



heritage
foundation
Letchworth Garden City

Maintaining and
enhancing the world's
first Garden City for
the enjoyment of
everyone who lives,
works and visits here

REPORT AND ACCOUNTS

to 31 December 2016



OBJECTIVES AND ACTIVITIES

ABOUT US

We are here to help maintain and enhance the world's first Garden City for the enjoyment of everyone who lives, works and visits here. We support, fund and promote activities and projects in order to deliver our charitable commitments for the benefit of our local communities.

We are able to do this by managing the assets under our stewardship to generate income. This means we are financially secure and can invest in the physical, economic and social environment of Letchworth Garden City.

Our purpose was defined by the Letchworth Garden City Heritage Foundation Act 1995, which transferred to us the assets, role and responsibilities of the former Letchworth Garden City Corporation, a public sector body. We are a registered society under the Co-operative and Community Benefit Societies Act 2014, with charitable status, registered number 28211R.



DAN HAYS PICTURED IN HIS STUDIO

The front cover features a detail from a painting by prize-winning British artist Dan Hays whose exhibition, *The Walk to the Paradise Garden*, opened at the Broadway Gallery to coincide with its first anniversary.

The exhibition included a series of Letchworth scenes depicting Broadway Gardens Fountain, Howard Park and the domestic architecture synonymous with the Garden City.

Image: Perpetual Egyptobethan Wilbury (detail), 2016 © Dan Hays

ENVIRONMENT AND HERITAGE

Promoting the preservation of buildings and other environmental features of beauty or historic interest



CHARITABLE ACTIVITIES

Promoting any other charitable purposes for the benefit of the local community



CHARITIES

Supporting any charitable organisation having an office or branch in Letchworth Garden City



CHARITABLE COMMITMENTS

Everything we do is driven by our charitable commitments or 'objects'. These were set out in the 1995 Act and its governing document, the 'Rules of Letchworth Garden City Heritage Foundation': 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:

HEALTH AND WELLBEING

Promoting the relief of poverty and sickness



Everything
we do is
driven by
our charitable
commitments:



RECREATION AND LEISURE

Providing or assisting in the provision of facilities for the recreation or other leisure activity of the local community



EDUCATION AND LEARNING

Promoting the advancement of education and learning

CHARITABLE ACTIVITIES

Our charitable commitments are fulfilled by a combination of directly operated charitable services, managed projects and grant funding to external organisations and individuals.

Our directly managed charitable services are:

Broadway Cinema & Theatre

A four-screen digital cinema and professional theatre space located in an Art Deco building in the heart of the town centre.

Broadway Studio & Gallery

The Studio is a flexible space supporting visual and performing arts while the Gallery is an exhibition space displaying art, crafts and design by internationally acclaimed practitioners as well as emerging local talent.

Standalone Farm

A working farm with recreation and educational events and activities aimed at young families, school groups and animal lovers.

The Spirella Ballroom

This historic ballroom is available for commercial, private and community hire.

Local and Tourist Information Centre

The centre guides residents and visitors on how to make the most of the Garden City. Welcoming more than 30,000 visitors a year, the centre also provides information on other UK destinations.

Heritage Advisory Centre

The centre is home to our dedicated Heritage Advisory Team, who offer a free pre-application advice service to guide homeowners through our Scheme of Management if they wish to make alterations to their properties. The Scheme of Management and Leasehold Covenants help to preserve the special character of Letchworth Garden City's residential streets.

The Garden City Collection

One of the world's leading archives on Garden Cities with more than 300,000 items, which runs pre-booked visits and tours.

The Garden City Greenway

A 13.6 mile circular route that surrounds the Garden City estate, giving the community and visitors access to the countryside. Throughout the year, the Greenway is used for a variety of regional and national sporting events.

Community Museum

Displays temporary exhibitions from a variety of local clubs, groups, schools and organisations, as well as its own programme of professional exhibitions.

The International Garden Cities Institute

Brings together partners from around the world to share knowledge and experience, and celebrate the heritage of Garden Cities, and places inspired by them. It is also home to an exhibition charting the influence of the Garden City movement across the world.

Ernest Gardiner Treatment Centre

The treatment centre offers physiotherapy and nursing care for local residents. The centre receives no NHS funding, but is supported by the League of Friends, an independent charity (registered number 289018) which raises funds to purchase equipment.

Minibus Service

Provides free transport to local groups and individuals, connecting them to services and events in the community.

Shopmobility Service

Free use of motorised scooters or manual wheelchairs to those needing assistance to get around the town centre.

These services offer benefits to the community across all six of our charitable commitments.

£1,000 
invested in
vital equipment to improve
facilities and services

£8,000 
awarded to head injury
charity Headway to help
fund a local support officer

GRANTS

We also directly fund a number of projects that offer community benefit via clubs, societies and other charitable organisations.

Our grants programme operates across all six commitments making awards which support a broad range of organisations and individual talent within the Garden City. We also offer heritage grants to support homeowners in heritage properties with improvements to doors, windows and the street scene.

Our grants programme operates across all six commitments **making awards** which support a broad range of organisations and **individual talent** within the Garden City

These grants range from hundreds to tens of thousands of pounds, addressing a broad range of needs and activities. This includes funding for North Hertfordshire Citizens Advice to employ a Welfare Rights Worker and First Level Money Advice Administrator, and smaller awards to fund equipment, training and tuition for talented students, sports stars and musicians. Details of grants awarded in the year are disclosed in the accounts and at www.letchworth.com/heritage-foundation/grants



OUR INCOME

Property income

Without income from our investment property portfolio and other income generating operations we would not be able to fund our charitable activities. The largest income contribution continues to come from our portfolio of commercial and residential property including money generated by Letchworth Cottages and Buildings Ltd (LCB).

The property income is derived from the variety of uses: industrial (32%), offices (26%), retail and leisure (23%), residential (11%), agricultural (5%), and other miscellaneous uses including caravan storage, garages, allotments and parking (3%).

This means as well as seeking to retain and secure long-term income we have also supported new, expanding or relocating businesses by offering flexible lease terms.

Although there has been some uncertainty in the markets following the EU referendum in June, Letchworth has fared well. Occupation in our retail and office premises remains strong with businesses generally keen to commit to new leases or to expand into larger premises. Our industrial portfolio also continues to perform well. During the year, the Foundation completed 46 new lettings and 36 lease renewals.

Throughout the year we continued to implement a programme of planned maintenance across the portfolio. We have also improved the portfolio by bringing several vacant properties back into economic use and developed a new industrial building.

Other investment income

LCB continues to retain its investment in the Cazenove Charity Multi-Asset Fund. This generates investment income in line with expectations and a capital growth (see page 38).

Income from charitable activities

Our charitable activities generate income during the year primarily from Broadway Cinema and Standalone Farm (see page 26).



