	–	–
Letchworth Corner Sports Club	–	–	1	5,000
Letchworth Guide Hall	–	–	1	3,174
All Saints Trampoline Club	–	–	1	1,400
	15	71,769	6	32,786
<b>Object (iii) ...advancement of education and learning</b>				
St. Francis College	3	52,717	–	–
The Highfield School	4	29,098	–	–
Fearnhill School	3	27,650	1	1,595
Letchworth Civic Trust	2	10,000	1	5,000
Hillshott School	3	8,097	–	–
Letchworth Schools Music Festival	2	5,727	–	1,925
Stonehill School	2	2,747	–	–
St Nicholas School	2	2,747	–	–
Westbury School	2	2,747	–	–
Pixmore School	2	2,473	1	1,220
Grange School	2	2,472	–	–
Norton School	1	1,448	1	1,595
Letchworth Schools Drama Festival	1	1,414	–	–
Briar Patch Support Centre	1	1,386	–	–
Icknield Infants School	1	1,025	–	–
Lannock School	1	1,025	–	–
Lordship School	1	1,025	–	–
Northfields School	1	1,025	–	–
Radburn School	1	1,025	–	–
St Christopher School	1	1,025	–	–
St. Thomas More School	1	1,025	1	1,722
Wilbury School	1	1,025	–	–
Woolgrove School	1	1,025	1	1,722
Hertfordshire Constabulary – Crucial Crew	1	1,000	–	–
Teachers Resources Centre	–	–	1	5,000
	40	160,948	7	19,779
<b>Object (iv) ...relief of poverty and sickness</b>				
Centre for Homeopathy	1	9,500	–	–
Headway	1	4,610	–	–
Council for Voluntary Services Furniture Scheme	1	3,069	–	–
Freeman House	–	–	1	1,450
	3	17,179	1	1,450
<b>Object (v) ...supporting Garden City charitable organisations...</b>				
St. John's Ambulance	1	2,992	2	15,738
	1	2,992	2	15,738

## Notes to the Accounts

at 30 September 2002

### 5. Retained Surplus for the Year

This is stated after charging:

	2002 £'000	2001 £'000
Depreciation of tangible fixed assets		
On owned assets	576	545
On assets held under finance leases and hire purchase contracts	108	99
Auditors' remuneration and expenses:		
Audit services	42	40
Non-audit services	123	79
Operating lease rentals:		
Land and buildings	172	170
Plant and machinery	64	64
	<u>64</u>	<u>64</u>

### 6. Employees

Staff costs for the Group during the year amounted to:

	2002 £'000	2001 £'000
Wages and salaries	2,484	2,207
Social security costs	175	166
Other pension costs	272	314
Agency staff costs	95	119
	<u>3,026</u>	<u>2,806</u>

Agency staff costs. During the year a restructuring of the group finance function commenced. As part of the process, temporary agency staff were employed, initially to address the workload arising from the restructuring and subsequently until permanent staff were recruited. Other areas within the organisation employed agency staff during the year to cater for specific projects and staff absence.

The average weekly number of employees of the Group during the year calculated on a full-time equivalent basis, analysed by function, was as follows:

	2002 Number	2001 Number
Charitable activities	32	32
Broadway Cinema	16	16
Property management and maintenance	33	33
Agricultural	9	10
Administration	50	47
Marketing and PR	7	4
	<u>147</u>	<u>142</u>

The number of employees whose emoluments (including benefits in kind) amounted to over £50,000 in the year were as follows:

	2002 Number	2001 Number
£50,001 – £60,000	1	2
£70,001 – £80,000	1	1
£80,001 – £90,000	1	–
£90,001 – £100,000	–	1
£100,001 – £110,000	1	–
	<u>4</u>	<u>4</u>

The charity contributed the following to pension plans in respect of the above employees:

	2002 £'000	2001 £'000
Defined benefit schemes (in respect of 1 (2001: 2) employees)	46	41
Defined contribution schemes	2	2
	<u>48</u>	<u>43</u>

### Board of Management

Members of the Board of Management, who are the trustees of the charity, neither received nor waived any emoluments during the year (2001: £nil). No members were reimbursed for out of pocket expenses in the year.

