



**Letchworth Garden City Heritage Foundation**  
Report and Accounts to 30th September 2003

The objects of the Foundation shall be 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 Eighth 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 eighth Annual Report and Accounts. The seventh Annual General Meeting of the Heritage Foundation

was held on 26 March 2003 to receive the Report and Accounts for the year to 30 September 2002. Peter Harkness and Dennis Wells retired by rotation and offered themselves for re-election and were re-elected.

## Board of Management

P W Harkness (Chairman) (re-elected 26 March 2003)  
W G Armitage  
K F Emsall\*  
Mrs L Kercher  
Mrs L A Needham\*\*  
P Palmer  
J A Scouller  
C D Wells (re-elected 26 March 2003)

\*Deputy for Hertfordshire County Council

\*\*Deputy for North Hertfordshire District Council

At the eighth AGM, to be held on 25 March 2004, Peter Harkness will retire from the Board of Management. William Armitage will also retire by rotation and, being eligible, is standing for re-election to the Board of Management.

Alan Scouller will become 75 in September 2004. With the retirement of Peter Harkness the Board of Management have expressed the wish for Alan Scouller to become Chairman. Under Rule 13(k) any Governor reaching 75 is required to retire. However, 3/4's of the Governors attending a General Meeting can allow a Governor to continue to serve. A resolution for such an extension for Alan Scouller will be put to the Annual General Meeting.

Simon Muncey, Paul Palmer and Brian Sawford were appointed as Governors representing our 'education' and 'preservation of buildings' and 'environment' objects respectively.

## Governors

P W Harkness  
W G Armitage  
Mrs E Barnes (retired 8 May 2003)  
T Brazier  
Dr W B Broadbent  
J Coxall  
K F Emsall\*  
Mrs J Gates (retired 30 September 2003)  
J Gillham  
M Gray (retired 21 November 2003)  
W J Hall  
P M Jackson  
Mrs L Kercher  
P B Lang  
P Lennie  
A Lupton  
S Muncey (appointed 1 October 2003)  
Mrs L A Needham\*\*  
G R L Osborne  
P Palmer (re-appointed 14 October 2003)  
Miss D Poynter  
Mrs M Protani (re-appointed 1 October 2003)  
B R Sawford (appointed 1 January 2004)  
J A Scouller  
A R Stone  
Dr K M Thompson (re-appointed 1 October 2003)  
Mrs S Turner  
S P Vilas  
C D Wells  
R Williams  
Dr R J T Wilson (resigned 9 March 2004)  
Mrs M Winstanley

\*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

### **The Foundation's Mission Statement is:**

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

## Report of the Board of Management

for the year ended 30 September 2003

### Review of activities

Letchworth Garden City celebrated its Centenary within this financial year with the Heritage Foundation joining with many other local organisations to make it a year to remember.

In addition to 'one off' expenditure of £161,000 in respect of centenary events, additional spending at Plinston Hall and the First Garden City Heritage Museum, together with environmental improvements, increased the Foundation's expenditure in respect of charitable objects including grants from £1,537,000 in 2002 to £1,675,000 in 2003.

Looking specifically at the Foundation's financial results, detailed within the 'Consolidated Statement of Financial Activities' on page 10 of this report, the following should be observed:

### Incoming resources

**Total Incoming Resources** reflecting the Heritage Foundation's combined income from its six legal entities and eighteen individual businesses, produced strong income levels of £9,235,000 in 2003 from £9,202,000 in 2002.

**Property income** increased to £6,711,000 in 2003 from £6,699,000 in 2002, a very positive result considering the loss of income from a long standing business tenant and a weak property market. Additional 'one off' revenue was gained, partially offsetting these losses, from the provision of land for a reservoir.

**Business Services and Retail Sales Income** increased from £551,000 in 2002 to £617,000 in 2003 as a result of increased income generated by Plinston Hall and the Spirella Ballroom, added to by increased turnover from telephone and IT services.

**Farm Income** remained solid at £708,000 in 2003, an increase of £5,000 over the prior year in a difficult year for farming.

**Educational Farm Income** rose to £242,000 in 2003 from £234,000 in 2002 reflecting the increased attendances as a result of the summer weather.

**Cinema Income** dropped to £638,000 in 2003 from £746,000 in 2002. However, as a result of positive cashflows, no grant was required from the Foundation.

**Other Incoming Charitable Resources** remained steady at £118,000 in 2003 from £115,000 in 2002 and included income from external mini bus services, patient meals, museum admissions and Plinston charitable lettings.

**Investment Income and Interest.** Through the management of excess cash funds and the timing of capital expenditure, income increased to £201,000 in 2003 from £154,000 in 2002 despite falling interest rates.

### Resources Expended

**Total Resources Expended** reflect the Heritage Foundation's combined expenditure from its six legal entities and eighteen individual businesses. These produced an overall reduction in cost from 2002 when taking into account the 'one off' Centenary costs of £161,000 included within the overall increase in charitable spend. Costs rose to £9,210,000 in 2003 from £9,081,000 in 2002.

**Property and Related Costs** rose to £2,899,000 in 2003 from £2,694,000 in 2002 primarily reflecting the increased investment in the Estate through repairs and maintenance expenditure. Additional

costs included legal fees incurred resolving unauthorised occupation of the Estate and redundancy costs related to Letchworth Cottages and Buildings Limited.

**Cost of Business Services and Retail Activities** reduced to £704,000 in 2003 from £722,000 in 2002. This reflects savings made from the closure in June 2002 of the 'Business Exchange'.

**Farm Costs** were reduced to £493,000 as against £542,000 in the previous year. The costs included the introduction of livestock.

**Provision of Educational Farm Costs** showed a minimal increase in line with improved sales, £240,000 against £230,000 the previous year.

**Cinema Expenditure** reflects the reduced cost of film rentals over that incurred the previous year.

**Costs of Activities in Furtherance of the Charity's Objects** reflects an overall increase, from £1,109,000 to £1,464,000.

These activities are discussed further under "Promoting the environment", "Celebrating the Centenary" and "Promoting charitable activities" on the following pages.

**Grants Payable.** From 1st October 2001, grants are recognised on a committed basis as opposed to a paid basis. The 2002 costs reflected this accounting change, hence the higher value within the accounts. Grants committed in 2003 were £245,733, offset by grants cancelled of £35,434, producing a net grants payable figure of £210,299. Cancelled grants, where applicants have been unable to meet the conditions of the grant included; The Highfields School (Specialist status), Letchworth Schools (Setpoint), Garden Square (Christmas Grotto) and Heritage Open Day (Flowers).

**Management and Administration** includes the costs incurred in carrying out a full investigation, by a sub-committee of the main Board of Management, into the Heritage Foundation's provision of the local Government Pension Scheme to its employees. Also included are the costs associated with establishing a 'Human Resources' Department to ensure continued compliance with both UK and EEC legislation. These costs are included within the increase in the year to £2,205,000 from £2,079,000 the previous year. Controlling costs with this area continues to be a high priority.

**Interest Payable** reduced during 2003 as a result of a reduction in loans outstanding in 2002, together with lower interest rates.

**Net Incoming Resources** reflect the outstanding financial success of this Centenary year. With a budgeted deficit, after charitable distributions of £258,000 at the start of the financial year, the actual surplus of £25,000 represents an excellent result.