STRATEGIC REPORT

Achievements and Performance:

PROGRESS WITH OUR FIVE YEAR PLAN

In January 2016 we launched our new Five Year Plan, which sets out how we will fulfil our charitable commitments up to 2020. It also outlines how we will provide even greater benefits to make the Garden City a vibrant place to live and visit as well as supporting the social fabric of the community.

We held workshops with our Governors to discuss priorities, and from these, three themes emerged focusing on how we can:

- 1 Recognise and celebrate our **unique** status as the world's first Garden City.
- 2 Deliver activities to ensure Letchworth Garden City remains a **vibrant** place to live and visit.
- 3 Support the **social** fabric of the Garden City.

Following this, we held sessions with our staff and the community where they had the opportunity to put forward their ideas and an online questionnaire also captured suggestions from the wider community. Based on this feedback, we set out a number of objectives and commitments within each theme and created an annual action plan.



Measuring our progress

We have a number of qualitative and quantitative measures to help us track our progress such as surveys and monitoring expenditure and operating costs. We have also identified a number of **Key Performance Indicators (KPIs)** to measure how we are doing against our strategic objectives under the following headings:

1 OUR HERITAGE

We will ensure our approach to heritage conservation is fit-for-purpose and continue to monitor the awareness and understanding of Letchworth's unique heritage locally, nationally and internationally by:

- Undertaking a Scheme of Management Survey in 2016 and 2020 to assess whether our approach to preserving the local heritage is appropriate.
- Tracking the perception of local residents on our approach to conserving heritage through our biennial perception survey carried out by an independent market research company.
- Monitoring yearly attendance-numbers at our charitable services, particularly those directly focused on promoting the heritage of the town. Through this measurement we will be able to tell how many people are using our charitable services to learn about the history of Letchworth.

WHAT WE DID IN 2016

We carried out a survey to see how we administer the Scheme of Management and where improvements could be made. An independent market research company conducted the survey among a range of people including architects, those who have been involved in the process in the last two years, objectors, as well as local heritage and leisure groups. A number of recommendations have been put forward based on these findings and will be implemented in the year ahead.

We set up measures to monitor footfall at our charitable services that share the history of Letchworth, allowing us to track how many people are using our services.



CONTINUING OUR WORK IN 2017

In the year ahead, the Heritage Foundation will again be working hard to protect and enhance the town's unique character. We will roll out the recommendations of the Scheme of Management Review and get further insight into heritage management when we conduct our biennial community perception survey.

Having carried out improvements to the layout and appearance of the Heritage Advisory Centre in 2016, we will now consider how the centre is best placed to meet the needs of the community who need guidance and support with making changes to their homes.

Our Museum Committee will look at comparator museums around the country to understand the opportunities and possibilities for Letchworth and agree next steps.

We will continue to monitor footfall across our heritage services and use this data to improve our services and reach a wider audience.

2 TOWN AND COUNTRY

In order to be confident that we are making progress with our commitments to maintaining and enhancing the natural look and feel of the Garden City, we will be:

- Undertaking a yearly evaluation on how to improve and preserve the town's unique green surroundings.
- Striving to encourage greater bio-diversity across our sites by expanding the amount of field land at Standalone Farm that accommodates natural wildlife and plants.

WHAT WE DID IN 2016

Access to our green spaces was made easier with major improvements to the Greenway, including new signage, pathway clearance and upgraded parking facilities. We also appointed local land management company Maydencroft to support our Landscaping Team with the maintenance and development of our green spaces in industrial and town centre areas.

Nearby, work began to transform the appearance of Norton Pond and to enhance the habitat for local wildlife, including the protected great crested newt.

As part of our ongoing partnership with the Royal Horticultural Society and to encourage greater biodiversity, we opened a new garden at Standalone Farm consisting of plants and flowers from towns and cities that have been inspired by the world's first Garden City.

Our work with Natural England received a boost when we discovered more than 30 rare Small Blue butterflies around the Hillbrow area. This was the result of working in partnership with them to manage the meadow to allow it to flourish.



CONTINUING OUR WORK IN 2017

Green spaces will continue to be a priority for our teams with further improvements to the Greenway planned and the ongoing restoration scheme at Norton Pond.

Improving the street scene around Letchworth is a key theme in the year ahead and we will carry out a town-wide tree survey to identify where trees need to be planted or replaced. Alongside this, we will work with the council to reinstate grass verges and hedges around the town.

Promoting gardening, self-sufficiency and general wellbeing will continue with our Environmental Team hosting free gardening masterclasses for all Letchworth residents, including housing association tenants and older people with dementia.

Every year, volunteers help us to manage our public gardens and spaces and in 2017 we will look at how we can work more effectively with this important group.



Work began to transform the appearance of **Norton Pond** and to enhance the habitat for local wildlife, including the protected great crested newt

3 21ST CENTURY MODEL

We will continue to think of ways to listen and support the diverse needs of Letchworth Garden City residents by:

- Striving to encourage engagement with local residents to hear their views through undertaking at least two community consultations per-year.
- Delivering a range of unique projects that demonstrate Letchworth's pioneering and innovative environment (including the Eco Homes Project and Cycleway Mapping).

WHAT WE DID IN 2016

Throughout the year, we attended several key community events and held monthly open sessions where we updated the community about our work, answered their questions and captured their ideas and feedback, which will shape how we work in the year ahead. All this feedback has been reported back to the relevant teams to take forward.

We celebrated the unique architectural importance of Letchworth with the reintroduction of the Heritage Awards, highlighting the best examples of home improvements. The winner had restored an early Garden City house that was originally owned by her great grandparents.

We continued to build Letchworth's reputation for innovation and sustainability by working with local and specialist partners to create a unique Eco Home, transforming a workers cottage in Common View using the latest energy reduction techniques. The project was short-listed for a coveted Sustainable Homes Index For Tomorrow Award. Alongside this, we transformed the outside space into an Eco Garden to show that it's possible to create a low-budget sustainable garden that supports wildlife while providing an abundance of food.

...we updated the community about our work, answered their questions and **captured their ideas** and feedback, which will shape how we work in the year ahead



CONTINUING OUR WORK IN 2017

Having a continued dialogue with the community remains a priority for the Foundation. Based on feedback from the public and to reach a wider audience, we will take our monthly open sessions out on the road in 2017 with sessions taking place at community centres around Letchworth.

We will attend a number of key community events and use these opportunities to answer questions from the public and update them about our work.

We will carefully monitor the performance of our Eco Home and garden against a comparator home so that we can be at the cutting edge of house renovation research work. These results could shape future retrofits in heritage buildings and older properties in Letchworth as well as energy saving techniques.

Work will begin on our Cycleway project to map cycle paths and walkways giving us a clearer view of the routes that need to be improved and developed.