## Notes to the Accounts

at 30 September 2002

## 7. Interest Payable and Similar Charges

	2002 £'000	2001 £'000
On amounts repayable within 5 years:		
Bank overdraft	7	25
Finance leases	21	27
Bank loans	178	–
Property sinking funds	10	5
Other loans	10	10
On amounts repayable in more than 5 years:		
Bank loan	345	649
	<hr/> 571	<hr/> 716
Notional interest on provision for pension payments	10	18
	<hr/> 581	<hr/> 734

## 8. Taxation

The Foundation is not liable to taxation on revenue or capital surpluses since the Foundation has been accepted by the Inland Revenue and The Registrar of Friendly Societies as having charitable status. None of the subsidiary undertakings have taxable profits in the year due either to the availability of trading losses or gift aiding taxable profits to the Foundation.

## 9. Surplus Attributable to Letchworth Garden City Heritage Foundation

The surplus dealt with in the accounts of the Foundation amounted to £4,420,000 (2001: £271,000).

## 10. Tangible Assets - Investment Properties

Group	Freehold property £'000	Long leasehold property £'000	Short leasehold property £'000	Buildings & freehold land subject to finance leases £'000	Total £'000
At 30 September 2001					
at valuation	86,338	3,120	–	4,075	93,533
at cost	–	–	195	–	195
Additions	7,207	–	–	–	7,207
Disposals	(14,032)	–	–	–	(14,032)
Revaluation	9,803	280	–	75	10,158
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2002					
at valuation	89,316	3,400	–	4,150	96,866
at cost	–	–	195	–	195
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:					
At 30 September 2001	–	–	80	–	80
Charge for the year	–	–	13	–	13
At 30 September 2002	<hr/> –	<hr/> –	<hr/> 93	<hr/> –	<hr/> 93
Net book value:					
At 30 September 2002	<hr/> 89,316	<hr/> 3,400	<hr/> 102	<hr/> 4,150	<hr/> 96,968
At 30 September 2001	<hr/> 86,338	<hr/> 3,120	<hr/> 115	<hr/> 4,075	<hr/> 93,648

## Notes to the Accounts

at 30 September 2002

### 10. Tangible Assets - Investment Properties (continued)

	Freehold property £'000	Long leasehold property £'000	Short leasehold property £'000	Buildings & freehold land subject to finance leases £'000	Total £'000
<b>Foundation</b>					
At 30 September 2001					
at valuation	70,504	3,120	–	4,075	77,699
at cost	–	–	195	–	195
Additions	6,117	–	–	–	6,117
Disposals	(2,668)	–	–	–	(2,668)
Revaluation	11,110	280	–	75	11,465
At 30 September 2002					
at valuation	85,063	3,400	–	4,150	92,613
at cost	–	–	195	–	195
Depreciation:					
At 30 September 2001	–	–	80	–	80
Charge for the year	–	–	13	–	13
At 30 September 2002	–	–	93	–	93
Net book value:					
At 30 September 2002	85,063	3,400	102	4,150	92,715
At 30 September 2001	70,504	3,120	115	4,075	77,814

The investment properties other than short leasehold properties and sundry residential properties were valued at 30 September 2002 by Cluttons Daniel Smith, Chartered Surveyors, on an open market value basis which envisaged the continued letting of all properties. The valuation of these properties amounted to – Group £96,828,000 and Foundation £92,575,000. At 30 September 2001 the value of these properties was – Group £93,495,000 and Foundation £77,661,000.

The valuation has been prepared in accordance with the Statements of Asset Valuation Practice and Guidance Notes prepared by the Royal Institution of Chartered Surveyors except that:-

- the valuation of the portfolio is undertaken on a rolling programme whereby the valuers inspect 20% of the properties each year and take account of information provided by the Foundation to update information they hold on the remainder of the portfolio since the last inspection, in order to reach their conclusions;
- in the case of let and temporarily vacant properties, account has not been taken of development potential.