**Other Recognised Gains and Losses.** The Heritage Foundation's main areas of operation, analysed above, are managed to achieve a 'near break even' result year on year after charitable distributions. The General Fund increased by £1,782,000 through profits on disposal of capital assets with a further increase of £2,998,000 as a result of the revaluation of investment properties. Overall in 2003, net movement in funds increased by £4,805,000 which is lower than in previous years.

Funds brought forward of £109,224,000 increased to £114,029,000.

## Trading Subsidiaries

As an industrial and provident society with charitable status the Foundation cannot trade for profit. Accordingly, it operates a number of subsidiary companies which 'gift aid' their profits to the Heritage Foundation.

**Letchworth Garden City Farms Limited**, which subsidises the operation of Standalone, a recreational and educational farm, increased its profits to £97,000 (before gift aiding £75,000 to the Heritage Foundation) from £71,000 the previous year (before gift aiding £51,000 to the Heritage Foundation). This very positive result was achieved despite the reduction in yields and the loss of some crops as a result of the prolonged dry weather enjoyed during 2003.

**Letchworth Garden City Services Limited** operates conferencing, bar and catering facilities, supplies IT infrastructure and sells Garden City souvenirs. In 2003 the company made a profit of £4,000 after sustaining losses in previous years. This success reflects stringent cost saving measures implemented over the previous two financial years.

**Broadway Cinema Limited**, where Letchworth Garden City Services holds a 90% shareholding, had a difficult year. A lack of blockbuster family films reduced income substantially from the previous year from £697,000 to £588,000. Control of costs helped to limit the loss to £23,000 from a profit the previous year of £38,000.

**Garden City Technologies Limited** increased revenue from £870,000 in 2002 to £967,000 in 2003. Profits as a result increased on the previous year but were offset by a central management charge introduced during the year. 2003 profits are £91,000 as against £107,000 the previous year.

**Letchworth Cottages and Buildings Limited** has exempt charitable status. During the year, surpluses were achieved of £169,000 despite incurring redundancy costs..

## Property

The Heritage Foundation owns and manages an extensive commercial property portfolio including 120 retail premises, 200,000 sq ft of office space, some 200 industrial units and industrial ground leases at over 300 sites.

During the year, the demand for industrial space remained relatively strong, and void levels remained under 6%. The 30,000 sq ft Stewart Warner building, one of only a few long-standing vacant industrial units, was re-let to Letchworth Car Auctions. Planning permission was secured in respect of their former site where the Foundation has plans to build new offices.

Construction of four new industrial units at Ascot Industrial Estate will commence during the next financial year to meet future demand for industrial floorspace.

Overall, our industrial portfolio performed well in the face of formidable trading conditions, particularly in the manufacturing sector. However, Fermark, a long-standing tenant, was forced into voluntary liquidation in February 2003 with the loss of 250 jobs. Prior to closure the lingerie manufacturer occupied three Foundation premises, totalling 41,000 sq ft.

The office market continued to present many challenges. Demand for large office space was extremely slow. In response, smaller office suites were created at the 51%-let Nexus Building through the sub-division of one of its vacant floors.

Our retail portfolio in the heart of the Garden City remained fully let as the rest of the town centre continued to show signs of recovery following the massive investment of the last five years.

The Foundation doubled its monetary assistance to the Town Centre Partnership during the year in order to help facilitate the recruitment of a new full-time Town Centre Manager. Garden Square Shopping Centre owners, Helical Bar plc announced the opening of a Marks & Spencer 'Simply Food' outlet in the Centre.

Cluttons were instructed to carry out the annual property valuation as at 30 September 2003. This gives rise to an increase in values of £2,998,000 which is reflected in the accounts. The Board of Management has reviewed this valuation and is satisfied that it is appropriate.

## Promoting the environment

Beyond the Garden City's industrial, commercial and retail heartlands, it was a significant year for promoting the town's greenery, public open spaces and key heritage buildings.

In May 2003, the Garden City Greenway, a new 13.6-mile circular pedestrian route around the Garden City Estate, was formally opened after a £1m investment incurred over several years by the Foundation. A three-day celebration, centred on Radwell Meadows Country Park and Standalone Farm, attracted over 10,000 visitors.

Later in the year, the Greenway provided the perfect location for the planting of 100 trees by pupils from Letchworth primary schools following the planting of a Centenary Oak tree at Howard Gardens.

Agreement was reached with the Bedfordshire and River Ivel Drainage Board to enlarge a reservoir to the north of Standalone Farm. Under the terms of the deal, the Foundation retains the use of 17 of the 27 acres in question and has an additional recreational and environmental resource in close proximity to its Farm attraction.

Architectural heritage grants totalling over £39,000 helped to improve over 30 homes across the Garden City, including 15 properties in the Pix Road, Ridge Road and Ridge Avenue area, previously identified as requiring improvement.

96% of applications from residents seeking 'Landlords Consent', to alter their Garden City properties, were approved. The Foundation's planning application to create two residential dwellings at Paynes Farm, Croft Lane, is to be the subject of a Public Enquiry in April 2004.

The Duke of Gloucester formally opened North Hertfordshire District Council's magnificent new Broadway Gardens, in June 2003. Part-funded through an £89,500 Foundation grant (2002), the newly planted Gardens provide the perfect setting for major future civic and community celebrations.

The Council also completed restoration works to the exterior of the Mrs Elizabeth Howard Memorial Hall following our decision to serve a Section 146 notice, reported last year. The Foundation granted the Council a new 25-year lease in respect of Jackmans Recreation Ground, Baldock Road in order to help facilitate a bid to secure funds to rebuild its missing Pavilion, burnt down in 2000.

This year's 'Heritage Open Days' saw over 30 Letchworth heritage buildings and churches open their doors. In recognition of the Centenary, the Foundation became a national sponsor of the event organised nationally by the Civic Trust, in partnership with English Heritage. Over 3,800 people registered for tours at The Spirella Building alone and a free minibus service ferried visitors to heritage destinations around the Garden City.

## Celebrating the Centenary

Based on the vision of Ebenezer Howard, construction in Letchworth, the world's first Garden City commenced in 1903 by First Garden City Ltd. 100 years on, the Foundation, a direct successor to the original pioneer company, made a significant contribution towards the community's Centenary celebrations.

The year began with a trip to the Mansion House in London on the occasion of the 153rd anniversary of the birth of Ebenezer Howard. Foundation Director General, Stuart Kenny, collected two commemorative plaques from Alderman Gavin Arthur, the then Lord Mayor of London. These resplendent plaques are now in full public view at the Estate Office of the former First Garden City Ltd on Broadway.

The town centre was the location for a major two-day Centenary celebration in July which attracted over 5,000 visitors and featured 'Make a BIG noise' a massed musical performance by 457 Letchworth school pupils. The music continued on 'Classic Sunday', against the background of vintage cars and bikes, with performances by Rangla Punjab, The Jazz Corporation, The Keatons and many others.

Sporting activities featured prominently too. The Garden City's first ever Sportathon event attracted over 3,000 visitors and contestants to Letchworth Rugby Club. The event brought 'It's a knock-out' style games for both senior and junior teams and a 5-a-side soccer tournament, organised by Letchworth Garden City Eagles FC, for the area's top Under 12s to Under 15s sides.