4 THE TOWN CENTRE

We have invested significant resources in the town centre in the past few years and remain committed to enhancing the town centre offer. We will continue to monitor progress in attracting more visitors by:

- Tracking the perceptions of local residents on our approach to managing the retail and leisure offer in the town through our biennial community perception survey carried out by an independent market research company.
- Continually gathering feedback through regular footfall surveys on the amount of people visiting the town centre. We will be working closely with the Letchworth Business Improvement District (BID) to measure this.
- Undertaking an analysis of the property use of the town centre. This would allow us to evaluate what additional facilities could be brought into Letchworth to complement rather than compete with the surrounding area.

WHAT WE DID IN 2016

As part of our strategy to satisfy the appetite for a wider cultural offer and making Letchworth even more attractive to visitors, a number of major cultural initiatives were launched with a £4m investment programme in the arts, of which £3.2m was spent in 2016.

This investment led to the transformation of our largest auditorium at the Broadway cinema into a multi-use space offering live theatre, film and event cinema screenings.

The new stage provides a space ideal for touring theatre companies, musical performances and more.

The venue reopened, following the first phase of the refurbishment, with a special screening to celebrate the cinema's 80th birthday. By the end of the year the building work was completed and the new space opened, along with a new bar area for cinemagoers to enjoy. Although the cinema was partially closed during the refurbishment, customers still came out in force, with 143,000 admissions recorded by the end of the year.

With building work nearing completion, we announced our first live theatre season in November, ahead of our first performance taking to the stage in February 2017.

Alongside this, we created the new Broadway Studio & Gallery, which opened in February with a major retrospective of the internationally acclaimed Letchworth-born abstract painter Richard Smith.

To ensure all our residents enjoy the centre and its improved amenities, we conducted a Town Centre Accessibility Audit, in conjunction with DisabledGo and our Access Advisory Group. This led to the launch of an accessibility guide for Letchworth town centre, offering guidance to disabled people, parents with young children and older people.

We carried out a survey which allowed us to create a heat map showing the areas of the town with the highest and lowest footfall. We then worked with the Letchworth BID to review its tracking information showing footfall



We transformed the **Broadway cinema** into a multi-use space offering live theatre film and event cinema screenings

by time, date and street, giving us a more complete picture.

We supported the BID with attracting more people into the town centre by taking part in a number of events, including the Letchworth Food & Drink Festival and the Christmas Lights Switch on.

The vibrancy of the town centre got a further boost with the opening of the Garden City Brewery in The Wynd, work beginning on the new Premier Inn on Station Road and Citizens Advice moving into the newly-refurbished 49 Station Road, all of which is part of our investment plan to improve the town centre.

Our Property Team carried out a survey among tenants to gauge satisfaction with the service provided by our managing agents, and based on this feedback, an action plan has been put in place. Our lettings strategy was updated to reflect changes in retail trends and focus on attracting new retailers to Letchworth.



£4m
INVESTMENT IN THE ARTS
143,000
ADMISSIONS TO
BROADWAY CINEMA

CONTINUING OUR WORK IN 2017

Much has changed on the British high street since we carried out our last Town Centre Review in 2012. To get a better understanding of how Letchworth is shaping up five years on, we will carry out another review in the year ahead, which will inform our new town centre strategy.

Having successfully built up our local audience through Broadway Cinema, the addition of the new Theatre and Studio & Gallery is enabling us to attract a wider audience from across the region. Further work will be undertaken to develop and understand these audiences to add to the vibrancy of the town centre.

Along with our partners, we will continue to track data to monitor footfall as well as monitoring perceptions of residents on a range of topics with our biennial survey conducted by a third party.

Our Tourist & Information Centre will continue to be the leading centre for local information by widely promoting events and activities across the Garden City.

The Property Team will implement their action plan based on tenant feedback and will once again run a survey to see what progress has been made. Working with our property agents, the team will also continue to implement our lettings strategy to support the town centre offer.



5 A PLACE FOR BUSINESS

Over the next five years we will introduce a number of indicators to help us measure our contribution to the local economy. These measures will include:

- Undertaking a biennial analysis of the business and industrial makeup of our commercial property portfolio. The outcome of this work will allow us to continually keep an eye on what new and additional businesses are being attracted to the town and consequently contributing to the local economy.
- Working closely with the Chamber of Commerce and our internal Business and Economic Development Group to deliver a series of business events over the next five years. These events aim to add value to the service the Heritage Foundation provides our tenants by encouraging greater networking and dialogue among local businesses.



WHAT WE DID IN 2016

With the vast majority of our units now let, work got underway to map the businesses who rent industrial units and offices and to get a better understanding of why they chose Letchworth, which will feed into our future commercial marketing strategy.

Our property improvement programme continued with a further £480,000 invested in maintaining and upgrading our portfolio to ensure that our units are kept in good condition for our tenants. To boost employment in the town, we invested £1.75m to build a new factory on a derelict site, which allowed one of our tenants to relocate to larger premises and grow their business.

We teamed up with the Hertfordshire Chamber of Commerce to host two business events to bring together Letchworth companies to share ideas and insight and identify opportunities for apprenticeships.

CONTINUING OUR WORK IN 2017

To support local employment, we will look at opportunities to support apprenticeships within the Foundation. Plans will also be put in place to consider a training and skills programme for local people for the housing development sites that have been earmarked in the Local Plan. Should these proposals be approved, we will work with partners to develop this project to include opportunities in building trades, sales and administration.

A new property strategy will be drafted outlining how we will develop our commercial and retail portfolio in the next 5-10 years to ensure it maintains its value and continues to generate an income to support our charitable commitments. This will include looking at which units need to be upgraded or replaced to ensure our town has facilities that meet the needs of 21st Century businesses.

We will continue to build our relationship with Hertfordshire Chamber of Commerce to explore more opportunities to bring businesses together, boost dialogue and hear their thoughts on Letchworth's future business opportunities.

We will explore more opportunities to bring businesses together

6 A PLACE TO VISIT

We aim to support the development of new and existing attractions in the town to draw in visitors from the local area as well as from the rest of the country and internationally. We will measure our commitment to this by:

- Gathering information on the number of people visiting our town centre venues as well as Standalone Farm and the Greenway with an overall aim of working to increase these numbers year on year.
- Working closely with the North Herts District council to measure visitor numbers at locations such as the North Herts Leisure Centre.

WHAT WE DID IN 2016

We continued to track visitor numbers to our venues and attractions with Standalone Farm reporting a 15% increase in visitors (69,000). Admissions were boosted with an extended events programme and new hosted children's parties.

69,000

STANDALONE FARM VISITORS

In the town centre, the Tourist & Information Centre welcomed 21,000 visitors through its doors from around the world including America, China, Australia and South Africa as well as a number of European countries.

To boost tourism to Letchworth, we forged a new partnership with Visit Herts, the official tourism service for Hertfordshire, to promote Letchworth to local, national and international visitors.