Residential properties occupied under licence or shared equity arrangements have been valued at 30 September 2002 on an open market basis by employees of the Foundation who are qualified as Chartered Surveyors. The valuation amounted to £38,000 (2001: £38,000) in respect of 2 properties (2001: 2 properties).

Short leasehold property is not revalued and is recorded at vested value less depreciation.

The original 'cost' of investment properties held at valuation comprises the value at which those properties held by the Foundation at 1 October 1995 were vested plus the cost of properties acquired since that date. The cost of these properties at 30 September 2002 was £56,517,000 (2001: £63,342,000).

## Notes to the Accounts

at 30 September 2002

## 11. Tangible Assets - Operational Assets

	Freehold property £'000	Plant and equipment subject to finance lease or hire purchase agreement £'000	Plant, equipment, machinery, vehicles and furniture £'000	Total £'000
<b>Group</b>				
Cost:				
At 30 September 2001	12,150	705	3,534	16,389
Additions	16	-	464	480
Disposals	-	-	(41)	(41)
At 30 September 2002	12,166	705	3,957	16,828
Depreciation:				
At 30 September 2001	359	311	1,896	2,566
Charge for the year	68	108	495	671
Disposals	-	-	(39)	(39)
At 30 September 2002	427	419	2,352	3,198
Net book value:				
At 30 September 2002	11,739	286	1,605	13,630
At 30 September 2001	11,791	394	1,638	13,823
<b>Foundation</b>				
Cost:				
At 30 September 2001	9,156	156	2,014	11,326
Additions	9	-	356	365
Disposals	-	-	(5)	(5)
At 30 September 2002	9,165	156	2,365	11,686
Depreciation:				
At 30 September 2001	194	45	1,038	1,277
Charge for the year	37	16	299	352
Disposals	-	-	(5)	(5)
At 30 September 2002	231	61	1,332	1,624
Net book value:				
At 30 September 2002	8,934	95	1,033	10,062
At 30 September 2001	8,962	111	976	10,049

## Notes to the Accounts

at 30 September 2002

### 12. Investments

£'000

#### Group

Other fixed asset investments

Cost:

At 30 September 2001 and 30 September 2002

30

Amount provided:

At 30 September 2001 and 30 September 2002

3

Net book value:

At 30 September 2001 and 30 September 2002

27

	Subsidiary undertakings £'000	Other investments £'000	Total £'000
<b>Foundation</b>			
Cost:			
At 30 September 2001	1,500	10	1,510
Additions in the year	815	-	815
At 30 September 2002	2,315	10	2,325
Amount provided:			
At 30 September 2001 and 30 September 2002	-	(3)	(3)
Net book value:			
At 30 September 2002	2,315	7	2,322
At 30 September 2001	1,500	7	1,507

Details of the investments in which the group holds more than 10% of the nominal value of any class of share capital are as follows:

Subsidiary undertakings	Holding	Proportion of: shares held	Voting rights	Nature of business
Letchworth Cottages and Buildings Ltd	Ordinary shares	100%	100%	Charitable housing association
Letchworth Garden City Farms Ltd	Ordinary shares	100%	100%	Farming
Letchworth Garden City Services Ltd	Ordinary shares	100%	100%	Retail and business services
Broadway Cinema Ltd	Ordinary shares	90%	90%	Cinema operator
Garden City Technologies Ltd	A Ordinary shares	100%	100%	Data Communications
	B Ordinary shares	100%	None	
<b>Other investments</b>				
E-maginists Ltd	Ordinary shares	33%	33%	Property management

All are held by the Foundation except Broadway Cinema Ltd and E-maginists Ltd which are held by Letchworth Garden City Services Ltd.

Letchworth Cottages and Buildings Ltd is a charitable housing association registered under the Industrial and Provident Societies Act 1965. No part of the accumulated reserves can be attributable to its share capital and its income and net assets constitute a Restricted Fund within the Group Accounts of the Foundation.