Letchworth Garden City Cricket Club took on their counterparts from the second Garden City, Welwyn Garden City. Letchworth Corner Sports Club provided the venue for a mixed hockey international between England and Wales.

It was an exceptional year for media coverage with extensive articles in the national broadsheets. The Spirella Building was the subject of an eight-minute testimonial in the groundbreaking 'Restoration' series on BBC2. Held up as a shining example of what could be done with a semi-derelict industrial building, Spirella was described as 'the most beautiful factory in Britain' by the series anchorman, Griff Rhys-Jones.

The prophetic words of Ebenezer Howard re-appeared in print as his seminal 1898 text 'Tomorrow: A peaceful path to real reform' was republished by the Town and Country Planning Association, through sponsorship by the Foundation. The Spirella Ballroom provided the venue for several academic and professional conferences.

Foundation Day attracted 8,000 people for a magnificent fireworks display on Norton Common.

2003 belonged to all those volunteers who tirelessly gave up their time and energy to take Letchworth Garden City's many clubs and societies forward. Their contribution towards the town's vibrant and eclectic Centenary programme was immense.

## Promoting charitable activities

In addition to substantial charitable activity supporting the clubs' and societies' Centenary efforts, the Foundation continued to provide comprehensive charitable benefits across a broad range of activities.

The Ernest Gardiner Day Hospital continued its invaluable work in providing high quality nursing and therapeutic care for elderly and infirm residents. The Foundation's Minibus service covered over 17,500 miles in the year, enabling the town's elderly and disabled to attend various clubs and functions.

First Garden City Heritage Museum delivered 'Looking Back', a series of exhibitions charting Letchworth Garden City's 100-year history. Plinston Hall continued to provide a varied array of entertainment including a Centenary concert by the Letchworth Sinfonia, SPADS' 'Palace of Varieties', The Arcadians' 50th Anniversary showcase and an audience with Midge Ure.

Letchworth Scouts and Guides moved into their new Centre at Wymondley Wood. Paid for through the proceeds of the sale of their former home, Nortonbury Farmhouse, the new Centre is a further demonstration of the Foundation's commitment to the needs of the Garden City's younger citizens and the voluntary sector.

The aspirations of Letchworth Corner Sports Club were enhanced through the provision of an £11,950 grant towards new cricket nets.

St George's Church in Norton was the beneficiary of a £4,150 contribution granted for the restoration of its spire, a Garden City landmark. Under our 'recreation and leisure' object, Jackmans Community Centre benefited from a £6,250 grant towards its refurbishment. The Foundation continued to support The Place arts centre through a £27,893 grant.

The Foundation also contributed a £1,625 grant towards the cost of staging a stunning exhibition of paintings and drawings by William Ratcliffe at North Hertfordshire District Council's Museum and Art Gallery.

Garden City primary schools added new servers to their IT suites through a combined application and the Foundation continued to provide grant assistance to the town's students through a £10,000 award to the Letchworth Civic Trust.

A full analysis of "Grants Payable" can be found in note 4 to the accounts on page 18.

## Governance

The Rules of the Heritage Foundation provide for up to 30 Governors as members of the Foundation. 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 questions.

The Governors appoint six of the eight members of the Board of Management from their own number. 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. 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 an Audit Committee to which the 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 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 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 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.

## Funds Policy

**General Fund:** This fund comprises property and assets inherited upon vesting under the Letchworth Garden City Heritage Foundation Act, 1995. This will be increased or decreased by subsequent years' revaluation of investment properties together with profits on disposal of capital assets. This fund is not cash and is not considered to be distributable. The Foundation's main areas of operation, appearing within the Statement of Financial Activities, achieve a near break-even result, after Charitable Distributions, 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.

Detailed census data in respect of social housing needs is becoming available and will be reviewed. This will give guidance to LCB and the Heritage Foundation in terms of submitting planning applications and making future investments.

## 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 advise 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.

## Grant Making Policies

The Board of Management determines each application for grant, if over £1,000, or the Small Grants Committee, up to £1,000. Membership of the Small Grants Committee includes a Board of Management member and two 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 July 2003. 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 was set up under the Scheme of Management. It reviews, at the request of applicants, refusal of landlord's consent by the Board of Management.

The Committee consists of four members of the local community, two of whom are not Foundation Governors. The Chairman, who is never a Governor, has a casting vote to determine the decision when the Committee is divided.

In 2002/03, the Advisory Management Committee considered nine referrals. In the case of six, the Committee supported the decision of the Board of Management. Three applications were referred back to the Board for reconsideration and in two of these cases, the Board accepted the Committee's recommendations.

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 supported NHDC initiatives through charitable giving.

## 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.

## 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.

### H A Patterson

Secretary

By order of the Board of Management

16 February 2004

## Independent Auditors' Report

for the year ended 30 September 2003

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

We have audited the Foundation's accounts for the year ended 30 September 2003, 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 8, 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 Report of the Board of Management is 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 Report of the Board of Management and consider the implications for our report if we become aware of any apparent misstatements within it.

### 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 2003 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

16 February 2004

## Consolidated Statement of Financial Activities

for the year ended 30 September 2003

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2003 £'000	Total 2002 £'000
<b>Incoming Resources</b>					
Activities for generating funds:					
Property income		6,688	23	6,711	6,699
Business services and retail sales		617	–	617	551
Farm income		708	–	708	703
Educational farm income		242	–	242	234
Cinema income		638	–	638	746
Activities in furtherance of the charity's objects:					
Other incoming charitable resources		118	–	118	115
Investment income and interest		72	129	201	154
<b>Total Incoming Resources</b>		<b>9,083</b>	<b>152</b>	<b>9,235</b>	<b>9,202</b>
<b>Resources Expended</b>					
Costs of generating funds:					
Property and related costs		2,844	55	2,899	2,694
Cost of business services and retail activities		704	–	704	722
Farm costs		493	–	493	542
Provision of educational farm		240	–	240	230
Cinema expenditure		649	–	649	696
	3	<b>4,930</b>	<b>55</b>	<b>4,985</b>	<b>4,884</b>
Charitable Expenditure:					
Costs of activities in furtherance of the charity's objects	3	1,464	–	1,464	1,109
Grants payable	4	211	–	211	428
Management and administration		2,205	–	2,205	2,079
	3	<b>3,880</b>	<b>–</b>	<b>3,880</b>	<b>3,616</b>
Interest payable	7	345	–	345	581
<b>Total Resources Expended</b>	3	<b>9,155</b>	<b>55</b>	<b>9,210</b>	<b>9,081</b>
<b>Net Incoming/(Outgoing) Resources</b>		<b>(72)</b>	<b>97</b>	<b>25</b>	<b>121</b>
<b>Other Recognised Gains and Losses</b>					
Surplus/(Deficit) on sale and leasing of investment properties		1,710	72	1,782	(3,247)
Revaluation of tangible fixed assets		2,529	469	2,998	10,158
		<b>4,239</b>	<b>541</b>	<b>4,780</b>	<b>6,911</b>
<b>Net Movement in Funds</b>		<b>4,167</b>	<b>638</b>	<b>4,805</b>	<b>7,032</b>
<b>Fund Balances Brought Forward at 1 October 2002</b>		<b>101,233</b>	<b>7,991</b>	<b>109,224</b>	<b>102,192</b>
<b>Total Funds Carried Forward at 30 September 2003</b>	18	<b>105,400</b>	<b>8,629</b>	<b>114,029</b>	<b>109,224</b>