21,000

TOURIST & INFORMATION CENTRE VISITORS

CONTINUING OUR WORK IN 2017

We will continue to track visitor numbers and work with partners to ensure Letchworth is marketed across the region.

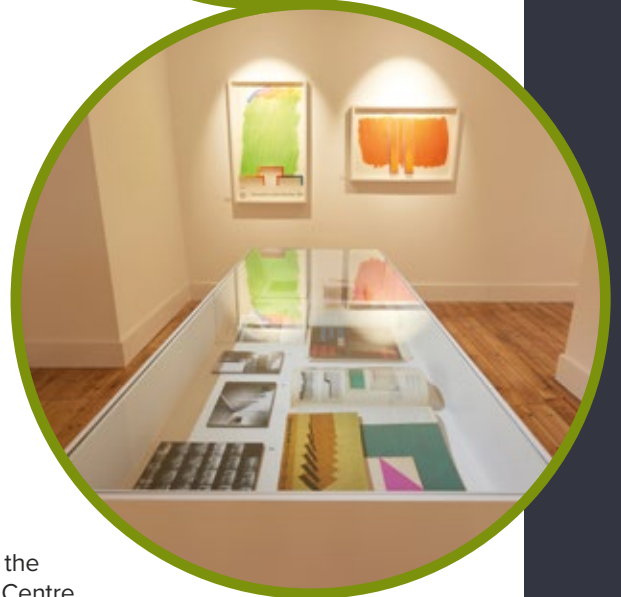
The focus for our theatre will be developing our audience and our programme to bring the best live music, drama, comedy and entertainment to the Garden City. As part of the annual Letchworth Festival, we will work with community groups to bring together a diverse programme of entertainment for two weeks in June, showcasing local talent.

As Standalone Farm's popularity grows, we will develop the offer by agreeing a plan for the next five years, which will look at how the venue can be used for recreation and educational activities and projects.

Following a hugely successful launch, which attracted national media coverage, Broadway Gallery will increase its programme of activities around the main exhibitions to attract even more visitors.

With our arts venues up and running and our new partnership with Visit Herts to promote Letchworth, tracking visitors in the year ahead will be all the more important.

Measuring visitor numbers to other leisure services in partnership with the Council will resume following the refurbishment of North Herts Leisure Centre.



7 TARGETING SUPPORT

We currently provide a wide range of support to the thriving local network of community groups, social clubs and sporting facilities in the town. However, over the next five years we aim to do more. In order to measure the contribution we will bring to the town on this topic, we shall be:

- Tracking and diversifying the range of groups we fund through our community grants programme.
- Delivering a number of community activities and events through partnership working to encourage greater participation in sport and recreation. This will be headed-up and documented by the newly-appointed Active Letchworth Partnership Lead.
- Working with partners to develop a 'skills bank' that will aim to encourage a greater learning culture in the town. We aim to connect the skills of local people with volunteering organisations and charities, to help those in the greatest need.

WHAT WE DID IN 2016

Charitable services will always be the cornerstone of the Foundation's ethos and during the financial year we awarded grants totalling £358,000 to local groups and individuals supporting a broad range of projects and activities. This included running holiday clubs for children across the town and refurbishing the old library in the Jackmans Estate, which is attracting groups and individuals from across the town.

Other highlights include a £10,000 grant to relocate and refurbish an important support service for adults with disabilities, Jackie's Drop In Centre. As well as awarding the grant, our Property Team worked with the centre to draw up a specification list for the unit, which was transformed into a bright and welcoming space for users and staff alike.

We continued to support young carers in the area by providing free transport for them to meet each week at the Garden City Academy. We also provided free transport to take older residents to the cinema for a special Silver Screen event.

To track the progress of all grant recipients, we set up a feedback and monitoring procedure with information being reported back to our Grants Committee.

Having identified that we needed to attract applications from a wider variety of groups, we shared case studies via the local press, social media and in our printed publications, highlighting the positive impact of grants.

We appointed a new Active Letchworth Project Lead who pulled together a series of events and activities to increase participation rates in sport and recreation. Working in partnership with the Council, Public Health Hertfordshire and Trisports, they organised the first-ever Greenway Day, which got local people to take part in a walking, cycling and running event along the Greenway route. They also partnered with Sport England to promote the national *This Girl Can* campaign to 375 girls in Letchworth schools.

We created a combined community directory to help people find all the information they need about places available to hire in the town. This was complemented by our annual Out & About guide featuring hundreds of things to do with local clubs and groups.

£358,000

OF GRANTS AWARDED TO CHARITABLE SERVICES

£10,000

GRANT FOR JACKIE'S DROP IN CENTRE

CONTINUING OUR WORK IN 2017

In 2017 we will carry out our Social Research Project, designed to understand and assist those in the town who are most in need. We will work with local schools to deliver an action plan to support families and young people, in particular to ensure children under five can better integrate at school to help them reach their potential.

The Active Letchworth Action Plan will continue to build on the work it has already done and we will conduct a review of our Health and Wellbeing Services to ensure we are meeting the town's changing needs.

We will develop a plan to promote the essential work carried out by the Charitable Services Team.

As outlined in our Five Year Plan, housing need for Letchworth will be an important consideration for the year ahead as North Herts District Council's Local Plan progresses to the next stage. We will work with our governors and the community to shape any future housing provision to the north of Letchworth, which will be built consistent with Garden City principles. Most of all we will ensure that any new homes will include a mix of tenures ensuring homes are available for local people of all backgrounds and needs.

FINANCIAL REVIEW

This Annual Report and Accounts is the first that the Group has prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the FRS 102 Charity SORP (Statement of Recommended Practice).

During the prior period the group changed its accounting reference date from 30 September to 31 December and so these accounts reflect the 12 months of 2016 while the comparatives reflect the 15 months ended 31 December 2015. In comparing the results to the prior period, it is therefore important to remember that it benefitted from an additional three months.

The financial results for the year report an overall 'Net Movement in Funds' of £11,336,000, increasing the Fund Balances carried forward to £155,802,000.

Total Income £10,638,000 – decreased £3,726,000.

- Investment income was £8,832,000 with £8,535,000 from investment properties and £297,000 from other investments.
- Income from charitable activities:
 - Cinema income was £1,013,000, down from £1,897,000 due to the shorter period and the part-closure of the Cinema during the year.
 - Educational farm income increased by £20,000 to £526,000 with the prior period covering just over one season.
 - Other charitable income was £267,000, down from £361,000 for the longer accounting period.

Total Expenditure £13,222,000 – decreased £2,075,000.

- Investment property management costs to manage the investment property portfolio were £4,999,000, a decrease of £1,233,000 which is in line with the prior period when annualised.
- Charitable activities costs decreased by £842,000 to £8,223,000. Annualising the prior period's costs indicates an increase which primarily reflects the cinema refurbishment and increases on other activities shown in note 4.