## Notes to the Accounts

at 30 September 2002

### 13. Stocks

	Group		Foundation	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Farm stocks	590	595	-	-
Estate stocks	10	9	10	9
Retail activities	25	18	-	-
	<u>625</u>	<u>622</u>	<u>10</u>	<u>9</u>

### 14. Debtors

Trade debtors	1,488	2,190	1,372	1,993
Amounts owed by subsidiary undertakings	-	-	89	286
Other debtors	433	35	377	32
Prepayments and accrued income	331	354	41	132
Income Tax recoverable	88	104	88	104
	<u>2,340</u>	<u>2,683</u>	<u>1,967</u>	<u>2,547</u>

### 15. Loans and deposits

Due within one year:				
Loans to staff	33	33	33	33
Loans to individuals and local organisations	28	44	28	44
Money market deposits	2,590	264	-	-
Loans relating to leasehold enfranchisement	16	16	16	16
Loans to subsidiary undertakings	-	-	270	270
	<u>2,667</u>	<u>357</u>	<u>347</u>	<u>363</u>
Due after one year:				
Loans to staff	34	20	34	20
Loans to individuals and local organisations	53	79	53	79
Loans relating to leasehold enfranchisement	627	695	627	695
Loans to subsidiary undertakings	-	-	1,654	1,704
	<u>714</u>	<u>794</u>	<u>2,368</u>	<u>2,498</u>

#### Loans relating to leasehold enfranchisement

The loans have been granted in accordance with a scheme to assist qualifying residential lessees to acquire the freehold interest in their property. The amounts outstanding include accrued interest and are secured by mortgage on the freehold interests concerned.

## Notes to the Accounts

at 30 September 2002

### 16. Creditors

	Group		Foundation	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Amounts falling due within one year:				
Bank overdraft	–	509	–	509
Loan repayments	33	240	–	210
Finance leases and hire purchase	82	102	24	22
Trade creditors	670	1,002	512	742
Amounts owed to subsidiary undertakings	–	–	1,100	1,150
Taxes and social security	75	74	61	57
Other creditors	489	526	466	447
Accruals and deferred income	3,131	2,656	2,855	2,447
Grants payable	270	–	270	–
	<u>4,750</u>	<u>5,109</u>	<u>5,288</u>	<u>5,584</u>
Amounts falling due after more than one year:				
Bank loans	7,000	8,680	7,000	8,680
Finance leases and hire purchase	116	197	55	79
Other loans	55	88	–	–
Deposits held in respect of licences to occupy residential properties	47	47	47	47
	<u>7,218</u>	<u>9,012</u>	<u>7,102</u>	<u>8,806</u>

#### Bank Loan

The secured bank loan, which was drawn down for the purpose of completed developments including The Spirella Building, was renegotiated during the year. The loan is secured on investment properties valued at 30 September 2002 at £22,795,000. Interest is payable on the outstanding balance, at an interest rate of 0.95% above the Base Rate. The loan is repayable in 10 annual instalments of £700,000 commencing September 2007.

#### Deposits

Deposits held in respect of licences to occupy residential properties are repayable to outgoing licensees together with a proportion of the capital appreciation during the period of occupation based on the open market value of the property at the time of vacating.

	Group		Foundation	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
<b>Bank and Other Loans</b>				
Amounts falling due:				
in one year or less or on demand	33	240	–	210
between one and two years	33	744	–	710
between two and five years	22	2,184	–	2,130
in five years or more	7,000	5,840	7,000	5,840
	<u>7,088</u>	<u>9,008</u>	<u>7,000</u>	<u>8,890</u>
Less: included in creditors:				
Amounts falling due within one year	33	240	–	210
	<u>7,055</u>	<u>8,768</u>	<u>7,000</u>	<u>8,680</u>

## Notes to the Accounts

at 30 September 2002

## 16. Creditors (continued)

	Group		Foundation	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
<b>Finance Leases and Hire Purchase</b>				
Maturity of these amounts is as follows:				
Amounts payable:				
within one year	95	123	30	30
between two and five years	123	217	59	89
in more than five years	-	-	-	-
	<u>218</u>	<u>340</u>	<u>89</u>	<u>119</u>
Less: finance charges allocated to future periods	20	41	10	18
	<u>198</u>	<u>299</u>	<u>79</u>	<u>101</u>

Under the terms of the leases, future finance charges are subject to fluctuations in interest rates.