**Balance Sheets**

as at 30 September 2003

	Notes	Group		Foundation	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
<b>Fixed Assets</b>					
Tangible assets:					
Investment properties	10	100,994	96,968	96,335	92,715
Operational assets	11	13,423	13,630	9,993	10,062
		<u>114,417</u>	<u>110,598</u>	<u>106,328</u>	<u>102,777</u>
Tangible assets in course of construction		410	789	410	789
Investments	12	7	27	2,322	2,322
		<u>114,834</u>	<u>111,414</u>	<u>109,060</u>	<u>105,888</u>
<b>Current Assets</b>					
Stocks	13	565	625	7	10
Properties held for sale		168	157	168	157
Debtors	14	2,318	2,340	1,951	1,967
Loans due within one year	15	4,001	2,667	323	347
Loans due after one year	15	667	714	2,221	2,368
Cash at bank and in hand		3,292	3,538	1,850	2,156
		<u>11,011</u>	<u>10,041</u>	<u>6,520</u>	<u>7,005</u>
<b>Creditors</b>					
Amounts falling due within one year	16	<u>(4,433)</u>	<u>(4,750)</u>	<u>(3,931)</u>	<u>(5,288)</u>
<b>Net Current Assets</b>		<u>6,578</u>	<u>5,291</u>	<u>2,589</u>	<u>1,717</u>
<b>Total Assets Less Current Liabilities</b>		121,412	116,705	111,649	107,605
<b>Creditors</b>					
Amounts falling due after more than one year	16	(7,121)	(7,218)	(7,076)	(7,102)
<b>Provisions for Liabilities and Charges</b>					
Provision for pension payments	17	<u>(113)</u>	<u>(112)</u>	<u>(113)</u>	<u>(112)</u>
		<u>114,178</u>	<u>109,375</u>	<u>104,460</u>	<u>100,391</u>
<b>Capital Funds</b>					
General fund	18	105,400	101,233	104,460	100,391
Restricted fund	18	8,629	7,991	-	-
	19	<u>114,029</u>	<u>109,224</u>	<u>104,460</u>	<u>100,391</u>
Minority interests in subsidiaries		149	151	-	-
		<u>114,178</u>	<u>109,375</u>	<u>104,460</u>	<u>100,391</u>

P W Harkness  
ChairmanC D Wells  
Board MemberS M Kenny  
Director General

16 February 2004

## Consolidated Cash Flow Statement

for the year ended 30 September 2003

	Notes	2003 £'000	2002 £'000
<b>Net Cash Inflow from Operating Activities</b>	21	944	1,889
<b>Returns on Investments and Servicing of Finance</b>			
Interest received		222	168
Interest paid		(329)	(557)
Interest paid on finance leases		(12)	(21)
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>		(119)	(410)
<b>Capital Expenditure and Financial Investment</b>			
Additions to investment property		(1,289)	(219)
Sales of investment property		2,430	9,727
Purchase of operational assets		(433)	(480)
Sales of operational assets		47	–
Assets in course of construction		(370)	(2,754)
Purchase of properties held for resale		(11)	(686)
Sales of properties held for resale		–	878
Loans to, less repayments from, staff, businesses and local organisations		26	28
Repayment of loans relating to leasehold enfranchisement		33	54
<b>Net Cash Inflow from Capital Expenditure and Financial Investment</b>		433	6,548
<b>Net Cash Inflow before Use of Liquid Resources and Financing</b>		1,258	8,027
<b>Management of Liquid Resources</b>			
Net maturities of money market deposits	22	(1,358)	(2,326)
<b>Net Cash Outflow from Management of Liquid Resources</b>		(1,358)	(2,326)
<b>Financing</b>			
Repayment of capital element of finance lease and hire purchase obligations	22	(113)	(101)
Repayment of other loan	22	(33)	(31)
New bank loan		–	2,500
Repayment of bank loan		–	(4,420)
<b>Net Cash Outflow from Financing</b>		(146)	(2,052)
<b>(Decrease)/Increase in Cash</b>	22	(246)	3,649

## Consolidated Summary Income and Expenditure Account

for the year ended 30 September 2003

	<b>Total 2003 £'000</b>	<b>Total 2002 £'000</b>
<b>Income</b>		
Gross income from continuing operations	9,034	9,048
Surplus on sales and leasing of land and buildings	1,782	–
Interest receivable	201	154
Gross Income	<u>11,017</u>	<u>9,202</u>
<b>Expenditure</b>		
Expenditure of continuing operations	8,863	8,497
Deficit on sales and leasing of land and buildings	–	3,247
Interest payable	345	581
Gross Expenditure	<u>9,208</u>	<u>12,325</u>
<b>Retained Surplus/(Deficit) for the Year</b>	1,809	(3,123)
Minority interest	(2)	(3)
<b>Net Surplus/(Deficit) Attributable to the Group</b>	<u>1,807</u>	<u>(3,126)</u>

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

## Notes to the Accounts

at 30 September 2003

### 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.

#### 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:

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.

Business services and retail sales – income derived from Ballroom lettings, Plinston Hall 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 and sale of livestock.

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.

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

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 was amended to reflect the fair value of all gifts in the Statement of Financial Activities 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, are 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.

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.

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

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

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

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.

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 Citizens Advice Bureau and repair costs.

#### Reclassification

The Board of Management have decided to reclassify Cinema and Educational Farm income and expenditure under activities for, and costs of, generating funds, to better reflect the nature of these activities. Comparative figures have been reclassified.

## Notes to the Accounts

at 30 September 2003

### 1. Accounting Policies (continued)

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.

#### Grants payable

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 and retail 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 increased or decreased by subsequent years' revaluation of investment properties together with profits on disposal of capital assets. This fund is not cash and is not considered to be distributable. The Foundation's main areas of operation 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.

## Notes to the Accounts

at 30 September 2003

### Pensions

#### a) Defined Benefit Scheme

The Foundation participates in the Hertfordshire Local Government 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, The Spirella Ballroom and Cafe, retails crafts and souvenirs through the Tourist Information Centre 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
2003:					
Turnover	904	609	588	967	27
Profit/(loss) before tax	22	4	(23)	91	169
Gross assets	1,482	2,474	1,720	795	8,633
Gross liabilities	(320)	(2,341)	(229)	(118)	(4)
Net assets	<u>1,162</u>	<u>133</u>	<u>1,491</u>	<u>677</u>	<u>8,629</u>
2002:					
Turnover	889	565	697	870	559
Profit/(loss) before tax	20	(30)	38	107	1,656
Gross assets	1,290	2,666	1,809	906	8,056
Gross liabilities	(201)	(2,537)	(295)	(320)	(65)
Net assets	<u>1,089</u>	<u>129</u>	<u>1,514</u>	<u>586</u>	<u>7,991</u>

The profit before tax of Letchworth Garden City Farms Ltd is shown after gift aid payments of £75,000 (2002: £51,000).