Net Expenditure before gains on investments was £2,584,000 compared to £933,000 for the prior period.

Net Gains on Investments totalled £16,344,000 compared with £12,515,000 for the prior period.

- This reflects improvements in the values of the investment property portfolio which increased £13,757,000 (10.6%) on the prior year.

- The revaluation of other investments reflects an increase of £627,000 (9.8%) in the value of investments held by Letchworth Cottages and Buildings Ltd due to the global markets.
- Surpluses on property disposals generated £1,960,000.

Other Recognised Gains and Losses

- The actuarial loss on the pension scheme of £2,424,000 was derived from the annual FRS 102 pension valuation carried out by independent actuaries on behalf of the scheme and primarily reflects a change in discount rates applied to the liabilities. This largely reversed the gain of £2,856,000 reported for the comparative period.

Property Portfolio

The value of the Group's investment property portfolio increased from £128,656,000 to £143,672,000.

Subsidiary company results

As a registered society under the Co-operative and Community Benefit Societies Act 2014, with charitable status, the Foundation cannot trade commercially for profit. Accordingly, it operates a subsidiary company, Garden City Technologies Limited ("GCT"), which can make qualifying charitable donations from its relevant profits to the Foundation. GCT reported a break even result for the year after making a qualifying charitable donation to the Foundation of £2,000. Letchworth Cottages and Buildings Limited ("LCB"), a registered society under the Co-operative and Community Benefit Societies Act 2014, with charitable status, reported a surplus of £149,000.



Funds

Endowment Fund: This represents the funds endowed to the Foundation on 1 October 1995. On that date investment properties were vested to the Foundation as an expendable endowment. The fund increases due to valuation surpluses and surpluses on disposals, and decreases where properties fall in value or are impaired and for deficits on disposals. Where an investment property is disposed of the trustees may retain the proceeds for reinvestment in other investment properties to maintain the endowment fund or may decide to transfer them to the Unrestricted Fund to spend on other charitable objects. The Endowment Fund is represented by investment properties including assets under construction, and other debtors and bank balances relating to the proceeds of investment property disposals yet to be reinvested. At 31 December 2016 the balance on the fund was £138,040,000 compared to an opening balance of £128,380,000. At 31 December 2016 the balance on the fund included £67,185,000 of unrealised gains arising on the revaluation of investment properties. The trustees believe that it is appropriate to hold these funds as an endowment to maintain its long terms funding to generate sustainable future income.

Restricted Fund: This fund represents the reserves of LCB, a registered charity with restrictions on its ability to utilise its reserves plus amounts received by the Foundation for restricted purposes such as government grants funding the purchase of assets. The fund exists in order to undertake new developments in Letchworth which meet current and future social housing needs and to support local organisations to deliver services to alleviate poverty. The Committee of Management of LCB having considered the level of funds available does not envisage any disruption in the foreseeable future to the services provided by LCB

and has not established a particular target figure for the balance in view of the other sources of support that are available. At 31 December 2016 the balance was £17,598,000, an increase of £2,261,000 for the year. This balance included £9,669,000 of unrealised gains arising from the revaluation of the investment properties and other investments.

Unrestricted Fund: This represents the statutory reserves of the Foundation other than the Endowment Fund plus the reserves of its wholly owned subsidiary GCT. The Fund is maintained for the day to day operating activities of the Foundation in order to meet the objectives of the organisation. At least annually the trustees review the level of the fund to ensure that it is sufficient for the anticipated net result for the year ahead. The 'available funds' element is assessed by excluding those assets and liabilities which are held for the long term namely operational properties, an investment property and the pension fund deficit. After that review, where appropriate, a transfer to the Unrestricted Fund is made from the Endowment Fund to ensure that the available funds element is adequate but not excessive. During 2016 an amount of £4,600,000 was transferred as shown in the SOFA. At 31 December 2016 the balance on the fund was £164,000 compared to an opening balance of £749,000. At 31 December 2016 the balance on the fund included £325,000 of unrealised gains arising on the revaluation of the investment property.

Defined Benefit Pension 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 most recent valuation at the year end was carried out as at 31 March 2013 using the projected unit

method. The scheme's assets were taken into account at their fair value at the valuation date. This valuation revealed a shortfall of assets compared to the past service liabilities. This shortfall under FRS 102 at 31 December 2016 was £5.983m, up from the £3.609m at 31 December 2015. Currently the deficit equates to only 3.9% of Total Funds and the current level of deficit has little impact upon the resources available.

Investment Policy

The Foundation's balanced, well managed and diverse property portfolio is the primary source of income that facilitates the charitable spend each year benefiting existing residents and tenants, but also providing the appropriate property offerings to attract new residents and commercial businesses to the area. The income being received is derived from its freehold property estate, from long leasehold interests, and rack-rented properties in the industrial, commercial, retail and residential sectors.

The Property Team proactively manages the estate bringing forward proposals for estate improvements in order to maximise income and minimise costs. In terms of new developments, rental assumptions are benchmarked against 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.

All proposals are option tested, including robust financial appraisals, and are then scrutinised by the Leadership Team in terms of consistency with the Foundation's objectives, priorities and cash flow implications. Only when the Leadership Team is satisfied with the proposals are they submitted to the Board of Trustees.

GOVERNANCE STRUCTURE AND MANAGEMENT

The Board of Trustees

The Board of Trustees are charity trustees as defined by section 177 of the Charities Act 2011. The Board of Trustees is the Foundation's main decision-making body. Nine Governors serve on the Board as Trustees who hold office for a term of three years from the date of their election. They can stand again for re-election for a second term of three years. At the registration of the Rules, all Governors were provided with terms of five years and are eligible to seek election to the Board and all are entitled to vote for Trustees.

Two of the nine places on the Board are permanently reserved for the nominees of North Hertfordshire District Council and Hertfordshire County Council.

The Board elects the Chairman and the Vice Chairman of the Foundation annually from its own number. The Board's role is to establish policy and strategy, take decisions on reports and recommendations drafted by the Executive and to direct the administration of the Foundation through the Executive. Trustees are not paid.

At the strategic level, the Board of Trustees considers and approves policy matters, which enable the Foundation to expedite its mission, vision and objectives.

The Board formally delegates the management of the Foundation and its subsidiary businesses to the Chief Executive. Policies and procedures are prepared and maintained by the Chief Executive.

Every year, Trustees complete a declaration setting out their interests in organisations, clubs and societies ensuring all related party contacts are identified and disclosed. Similar disclosures are required by our Grants Committee to ensure there are no conflicts of interest where money is being awarded to local individuals, clubs and organisations.