Finance leases are analysed as follows:

Current obligations	82	102	24	22
Non-current obligations	116	197	55	79
	<u>198</u>	<u>299</u>	<u>79</u>	<u>101</u>

## Reconciliation between the changes in cash and the change in net debt

	2002 £'000	2001 £'000
Increase/(Decrease) in cash	3,649	(1,145)
Cash outflow/(inflow) from change in liquid resources	2,326	(98)
Cash inflow from increase in loan	(2,500)	-
Cash outflow from repayment of loans	4,420	1,238
Cash outflow from repayments of finance leases	101	152
Change in net debt resulting from cash flows	<u>7,996</u>	<u>147</u>
New finance leases	-	(32)
Movement in net debt in the year	<u>7,996</u>	<u>115</u>
Net debt at start of year	(9,154)	(9,269)
Net debt at end of year	<u>(1,158)</u>	<u>(9,154)</u>

## Notes to the Accounts

at 30 September 2002

### 17. Commitments to Pension Fund

#### Defined Benefit Scheme

The Foundation is a member of the Small Admitted Bodies pool of the Hertfordshire County Council Pension Fund. This scheme provides benefits based on pensionable earnings near retirement. The assets of the scheme are held separately from those of the Foundation. The pension cost for the scheme is determined by a qualified actuary on the basis of periodical valuations. The cost is charged to the Consolidated Statement of Financial Activities.

The most recent valuation was carried out as at 31 March 2001 using the projected unit method. The following main assumptions have been used to determine the SSAP 24 pension costs in these accounts:

	Current Market	Longer Term
Rate of interest before retirement	6.0% per annum	6.5% per annum
Rate of interest after retirement	6.0% per annum	6.5% per annum
Salary increases	4.3% per annum	4.3% per annum
Increases to pensions in payment	2.8% per annum	2.8% per annum

The scheme's assets were taken into account at market value, smoothed over the 12 months leading up to the valuation date. This valuation revealed a shortfall of assets compared to the past service liabilities. As the Foundation's proportion of the value of the whole scheme represents a minor amount, historically the market value of the scheme's assets or the funding level directly attributable to the Foundation's membership has not been disclosed.

In light of the uncertainty of future financial conditions, and in particular the volatility of equity markets over the period since 31st March 2001, the actuary has suggested that the financial position is monitored by means of interim funding reviews in the period up to the next formal valuation due as at 31st March 2004.

The provision for pensions as at 30 September 2002 in the Foundation's accounts is £112,000 (2001: £160,000 ). The pension's cost for the year to 30 September 2002 was £241,000 (2001: £146,000 ). The Foundation made actual contributions of £289,000 (2001: £213,000 ) during the year to 30 September 2002. There is no longer any allowance within the provision (2001: £40,000 ) in respect of previously unfunded pension increases since this was extinguished over 12 years from 1 April 1990 to 31 March 2002.

Movements on the provision in the year were as follows:

	2002 £'000	2001 £'000
<b>Group and Foundation</b>		
Balance at 1 October	160	227
Pension costs before interest	231	128
Interest	10	18
Contributions and payments in the year	(289)	(213)
Balance at 30 September	<u>112</u>	<u>160</u>

The above figures have been calculated in accordance with SSAP24. However, the Accounting Standard Board have introduced a replacement to SSAP24 known as "Financial Reporting Standard 17" (FRS17). FRS17 is being introduced in phases with full implementation being required in 2005. During this transitional period, the FRS17 figures shown below do not need to be included in the primary statements of these accounts

The full valuation of the scheme was undertaken as at 31 March 2001 and updated by a qualified independent Actuary to 30 September 2002 on a basis appropriate to FRS17. The major assumptions used by the Actuary for the FRS17 calculations were as follows:

	30 September 2001	30 September 2002
Rate of increase in salaries	4.0% per annum	3.8% per annum
Limited price indexation pension increases	2.5% per annum	2.3% per annum
Discount rate	6.0% per annum	5.5% per annum
Inflation assumption	2.5% per annum	2.3% per annum

## Notes to the Accounts

at 30 September 2002

## 17. Commitments to Pension Fund (continued)

The assets of the whole of the Hertfordshire County Council Pension Fund are invested with a number of fund managers. The fair value of the assets held by the whole of the Hertfordshire County Council Pension Fund and the expected rates of return assumed are as follows:

	Value at 30 September 2002 £'000	Expected rate of return for year starting 30 September 2002 % p a	Value at 30 September 2001 £'000	Expected rate of return for year starting 30 September 2001 % p a
Equities	678,156	8.0	859,543	7.0
Bonds	184,847	5.5	152,971	5.5
Property	42,384	6.0	34,722	6.0
Cash	156,317	4.0	129,358	4.0
	<u>1,061,704</u>		<u>1,170,594</u>	

Based on an estimate of the value of the asset share in respect of Letchworth Garden City Heritage Foundation, the funding position as at 30 September 2002 and 30 September 2001 was as follows:

	2002 £'000	2001 £'000
Estimated employer assets	4,969	5,184
Present value of share of scheme liabilities	7,589	7,015
Share of deficit in the scheme	(2,620)	(1,831)
Related deferred tax liabilities	-	-
Net pension liability	<u>(2,620)</u>	<u>(1,831)</u>

Analysis of the amount to be charged to net incoming resources for the year to 30 September 2002 once FRS 17 is adopted:

	£'000
Current service cost	163
Past service cost	-
Total operating charge	<u>163</u>

Analysis of the amount to be credited to net incoming resources for the year to 30 September 2002 once FRS 17 is adopted:

	£'000
Expected return on scheme assets	369
Interest on scheme liabilities	(421)
Net return	<u>(52)</u>

Analysis of the amount to be recognised as other recognised gains and losses in the SOFA for the year to 30 September 2002 once FRS 17 is adopted:

	£'000
Actual return less expected return on scheme assets	(762)
Experience gains and losses on scheme liabilities	323
Changes in assumptions underlying present value of scheme liabilities	(424)
Actuarial loss to be recognised in the SOFA	<u>(863)</u>

Movement in deficit during the year to 30 September 2002 once FRS 17 is adopted::

	£'000
Deficit in scheme at beginning of year	(1,831)
Current service cost	(163)
Contributions	289
Net return on assets	(52)
Actuarial loss	(863)
Deficit in scheme at end of year	<u>(2,620)</u>

## Notes to the Accounts

at 30 September 2002

### 17. Commitments to Pension Fund (continued)

History of experience gains and losses:

	Amount £'000	Percentage of scheme assets/liabilities
Difference between expected and actual return on scheme assets	(762)	15.3%
Experience gain and losses on scheme liabilities	323	4.3%
Total amount recognised in the statement of total recognised gains and losses	(863)	11.4%

As a result of the actuarial valuation as at 31 March 2001, the Employer is making contributions to the Scheme at the rate of 270% of members' contributions.

The above statements are made in compliance with FRS17. As the employer currently participates in a multi-employer scheme, the employer's obligation to fund the pension scheme is defined by the results of the formal Actuarial Valuation of the Hertfordshire County Council Pension Fund. The last Actuarial Valuation of the Hertfordshire County Council Pension Fund showed that the whole scheme was in deficit. However, the employer has agreed to a contribution rate which aims to remove this deficit. The employer's agreed contribution rate has been certified as sufficient to maintain the solvency of the Scheme. The scheme's funding position is next formally to be reviewed as at 31 March 2004.

#### Defined Contribution Scheme

The Foundation operates an additional defined contribution pension scheme for certain employees. The assets of this scheme are held separately from those of the Foundation and invested in assurance policies. The contributions to the defined contribution scheme are accounted for as they are paid in and are included within the above figures.