The surplus of Letchworth Cottages and Buildings Ltd of £169,000 (2002: £1,656,000) includes a surplus on disposal of fixed assets of £72,000 (2002: £1,403,000). In addition to this surplus Letchworth Cottages and Buildings Ltd has a revaluation surplus arising in the year of £469,000 (2002: £3,695,000). 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 2003

## 3. Analysis of Total Resources Expended

	Staff costs £'000	Other direct costs £'000	Total 2003 £'000	Total 2002 £'000
<b>Costs of generating funds:</b>				
Property and related costs	982	1,917	2,899	2,694
Cost of business services and retail activities	102	602	704	722
Farm costs	74	419	493	542
Provision of an educational farm	92	148	240	230
Cinema expenditure	195	454	649	696
	<u>1,445</u>	<u>3,540</u>	<u>4,985</u>	<u>4,884</u>
<b>Charitable expenditure:</b>				
Costs of activities in furtherance of the charity's objects:				
Provision of community hall and facilities	259	223	482	403
Provision of day care hospital	175	76	251	242
Provision of heritage museum	74	100	174	150
Provision of minibus service	49	16	65	58
Provision of environmental improvements	16	179	195	156
Centenary events	-	161	161	-
Provision of community information	-	49	49	48
Miscellaneous charitable expenditure	46	41	87	52
	<u>619</u>	<u>845</u>	<u>1,464</u>	<u>1,109</u>
Grants payable	-	211	211	428
Management and administration	1,218	987	2,205	2,079
	<u>1,837</u>	<u>2,043</u>	<u>3,880</u>	<u>3,616</u>
Interest payable	-	345	345	581
Total resources expended	<u>3,282</u>	<u>5,928</u>	<u>9,210</u>	<u>9,081</u>
			<b>Total 2003 £'000</b>	<b>Total 2002 £'000</b>
<b>Analysis of Property and Related costs</b>				
Marketing and PR			50	53
Professional fees			280	345
Property rents and letting costs			1,251	907
Depreciation and amortisation			226	254
Staff welfare, training and employment costs			34	40
Office accommodation and running costs			74	66
Disallowed VAT			2	31
			<u>1,917</u>	<u>1,696</u>
<b>Analysis of Management and Administration</b>				
Marketing and PR			110	98
Professional fees			153	188
Depreciation and amortisation			152	158
Staff welfare, training and employment costs			132	110
Office accommodation and running costs			416	406
Bank charges			9	42
Disallowed VAT			15	45
			<u>987</u>	<u>1,047</u>

The consolidated Statement Of Financial Activities ("SOFA") has been prepared in accordance with 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 2003

### 4. Grants Payable

	2003 £	2002 £
The amount payable in the year comprises:		
Institutional grants:		
Largest 46 grants (2002: 63 grants)	176,259	361,938
Smaller grants	27,679	42,417
<b>Total institutional grants:</b>	<u>203,938</u>	<u>404,355</u>
Individual grants:		
Community grants – grants over £1,000 to 15 individuals (2002: 10 individuals)	32,824	18,262
Small community grants to individuals	8,971	5,443
<b>Total individual grants:</b>	<u>41,795</u>	<u>23,705</u>
Grants cancelled or recovered	(35,434)	–
<b>Total grants payable:</b>	<u>210,299</u>	<u>428,060</u>
<b>Reconciliation of grants payable:</b>		
Commitments at 1 October 2002	270,379	–
Commitments made in the year	245,733	428,060
Grants cancelled or recovered	(35,434)	–
Grants payable for the year	480,678	428,060
Grants paid during the year	315,920	157,681
<b>Commitments at 30 September 2003</b>	<u>164,758</u>	<u>270,379</u>
Commitments at 30 September 2003 are payable as follows:		
Within 1 year (note 16)	164,758	270,379
After more than 1 year (note 16)	–	–
	<u>164,758</u>	<u>270,379</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.

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

Object	2003		2002	
	Number	Value of Grants (£)	Number	Value of Grants (£)
(i) Preservation of buildings and other environmental features	1	4,150	4	109,050
(ii) Assisting in the provision of facilities for recreation	16	108,104	15	71,769
(iii) Advancement of education and learning	23	50,807	40	160,948
(iv) Relief of poverty and sickness	4	8,056	3	17,179
(v) Supporting Garden City charitable organisations	2	5,142	1	2,992
	<u>46</u>	<u>176,259</u>	<u>63</u>	<u>361,938</u>

## Notes to the Accounts

at 30 September 2003

## 4. Grants Payable (continued)

## Analysis of institutional grants payable

	2003		2002	
	Number	Value £	Number	Value £
<b>(i) Preservation of buildings and other environmental features</b>				
St George's Church (Norton PCC)	1	4,150	-	-
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
	<u>1</u>	<u>4,150</u>	<u>4</u>	<u>109,050</u>
<b>(ii) Assisting in the provision of facilities for recreation</b>				
Friends of Woolgrove School	1	1,000	-	-
Jackmans Community Association	1	6,250	-	-
Letchworth Chorale	1	1,200	1	3,800
Letchworth Corner Sports Club	1	11,950	-	-
Letchworth Sinfonia	2	2,250	-	-
Letchworth Garden City Eagles Youth Football Club	1	1,702	1	1,853
Letchworth Garden City Museum	1	1,625	-	-
North Herts Road Runners	1	1,000	-	-
Society of Friends	1	11,402	-	-
The Civic Trust	1	25,000	-	-
The Place – Letchworth Arts Centre	2	27,893	2	22,834
Letchworth & Baldock District Scouts	2	11,332	2	9,100
Letchworth Settlement Trust	1	5,500	1	2,500
Letchworth Garden City Rugby Union FC	-	-	1	16,000
Garden Square Shopping Centre Christmas Grotto	-	-	1	5,000
Letchworth Centenary Flower Festival	-	-	1	3,600
Poetry ID Centenary Programme	-	-	1	2,000
Norton Bowling Club	-	-	1	1,482
North Hertfordshire Bowls Club	-	-	1	1,400
Letchworth Garden City Band Centenary Composition	-	-	1	1,200
Wilbury PCC	-	-	1	1,000
	<u>16</u>	<u>108,104</u>	<u>15</u>	<u>71,769</u>
<b>(iii) Advancement of education and learning</b>				
Digswell Art Trust Education Group	1	1,500	-	-
Fearnhill School	1	5,000	3	27,650
Grange School	1	1,427	2	2,472
Hillshott School	1	1,427	3	8,097
Icknield Infants School	2	2,801	1	1,025
Lannock School	1	1,427	1	1,025
Letchworth Schools Music Festival	1	3,300	2	5,727
Letchworth Schools Drama Festival	1	1,470	1	1,414
Letchworth Schools Visual Analysis	1	5,700	-	-
Letchworth Sinfonia	1	1,485	-	-
Lordship School	1	1,427	1	1,025
Hertfordshire Constabulary – Crucial Crew	1	1,000	1	1,000
Northfields School	1	1,427	1	1,025
Norton St Nicholas	1	1,427	-	-
Pixmore School	1	1,427	2	2,473
Radburn School	1	1,427	1	1,025
St. Thomas More School	1	1,427	1	1,025
Stonehill School	1	1,427	2	2,747
Letchworth Civic Trust	1	10,000	2	10,000
Wilbury School	1	1,427	1	1,025
Woolgrove School	1	1,427	1	1,025
Westbury School	1	1,427	2	2,747
St. Francis College	-	-	3	52,717
The Highfield School	-	-	4	29,098
St Nicholas School	-	-	2	2,747
Norton School	-	-	1	1,448
Briar Patch Support Centre	-	-	1	1,386
St Christopher School	-	-	1	1,025
	<u>23</u>	<u>50,807</u>	<u>40</u>	<u>160,948</u>
<b>(iv) Relief of poverty and sickness</b>				
Council for Voluntary Services Furniture Scheme	2	5,246	1	3,069
Lister Radio	1	1,000	-	-
St Pauls Church Hall	1	1,810	-	-
Centre for Homeopathy	-	-	1	9,500
Headway	-	-	1	4,610
	<u>4</u>	<u>8,056</u>	<u>3</u>	<u>17,179</u>
<b>(v) Supporting Garden City charitable organisations...</b>				
St. John's Ambulance	2	5,142	1	2,992