Responsibilities of the Board of Trustees in respect of the Accounts of the Foundation

The Board of Trustees of the Foundation is required to prepare accounts for each financial year, which comply with the Co-operative and Community Benefit Societies Act 2014, the Letchworth Garden City Heritage Foundation Act 1995 and Statement of Recommended Practice, Accounting and Reporting by Charities (FRS 102). In preparing these accounts the Board of Trustees:

- Selects suitable accounting policies and then applies them consistently
- Makes judgments and estimates that are reasonable and prudent
- States whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- 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 Trustees 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 Trustees is also responsible for safeguarding the assets of the Foundation and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors' Report has been prepared in line with company law and has been included within the Trustees' Report.

Disclosure of information to the auditors

As far as each person who was a member of the Board of Trustees at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Board of Trustees members and the Foundation's auditor, each member of the Board of Trustees has taken all the steps that he or she is obliged to take in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

The Letchworth Commissioner

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.

In his latest report to the Board, the Letchworth Commissioner stated that he had received two property related complaints which were outside his remit.

The current Letchworth Commissioner is Paul Davies and his address is listed on page 51.



Grant Making Policies

While retaining overall authority, the Board of Trustees has delegated to the Grants Committee the day-to-day responsibilities relating to the grants policies, procedures and awarding of grants. The Grants Committee can award grants of up to £15,000 and the final decision to award grants over £15,000 is taken by the Board. The Grants Committee consists of six Governors, two of whom are Board members, and one of these is appointed by the Board to Chair the Committee.

Public Benefit

The Board of Trustees refers to the guidance of Public Benefit produced by the Charity Commission as updated in 2013, when reviewing our charitable commitments and when planning future activities and grant making, and are satisfied that these commitments meet the appropriate charitable purposes as defined by the Charities Act 2011.

Setting pay

To maintain a fair pay structure, salaries for all staff, including the Leadership Team, are based on the level of responsibilities and skills of each employee. Alongside this, benchmarking is regularly carried out to ensure our pay levels are in keeping with similar organisations based in the region.

In 2016 and the previous period we operated a performance related bonus award aligned to the performance of our employees. The

Board of Trustees approves both pay levels and the annual bonus payment.



Risks and Uncertainties

The Foundation undertakes continued and comprehensive risk management analysis. This covers discrete but interrelated areas such as governance, financial reporting, cash, IT, property, health and safety, environmental, human resources and reputation.

Our Board has identified three key risks:

- **Health & Safety**
Our internal Health & Safety Advisor supports us with managing the diverse work we do by assessing all our activities to ensure they are delivered in a safe way for staff and the community. This is further supported by our Health & Safety Committee.
- **IT**
The Board and the Chief Executive closely monitor and review our IT provision and security. In 2016 our IT service was audited and the recommendations have been implemented. We will continue to monitor our IT service to ensure it meets the needs of our organisation, is secure and meets the required standard.
- **Property Income**
Our property team monitors and captures the best value for our property portfolio. This is regularly checked by the Chief Executive and the Board.

These risks are regularly reviewed against our corporate objectives and sets out a control strategy for each significant risk. Procedures have been put in place for verifying that aspects of risk management and internal control are regularly reviewed and reported. Risk management is part of the corporate planning and decision making processes of the organisation.

A Corporate Risk Register is in place to ensure risks that can impact on the corporate

objectives have been identified and considered.

The Risk Register is regularly reviewed and the current status presented to the Board of Trustees in the form of a risk analysis table.

The Chief Executive reviews the risk analysis table and risk register on a quarterly basis along with the Leadership Team and relevant actions are taken where necessary. This review ensures there are effective processes and controls in place. Risk management is discussed at regular management meetings, with managers attending awareness workshops.

Reference and Administrative Details

The Letchworth Garden City Heritage Foundation Act 1995, which transferred the assets, role and responsibilities of the former Letchworth Garden City Corporation, a public sector body, defines the purpose of the Heritage Foundation. We are a registered society under the Co-operative and Community Benefit Societies Act 2014, with charitable status, registered number 28211R. The charitable objects are set out in the 1995 Act and its governing document, the 'Rules of Letchworth Garden City Heritage Foundation' which are updated from time to time.

Other reference and administrative details are set out on pages 50-51.

C Chatfield

Chairman
Approval of the Trustees' Report, incorporating the Strategic Report, by order of the Board of Trustees
9 May 2017

INDEPENDENT AUDITORS REPORT

To the members of Letchworth Garden City Heritage Foundation

We have audited the financial statements of Letchworth Garden City Heritage Foundation for the year ended 31 December 2016 which comprise the Consolidated Statement of Financial Activities, the consolidated and Foundation balance sheets, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Foundation's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Foundation's members those matters we are required to state to them in an auditor's 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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board members and auditors

As explained more fully in the statement of Board of Trustees responsibilities, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and

Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Foundation's affairs as at 31 December 2016 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board of Trustees for the financial year for which the financial statements are prepared is not consistent with the financial statements;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- a satisfactory system of control has not been maintained over transactions; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BDO LLP, Statutory Auditor

Gatwick
United Kingdom

9 May 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(Including an Income and Expenditure Account)

for the year ended 31 December 2016

	Notes	Unrestricted funds £'000	Endowment funds £'000	Restricted funds £'000	12 months ended 31 December 2016 £'000	15 months ended 31 December 2015 £'000
Income from:						
Investments		8,429	–	403	8,832	11,600
Charitable activities		1,767	–	39	1,806	2,764
Total income	3	10,196	–	442	10,638	14,364
Expenditure on:						
Investment property management		4,882	11	106	4,999	6,232
Charitable activities		8,075	–	148	8,223	9,065
Total expenditure	4	12,957	11	254	13,222	15,297
Net income/(expenditure) before gain on investments		(2,761)	(11)	188	(2,584)	(933)
Net gain on investments		–	14,271	2,073	16,344	12,515
Net income/(expenditure)		(2,761)	14,260	2,261	13,760	11,582
Transfers between funds		4,600	(4,600)	–	–	–
Other recognised gains and losses						
Actuarial (loss)/gain on pension scheme	15	(2,424)	–	–	(2,424)	2,856
Net movement in funds		(585)	9,660	2,261	11,336	14,438
Fund balances brought forward at 1 January	16	749	128,380	15,337	144,466	130,028
Fund balances carried forward at 31 December	16	164	138,040	17,598	155,802	144,466