### 18. Capital Funds

	Restricted fund £'000	General fund £'000	Total £'000
<b>Group</b>			
At 30 September 2001	2,640	99,552	102,192
Retained (deficit)/surplus for the year	1,656	(4,782)	(3,126)
Increase on revaluation	3,695	6,463	10,158
Balance at 30 September 2002	<u>7,991</u>	<u>101,233</u>	<u>109,224</u>
<b>Foundation</b>			
At 30 September 2001	-	84,506	84,506
Retained surplus for the year	-	4,420	4,420
Increase on revaluation	-	11,465	11,465
Balance at 30 September 2002	<u>-</u>	<u>100,391</u>	<u>100,391</u>

## Notes to the Accounts

at 30 September 2002

### 19. Analysis of Group Net Assets Between Funds

	Restricted fund £'000	General fund £'000	Total £'000
Fund Balances at 30 September 2002 are represented by:			
Tangible Fixed Assets			
Investment properties	4,253	92,715	96,968
Operational assets	–	13,630	13,630
In course of construction	–	789	789
Investments	–	27	27
Current assets	3,803	6,238	10,041
Current liabilities	(65)	(4,685)	(4,750)
Creditors due after one year	–	(7,218)	(7,218)
Provision for pension payments	–	(112)	(112)
	<u>7,991</u>	<u>101,384</u>	<u>109,375</u>
Less: Minority interests	–	(151)	(151)
	<u>7,991</u>	<u>101,233</u>	<u>109,224</u>

The above figures include unrealised gains on investment properties as follows:

Unrealised gains at 30 September 2001	–	30,191	30,191
Net surplus arising on revaluations in the year	3,695	6,463	10,158
	<u>3,695</u>	<u>36,654</u>	<u>40,349</u>

### 20. Financial Commitments

Authorised capital expenditure not provided for in these accounts for the Group and for the Foundation for which contracts have been placed is as follows:

	2002 £'000	2001 £'000
<b>Group and Foundation</b>		
Erection, purchase and redevelopment of premises:		
Industrial	108	–
Commercial and Residential	360	1,448
	<u>468</u>	<u>1,448</u>

Annual commitments under non-cancellable operating leases are as follows:

<b>Group and Foundation</b>		
Land and building leases expiring:		
Within one year	3	3
Within two to five years	17	25
In over five years	144	144
	<u>164</u>	<u>172</u>
<b>Group</b>		
Plant and machinery leases expiring:		
Within two to five years	64	64
In over five years	–	–

## Notes to the Accounts

at 30 September 2002

### 21. Reconciliation of Net Incoming Resources to Net Cash Inflow from Operating Activities

	2002 £'000	2001 £'000
Net incoming/(Outgoing) resources for the year	121	(629)
Interest payable	581	734
Interest receivable	(154)	(50)
Depreciation	686	656
Surplus on sales of operational assets		-
(Increase) in stock	(3)	(65)
Decrease in debtors	507	208
Increase in creditors	209	718
Pension fund commitment	(58)	(85)
Net cash inflow from operating activities	<u>1,889</u>	<u>1,487</u>

### 22. Analysis of Changes in Net Debt

	At 1.10.01 £'000	Cashflow £'000	Other non-cash changes £'000	At 30.9.02 £'000
Cash at bank and in hand	398	3,140	-	3,538
Overdrafts	(509)	509	-	-
	<u>(111)</u>	<u>3,649</u>	<u>-</u>	<u>3,538</u>
Money market deposits	264	2,326	-	2,590
Long term bank loan	(8,890)	1,890	-	(7,000)
Other loan due within one year	(30)	30	(33)	(33)
Other loan due beyond one year	(88)	-	33	(55)
Finance leases	(299)	101	-	(198)
	<u>(9,154)</u>	<u>7,996</u>	<u>-</u>	<u>(1,158)</u>

#### Non cash transactions

During the year, the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £nil (2001: £25,000).



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