## Notes to the Accounts

at 30 September 2003

### 5. Retained Surplus for the Year

This is stated after charging:

	2003 £'000	2002 £'000
Depreciation of tangible fixed assets		
On owned assets	583	576
On assets held under finance leases and hire purchase contracts	108	108
Auditors' remuneration and expenses:		
Audit services	43	42
Non-audit services	44	123
Operating lease rentals:		
Land and buildings	126	172
Plant and machinery	64	64
	<u>64</u>	<u>64</u>

### 6. Employees

Staff costs for the Group during the year amounted to:

	2003 £'000	2002 £'000
Wages and salaries	2,698	2,484
Social security costs	209	175
Other pension costs	327	272
Agency staff costs	48	95
	<u>3,282</u>	<u>3,026</u>

Agency staff costs. 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:

	2003 Number	2002 Number
Charitable activities	32	32
Broadway Cinema	18	16
Property management and maintenance	32	33
Agricultural	10	9
Administration	55	50
Marketing and PR	6	7
	<u>153</u>	<u>147</u>

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

	2003 Number	2002 Number
£50,001 – £60,000	–	1
£60,001 – £70,000	1	–
£70,001 – £80,000	–	1
£80,001 – £90,000	2	1
£100,001 – £110,000	1	1
	<u>4</u>	<u>4</u>

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

	2003 £'000	2002 £'000
Defined benefit schemes (in respect of 2 (2002: 1) employees}	36	46
Defined contribution schemes	2	2
	<u>38</u>	<u>48</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 (2002: £nil).

No members were reimbursed for out of pocket expenses in the year.

## Notes to the Accounts

at 30 September 2003

### 7. Interest Payable and Similar Charges

	2003 £'000	2002 £'000
On amounts repayable within 5 years:		
Bank overdraft	–	7
Finance leases	12	21
Bank loans	–	178
Property sinking funds	–	10
Other loans	7	10
On amounts repayable in more than 5 years:		
Bank loan	319	345
	<hr/> 338	<hr/> 571
Notional interest on provision for pension payments	7	10
	<hr/> 345	<hr/> 581

### 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 has 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 £4,069,000 (2002: £4,420,000).

### 10. Tangible Assets - Investment Properties

	Freehold property £'000	Long leasehold property £'000	Short leasehold property £'000	Buildings & freehold land subject to finance leases £'000	Total £'000
<b>Group</b>					
At 30 September 2002					
at valuation	89,316	3,400	–	4,150	96,866
at cost	–	–	195	–	195
Additions	1,766	–	–	–	1,766
Disposals	(725)	–	–	–	(725)
Revaluation	3,288	(160)	–	(130)	2,998
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2003					
at valuation	93,645	3,240	–	4,020	100,905
at cost	–	–	195	–	195
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:					
At 30 September 2002	–	–	93	–	93
Charge for the year	–	–	13	–	13
At 30 September 2003	<hr/> –	<hr/> –	<hr/> 106	<hr/> –	<hr/> 106
Net book value:					
At 30 September 2003	93,645	3,240	89	4,020	100,994
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2002	89,316	3,400	102	4,150	96,968

## Notes to the Accounts

at 30 September 2003

### 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 2002					
at valuation	85,063	3,400	–	4,150	92,613
at cost	–	–	195	–	195
Additions	1,765	–	–	–	1,765
Disposals	(661)	–	–	–	(661)
Revaluation	2,819	(160)	–	(130)	2,529
At 30 September 2003					
at valuation	88,986	3,240	–	4,020	96,246
at cost	–	–	195	–	195
Depreciation:					
At 30 September 2002	–	–	93	–	93
Charge for the year	–	–	13	–	13
At 30 September 2003	–	–	106	–	106
Net book value:					
At 30 September 2003	88,986	3,240	89	4,020	96,335
At 30 September 2002	85,063	3,400	102	4,150	92,715

The investment properties other than short leasehold properties and sundry residential properties were valued at 30 September 2003 by Cluttons, Chartered Surveyors, on a market value basis which envisaged the continued letting of all properties. The valuation of these properties amounted to - Group £100,886,000 and Foundation £96,227,000. At 30 September 2002 the valuation of these properties was - Group £96,828,000 and Foundation £92,575,000.

The valuation has been prepared in accordance with SORP 2000 and the Appraisal and Valuation Standards ("The Red Book") prepared by the Royal Institution of Chartered Surveyors except that:-

Up to and including 30 September 2002, 80% of the portfolio has been valued on the basis of a rolling programme whereby the valuers inspect 20% of the properties each year and take account of information provided by the Foundation in order to update information they hold on the remainder of the portfolio since the last inspection so as to reach their conclusions. The full valuation of the remaining balance of 20% of the portfolio has, in accordance with revised instructions, been deferred until 30 September 2004. For the purpose of the valuation as at 30 September 2003, a review has been undertaken on the basis of external inspections adequate for the purpose of valuing all of the properties and reliance has been placed on updated tenancy and other relevant information provided by the Foundation, as well as their independent market research and other relevant enquiries.

Residential properties occupied under licence or shared equity arrangements have been valued at 30 September 2003 on an open market basis by employees of the Foundation who are qualified as Chartered Surveyors. The valuation amounted to £19,000 (2002: £38,000) in respect of 1 property (2002: 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 2003 was £57,586,000 (2002: £56,517,000).

## Notes to the Accounts

at 30 September 2003

## 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 2002	12,166	705	3,957	16,828
Transfers	-	(88)	88	-
Additions	154	49	303	506
Disposals	(24)	(84)	(971)	(1,079)
At 30 September 2003	12,296	582	3,377	16,255
Depreciation:				
At 30 September 2002	427	419	2,352	3,198
Transfers	-	(55)	55	-
Charge for the year	71	84	523	678
Disposals	-	(84)	(960)	(1,044)
At 30 September 2003	498	364	1,970	2,832
Net book value:				
At 30 September 2003	11,798	218	1,407	13,423
At 30 September 2002	11,739	286	1,605	13,630
<b>Foundation</b>				
Cost:				
At 30 September 2002	9,165	156	2,365	11,686
Additions	145	-	187	332
Disposals	(24)	-	(826)	(850)
At 30 September 2003	9,286	156	1,726	11,168
Depreciation:				
At 30 September 2002	231	61	1,332	1,624
Charge for the year	39	16	314	369
Disposals	-	-	(818)	(818)
At 30 September 2003	270	77	828	1,175
Net book value:				
At 30 September 2003	9,016	79	898	9,993
At 30 September 2002	8,934	95	1,033	10,062