BALANCE SHEETS

as at 31 December 2016

	Notes	Group		Foundation	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Fixed Assets					
Tangible assets:					
Investment properties	8	144,029	128,850	134,227	120,352
Operational assets	9	5,530	3,747	5,530	3,747
		149,559	132,597	139,757	124,099
Other investments	10	7,018	6,391	815	815
		156,577	138,988	140,572	124,914
Current Assets					
Stocks	11	28	24	28	24
Debtors	12	4,779	2,838	4,702	3,028
Loans due within one year	13	24	46	24	46
Loans due after one year	13	265	305	265	305
Cash at bank and in hand		4,974	10,595	3,472	9,117
		10,070	13,808	8,491	12,520
Creditors					
Amounts falling due within one year	14	(4,862)	(4,721)	(4,852)	(4,711)
Net Current Assets		5,208	9,087	3,639	7,809
Total Assets Less Current Liabilities		161,785	148,075	144,211	132,723
Provisions for Liabilities and Charges					
Pension scheme deficit	15	(5,983)	(3,609)	(5,983)	(3,609)
Net Assets		155,802	144,466	138,228	129,114
Capital Funds					
Unrestricted fund	16	164	749	149	734
Endowment fund	16	138,040	128,380	138,040	128,380
Restricted fund	16	17,598	15,337	39	–
	16	155,802	144,466	138,228	129,114

C Chatfield
Chairman

I C Cotterill
Vice Chairman

J Kaur
Company Secretary

9 May 2017

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2016

	12 months ended 31 December 2016 £'000	15 months ended 31 December 2015 £'000
Cash flows from Operating Activities:		
Net Cash used in Operating Activities	(a) (6,156)	(4,788)
Cash flows from Investing Activities:		
Net income received on investment properties	3,536	4,992
Dividends received	267	324
Interest received	26	43
Proceeds from the sale of operational assets	17	5
Purchase of operational assets	(137)	(284)
Proceeds from the sale of investment properties	1,301	3,953
Additions to investment properties	(374)	(252)
Additions to investment properties under construction	(2,000)	(103)
Additions to operational properties under construction	(2,101)	–
Investment in stocks and shares	–	(73)
Net Cash provided by Investing Activities	535	8,605
Change in cash and cash equivalents in the year	(5,621)	3,817
Cash and cash equivalents at the start of the year	(b) 10,595	6,778
Cash and cash equivalents at the end of the year	(b) 4,974	10,595

NOTES TO THE CASH FLOW STATEMENT

	2016 £'000	2015 £'000
(a) Reconciliation of net income to net cash flow from operating activities		
Net income	13,760	11,582
Gains on investments	(16,344)	(12,515)
Net income received on investment properties	(3,536)	(4,992)
Interest receivable and dividends income	(297)	(376)
Depreciation	455	575
(Profit) on disposal of operational assets	(17)	(3)
Impairment losses on assets under construction	11	190
(Increase)/decrease in stocks	(4)	3
(Increase)/decrease in debtors	(337)	714
Net decrease in loans to staff and local organisations	62	25
Increase/(decrease) in creditors	141	(162)
Pension fund movements	(50)	171
Net Cash used in Operating Activities	(6,156)	(4,788)
(b) Analysis of cash and cash equivalents		
Cash at bank and in hand	4,974	10,595
Total cash and cash equivalents	4,974	10,595

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

1 ACCOUNTING POLICIES

(a) Basis of preparation

The accounts have been prepared in accordance with the 'Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102)' – "Charities SORP (FRS 102)" issued in January 2015. In addition, the accounts are prepared in accordance with the Letchworth Garden City Heritage Foundation Act 1995 and the Co-operative and Community Benefit Societies Act 2014. These accounts are the first prepared by the Group under Charities SORP (FRS 102) and the impact of transition is set out in note 21.

The accounts are prepared on a going concern basis under the historical cost convention modified by the revaluation of investment properties and listed investments. The accounting policies have been applied consistently throughout the current and previous accounting period.

The accounting reference date for the Group was changed from 30 September to 31 December last year so the comparatives in the accounts reflect the 15 months ended 31 December 2015.

Consolidated accounts of the Group incorporate the accounts of Letchworth Garden City Heritage Foundation, ("the Foundation") and its subsidiary undertakings all of which are made up to 31 December. The results of the subsidiaries, Garden City Technologies Ltd ("GCT") and Letchworth Cottages and Buildings Ltd ("LCB"), are consolidated on a line-by-line basis. No separate Statement of Financial Activities ("SOFA") for the Foundation itself is presented as permitted by section 408 of the Companies Act 2006. No separate Cash Flow Statement for the Foundation itself is presented as permitted by FRS 102.

(b) Fund accounting

Assets and liabilities, and income and expenditure are allocated to the fund to which they relate:

Endowment Fund: represents the funds endowed to the Foundation on 1 October 1995. On that date investment properties were vested to the Foundation to be held as an expendable endowment. The fund increases due to valuation surpluses and decreases where properties fall in value or are impaired. Where an investment property is disposed of the trustees have the authority to reinvest the proceeds in further investment properties to maintain the endowment fund or to expend them on the charitable objects in which case the proceeds are transferred to the Unrestricted Fund. The Endowment Fund is therefore represented by investment properties, assets under construction and bank balances and debtors relating to the proceeds of investment property disposals yet to be reinvested.

Restricted Fund: represents the statutory reserves of LCB, a registered society under the Co-operative and Community Benefit Societies Act 2014, with charitable status. 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 as well as providing assistance to organisations providing support to local people in poverty. In addition a small element of the Restricted Fund relates to grants received by the Foundation for a specific, restricted purpose.

Unrestricted Fund: represents the statutory reserves of the Foundation, a registered society under the Co-operative and Community Benefit Societies Act 2014 with charitable status, other than those designated as the Endowment Fund and those amounts designated for restricted use, plus the reserves of its wholly owned subsidiary GCT. The fund is maintained for the day to day operating activities of the Foundation in order to meet the objectives of the organisation.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

1 ACCOUNTING POLICIES *(continued)*

(c) Accounting estimates and judgements

In the preparation of the accounts, accounting estimates and judgements are made that affect the reported amounts of assets and liabilities and of income and expenditure for the reporting period. The following areas are considered to involve the critical judgements and sources of estimation uncertainty when applying the Group's accounting policies.

Investment properties valuations	Annual valuations of the investment properties require a knowledge of the property portfolio, leases in place and market conditions. The valuations are carried out by independent valuers as set out in note 8.
Pension scheme liability	Estimates of the net pension liability depends on a number of complex judgements relating to the discount rate used, changes in retirement ages and mortality rates. As part of the Hertfordshire County Council scheme, these assumptions are made by the Group in conjunction with the scheme's actuaries who provide expert advice on the assumptions and the effect on the pension liability of changes in assumptions. The details are set out in note 15.
Support cost allocation	The cost allocation methodology requires a judgement as to what are the most appropriate bases to use to apportion support costs and these are reviewed annually for reasonableness. The bases used are outlined in note 6.
Theatre development	The cost allocation during the year required judgement as to what proportion of the total costs incurred on the development related to the development of the new theatre as opposed to the refurbishment of the Cinema building and existing facilities. This assessment was carried out by an independent specialist and detailed in note 4.
Contingent consideration	The assessment of the consideration due under the 'overage' arrangement on a prior year investment property disposal requires judgement of the likelihood of the overage applying and then an estimate of the likely share of the sales value under the contract.