## Notes to the Accounts

at 30 September 2003

### 12. Investments

£'000

#### Group

Other fixed asset investments

Cost:

At 30 September 2002 and 30 September 2003

30

Amount provided:

At 30 September 2002

3

Provided in the year

20

At 30 September 2003

23

Net book value:

At 30 September 2003

7

At 30 September 2002

27

#### Foundation

Cost:

At 30 September 2002 and 30 September 2003

Subsidiary undertakings £'000	Other investments £'000	Total £'000
----------------------------------	----------------------------	----------------

2,315

10

2,325

Amount provided:

At 30 September 2002 and 30 September 2003

-

(3)

(3)

Net book value:

At 30 September 2002 and 30 September 2003

2,315

7

2,322

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 2003

### 13. Stocks

	Group		Foundation	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Farm stocks	530	590	-	-
Estate stocks	7	10	7	10
Retail stocks	28	25	-	-
	<u>565</u>	<u>625</u>	<u>7</u>	<u>10</u>

### 14. Debtors

Trade debtors	1,351	1,488	1,263	1,372
Amounts owed by subsidiary undertakings	-	-	98	89
Other debtors	317	433	228	377
Prepayments and accrued income	640	331	352	41
Income Tax recoverable	10	88	10	88
	<u>2,318</u>	<u>2,340</u>	<u>1,951</u>	<u>1,967</u>

### 15. Loans and deposits

Due within one year:				
Loans to staff	37	33	37	33
Loans to individuals and local organisations	12	28	12	28
Money market deposits	3,948	2,590	-	-
Loans relating to leasehold enfranchisement	4	16	4	16
Loans to subsidiary undertakings	-	-	270	270
	<u>4,001</u>	<u>2,667</u>	<u>323</u>	<u>347</u>
Due after one year:				
Loans to staff	28	34	28	34
Loans to individuals and local organisations	45	53	45	53
Loans relating to leasehold enfranchisement	594	627	594	627
Loans to subsidiary undertakings	-	-	1,554	1,654
	<u>667</u>	<u>714</u>	<u>2,221</u>	<u>2,368</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 2003

### 16. Creditors

	Group		Foundation	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts falling due within one year:				
Loan repayments	37	33	–	–
Finance leases and hire purchase	87	82	26	24
Trade creditors	572	670	361	512
Amounts owed to subsidiary undertakings	–	–	31	1,100
Taxes and social security	84	75	69	61
Other creditors	573	489	573	466
Accruals and deferred income	2,915	3,131	2,706	2,855
Grants payable	165	270	165	270
	<u>4,433</u>	<u>4,750</u>	<u>3,931</u>	<u>5,288</u>
Amounts falling due after more than one year:				
Bank loans	7,000	7,000	7,000	7,000
Finance leases and hire purchase	55	116	29	55
Other loans	19	55	–	–
Deposits held in respect of licences to occupy residential properties	47	47	47	47
	<u>7,121</u>	<u>7,218</u>	<u>7,076</u>	<u>7,102</u>

#### Bank Loan

The loan is secured on investment properties valued at 30 September 2003 at £20,035,000. 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	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
<b>Bank and Other Loans</b>				
Amounts falling due:				
in one year or less or on demand	33	33	–	–
between one and two years	23	33	–	–
between two and five years	1,400	722	700	–
in five years or more	5,600	6,300	6,300	7,000
	<u>7,056</u>	<u>7,088</u>	<u>7,000</u>	<u>7,000</u>
Less: included in creditors:				
Amounts falling due within one year	37	33	–	–
	<u>7,019</u>	<u>7,055</u>	<u>7,000</u>	<u>7,000</u>

## Notes to the Accounts

at 30 September 2003

## 16. Creditors (continued)

	Group		Foundation	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
<b>Finance Leases and Hire Purchase</b>				
Maturity of these amounts is as follows:				
Amounts payable:				
within one year	94	95	30	30
between two and five years	56	123	30	59
in more than five years	-	-	-	-
	<u>150</u>	<u>218</u>	<u>60</u>	<u>89</u>
Less: finance charges allocated to future periods	8	20	5	10
	<u>142</u>	<u>198</u>	<u>55</u>	<u>79</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	87	82	26	24
Non-current obligations	55	116	29	55
	<u>142</u>	<u>198</u>	<u>55</u>	<u>79</u>

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

	2003 £'000	2002 £'000
(Decrease)/Increase in cash	(246)	3,649
Cash outflow from change in liquid resources	1,358	2,326
Cash inflow from increase in loan	-	(2,500)
Cash outflow from repayment of loans	32	4,420
Cash outflow from repayments of finance leases	113	101
Change in net debt resulting from cash flows	<u>1,257</u>	<u>7,996</u>
New finance leases	(57)	-
Movement in net debt in the year	<u>1,200</u>	<u>7,996</u>
Net debt at start of year	(1,158)	(9,154)
Net cash/(debt) at end of year	<u>42</u>	<u>(1,158)</u>

## Notes to the Accounts

at 30 September 2003

### 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.

The provision for pensions as at 30 September 2003 in the Foundation's accounts is £113,000 (2002: £112,000). The pension cost for the year to 30 September 2003 was £316,000 (2002: £241,000). The Foundation made actual contributions of £315,000 (2002: £289,000) during the year to 30 September 2003.

Movements on the provision in the year were as follows:

Group and Foundation	2003 £'000	2002 £'000
Balance at 1 October	112	160
Pension costs before interest	309	231
Interest	7	10
Contributions and payments in the year	(315)	(289)
Balance at 30 September	<u>113</u>	<u>112</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 and 30 September 2003 on a basis appropriate to FRS17. The major assumptions used by the Actuary for the FRS17 calculations were as follows:

	30 September 2003	30 September 2002
Rate of increase in salaries	4.1% per annum	3.8% per annum
Limited price indexation pension increases	2.6% per annum	2.3% per annum
Discount rate	5.3% per annum	5.5% per annum
Inflation assumption	2.6% per annum	2.3% per annum

## Notes to the Accounts

at 30 September 2003

## 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 2003 £'000	Expected rate of return for year starting 30 September 2003 % p a	Value at 30 September 2002 £'000	Expected rate of return for year starting 30 September 2002 % p a
Equities	972,400	8.0	678,156	8.0
Bonds	89,100	5.0	184,847	5.5
Property	79,000	6.0	42,384	6.0
Cash	86,600	3.5	156,317	4.0
	<u>1,227,100</u>		<u>1,061,704</u>	

Based on an estimate of the value of the asset share in respect of Letchworth Garden City Foundation, the funding position as at 30 September 2003 and 30 September 2002 was as follows:

	2003 £'000	2002 £'000
Estimated employer assets	5,915	4,969
Present value of share of scheme liabilities	*(9,204)	(7,589)
Net pension liability	<u>(3,289)</u>	<u>(2,620)</u>

\*This figure includes an amount of £169,000 (2002: not previously available) in respect of unfunded liabilities.

Analysis of the amount to be charged to net incoming resources for the year to 30 September 2003 once FRS 17 is adopted:

	£'000	£'000
Current service cost	281	163
Past service cost	-	-
Total operating charge	<u>281</u>	<u>163</u>

Analysis of the amount to be credited to net incoming resources for the year to 30 September 2003 once FRS 17 is adopted:

	£'000	£'000
Expected return on scheme assets	350	369
Interest on scheme liabilities	(453)	(421)
Net return	<u>(103)</u>	<u>(52)</u>

Analysis of the amounts to be recognised as other recognised gains and losses in the Statement of Financial Activities for the year to 30 September 2003 once FRS 17 is adopted:

	£'000	£'000
Actual return less expected return on scheme assets	378	(762)
Experience gains and losses on scheme liabilities	(289)	323
Changes in assumptions underlying present value of scheme liabilities	(685)	(424)
Actuarial loss to be recognised in the Statement of Financial Activities	<u>(596)</u>	<u>(863)</u>

Movement in deficit during the year to 30 September 2003 once FRS 17 is adopted:

	£'000	£'000
Deficit in scheme at beginning of year	(2,620)	(1,831)
Current service cost	(281)	(163)
Contributions	311	289
Net return on assets	(103)	(52)
Actuarial loss	(596)	(863)
Deficit in scheme at end of year	<u>(3,289)</u>	<u>(2,620)</u>

## Notes to the Accounts

at 30 September 2003

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

History of experience gains and losses:

	2003		2002	
	Amount £'000	Percentage of scheme assets/liabilities	Amount £'000	Percentage of scheme assets/liabilities
Difference between expected and actual return on scheme assets	378	6.4%	(762)	15.3%
Experience gain and losses on scheme liabilities	(289)	3.1%	323	4.3%
Total amount recognised in the statement of total recognised gains and losses	596	6.5%	(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.

Capital funds as at 30 September 2003, once FRS 17 is adopted:

	2003 £'000	2002 £'000
Capital funds excluding pension liability	114,029	109,224
Pension deficit	(3,289)	(2,620)
Capital funds	<u>110,740</u>	<u>106,604</u>

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 2002	7,991	101,233	109,224
Retained surplus for the year	169	1,638	1,807
Increase on revaluation	469	2,529	2,998
Balance at 30 September 2003	<u>8,629</u>	<u>105,400</u>	<u>114,029</u>
<b>Foundation</b>			
At 30 September 2002	-	100,391	100,391
Retained surplus for the year	-	1,540	1,540
Increase on revaluation	-	2,529	2,529
Balance at 30 September 2003	<u>-</u>	<u>104,460</u>	<u>104,460</u>

On appointment Governors are required to subscribe for a £1 Ordinary Share in the Foundation which is forfeited on their retirement and the subscription is taken to income. At 30 September 2003 there were 28 shares in issue.

## Notes to the Accounts

at 30 September 2003

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

	Restricted fund £'000	General fund £'000	Total £'000
Fund Balances at 30 September 2003 are represented by:			
Tangible Fixed Assets			
Investment properties	4,659	96,335	100,994
Operational assets	–	13,423	13,423
In course of construction	–	410	410
Investments	–	7	7
Current assets	3,974	7,037	11,011
Current liabilities	(4)	(4,429)	(4,433)
Creditors due after one year	–	(7,121)	(7,121)
Provision for pension payments	–	(113)	(113)
	<u>8,629</u>	<u>105,549</u>	<u>114,178</u>
Less: Minority interests	–	(149)	(149)
	<u>8,629</u>	<u>105,400</u>	<u>114,029</u>

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

Unrealised gains at 30 September 2002	3,695	36,654	40,349
Net surplus arising on revaluations in the year	469	2,529	2,998
Realised on disposals in the year	(60)	(206)	(266)
	<u>4,104</u>	<u>38,977</u>	<u>43,081</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:

	2003 £'000	2002 £'000
<b>Group and Foundation</b>		
Erection, purchase and redevelopment of premises:		
Industrial	–	108
Commercial and Residential	128	360
	<u>128</u>	<u>468</u>

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

<b>Group and Foundation</b>		
Land and building leases expiring:		
Within one year	2	3
Within two to five years	17	17
In over five years	144	144
	<u>163</u>	<u>164</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 2003

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

	2003 £'000	2002 £'000
Net incoming resources for the year	25	121
Interest payable	345	581
Interest receivable	(201)	(154)
Depreciation	678	686
Decrease/(increase) in stock	60	(3)
(Increase)/decrease in debtors	(51)	507
Increase in creditors	92	209
Pension fund commitment	(4)	(58)
Net cash inflow from operating activities	<u>944</u>	<u>1,889</u>

### 22. Analysis of Changes in Net Debt

	At 1.10.02 £'000	Cashflow £'000	Other non-cash changes £'000	At 30.9.03 £'000
Cash at bank and in hand	3,538	(246)	-	3,292
	<u>3,538</u>	<u>(246)</u>	<u>-</u>	<u>3,292</u>
Money market deposits	2,590	1,358	-	3,948
Long term bank loan	(7,000)	-	-	(7,000)
Other loan due within one year	(33)	29	(33)	(37)
Other loan due beyond one year	(55)	3	33	(19)
Finance leases	(198)	113	(57)	(142)
	<u>(1,158)</u>	<u>1,257</u>	<u>(57)</u>	<u>42</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 £57,000 (2002: £nil).

# Letchworth Garden City Heritage Foundation

## **Broadway Cinema Ltd**

Eastcheap  
Letchworth Garden City  
Herts SG6 3DD  
01462 681300  
[www.broadway-cinema.com](http://www.broadway-cinema.com)

## **Ernest Gardiner Day Hospital**

Pearsall Close, off Pixmore Avenue  
Letchworth Garden City  
Herts SG6 1QX  
01462 670955

## **First Garden City Heritage Museum**

296 Norton Way South  
Letchworth Garden City  
Herts SG6 1SU  
01462 482710

## **Garden City Technologies Ltd**

Suite 401, The Spirella Building  
Bridge Road  
Letchworth Garden City  
Herts. SG6 4ET  
01462 476690

## **Heritage Foundation Minibus Service**

Manor Farm, Willian  
Letchworth Garden City  
Herts SG6 2AH  
01462 481131

## **Letchworth Garden City Farms Ltd**

Manor Farm, Willian  
Letchworth Garden City  
Herts SG6 2AH  
01462 683975

## **Letchworth Cottages & Buildings Ltd**

Suite 401, The Spirella Building  
Bridge Road  
Letchworth Garden City  
Herts SG6 4ET  
01462 476000

## **Letchworth Garden City Services Ltd**

Suite 401, The Spirella Building  
Bridge Road  
Letchworth Garden City  
Herts SG6 4ET  
01462 476690

## **Letchworth Garden City Tourist Information Centre**

33-35 Station Road  
Letchworth Garden City  
Herts SG6 3BB  
01462 487868

## **Plinston Hall**

Broadway  
Letchworth Garden City  
Herts SG6 3NX  
01462 672003

## **SG6 Bar Café**

Plinston Hall, Broadway  
Letchworth Garden City  
Herts SG6 3NX  
01462 672003

## **Spirella Ballroom**

The Spirella Building  
Bridge Road  
Letchworth Garden City  
Herts SG6 4ET  
01462 672003

## **Standalone Farm**

Wilbury Road  
Letchworth Garden City  
Herts SG6 4JN  
01462 686775



## **Letchworth Garden City Heritage Foundation**

Suite 401, The Spirella Building  
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Letchworth Garden City  
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01462 476000  
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