(d) Income

Income is recognised when the Group is entitled to the income, any performance conditions attached to the income have been met, it is probable that the income will be received and the amount can be measured reliably.

The following specific policies apply to categories of income:

Investment income from properties	Primarily rent receivable on investment properties, income is recognised for the period to which it relates. Lease incentives such as rent-free or stepped-rent arrangements are spread over the period up to the lease end date.
Investment income dividends	Arising on the Cazenove Charity Multi-Asset Fund held by subsidiary undertaking LCB, dividends are received in arrears but are recognised for the period to which they relate.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

1 ACCOUNTING POLICIES *(continued)*

Income from charitable activities

Admissions income for venues is recognised for the day of the admission, with advance ticket sales taken to deferred income and released to income to match the date of attendance. Annual passes are held in the balance sheet as deferred income and released to income to match the period for which they are valid. Income from café sales and souvenir sales is recognised on sale. Ballroom lettings income is recognised in the period when the letting occurs. Where applicable, income is recognised net of VAT.

Grant income

Income from government grants is credited to income when received or receivable whichever is earlier, unless the grant relates to a specific future period.

(e) Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure is inclusive of irrecoverable VAT where applicable.

Expenditure is allocated to the particular activity to which the costs relate and classified into the following categories:

Investment property management

Costs incurred in managing the investment property portfolio including repairs and maintenance costs, property void costs, leasehold property rents, professional and advisory fees, and provision for property-related income considered irrecoverable.

Expenditure on charitable activities

Costs of running each of the charitable services directly managed by the Foundation in the furtherance of its charitable objectives. It also includes grants payable which are made to third parties and are recognised once the Board has agreed to the grant without condition.

Support costs

The Foundation operates a number of centralised functions that support all of its activities and these costs are categorised as Support Costs. These are allocated across the two primary expenditure categories above in line with Charities SORP (FRS 102) requirements as set out in note 6.

Governance costs

Costs associated with constitutional and statutory requirements and the strategic management of the Group's activities. They include the costs of company secretarial, internal audit, external audit and statutory accounts preparation as shown in note 4.

(f) Investment properties

Investment properties include interests in land and buildings in respect of which construction work and development have been completed and which is held for its investment potential, any rental income being negotiated at arms length. Properties under construction are transferred to investment properties on completion. These are held for long-term investment and are stated in the balance sheet at their fair value at the balance sheet date. Other properties classified as operational properties are held at the lower of cost and net realisable value as permitted by FRS 102.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

1 ACCOUNTING POLICIES *(continued)*

Changes in the market value of investment properties and gains/losses arising on disposal are taken to the SOFA as a separate line item before arriving at 'net income'. If a deficit on an individual investment property is expected to be permanent it is charged as an impairment within investment management expenditure in the SOFA. The cumulative unrealised gains are disclosed in the notes to the accounts.

Occasionally an investment property is disposed of under an arrangement which includes contingent consideration such as an 'overage' where the Foundation will share in part of the future development value. The contingent consideration is only recognised when it is considered probable that it will be received and this is reassessed at each accounting period end until the development is complete. Such consideration is included at the best estimate at the balance sheet date and included within 'net gain on investments' for the period in the SOFA and other debtors in the balance sheet.

(g) 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. Heavy farm equipment is depreciated at 20% per annum using the reducing balance method. The cost of other tangible fixed assets is written off by equal annual instalments over their useful life as follows:

Operational buildings	50 years
Short leasehold properties	Remaining length of lease
Plant, vehicles, machinery and equipment	3 to 10 years
Leased equipment	Life of the lease or asset category

Expenditure on assets under construction relating to operational buildings is capitalised as incurred but no depreciation is charged until the asset is brought into use. Once in use, a depreciation rate appropriate to the useful economic life of the asset is applied.

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. Where assets are no longer intended for use on a continuing basis in the operation's activities, they are transferred to current assets, and classified as assets held for resale within stock.

(h) Investments

Investments are initially recorded at cost. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Investments held in subsidiary companies are reflected at the par value of the shares. Investments held in stocks and shares are valued at market value at the financial year end. The net gains and losses arising from revaluations and disposals during the year are included within 'net gain on investments' in the SOFA.

(i) Stocks

Retail stocks are included at the lower of cost and net realisable value with due allowance made for all obsolete and slow moving items.

(j) Financial instruments

The group only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

1 ACCOUNTING POLICIES *(continued)*

(k) Leases

Tangible fixed assets held under leasing 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 SOFA over the 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 SOFA on a straight line basis over the term of the lease.

(l) Defined benefit pension scheme

The Foundation participates in the Hertfordshire Local Government Pension Scheme which provides benefits based on pensionable earnings near retirement. The amounts charged in expenditure are the costs arising from employees' services rendered during the period and the cost of benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to the SOFA in accordance with the requirements of FRS 102. Remeasurements comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in 'actuarial gain/loss on pension scheme'.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in the separate trustee-administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately on the face of the balance sheet.

(m) Taxation

The entity is a charity within the meaning of Paragraph 1 Schedule 6 Finance Act 2010. Accordingly the entity is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The subsidiary Garden City Technologies Ltd makes qualifying donations of all taxable profit to Letchworth Garden City Heritage Foundation. No corporation tax liability arises in the accounts.

In view of the nature of the VAT Partial Exemption special method agreed with HMRC, the Foundation incurs irrecoverable VAT which is charged to the SOFA when the expenditure to which it relates is incurred and is allocated with that expenditure.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

2 TRADING RESULTS OF SUBSIDIARIES

The Foundation has one wholly owned trading subsidiary, Garden City Technologies Ltd (company number 03530307) which is incorporated in England and Wales and provides telephony services. Where appropriate, the trading subsidiary makes qualifying charitable donations to the Foundation. In addition Letchworth Cottages and Buildings Ltd (registered number 18750R), which is a registered society under the Co-operative and Community Benefit Societies Act 2014 is also considered to be a subsidiary by virtue of the Foundation's control over its activities. It retains its own surplus and constitutes a Restricted fund within the Group accounts of the Foundation.

A summary of the results and net assets of each subsidiary:

	Garden City Technologies Ltd		Letchworth Cottages & Buildings Ltd	
	12 months ended 31 December 2016 £'000	15 months ended 31 December 2015 £'000	12 months ended 31 December 2016 £'000	15 months ended 31 December 2015 £'000
Turnover	131	217	131	145
Profit before qualifying charitable donation and tax	2	44	149	183
Qualifying charitable donation (calculated based on taxable profits)	(2)	(44)	–	–
Corporation tax charge	–	–	–	–
Net income	–	–	149	183
Gross assets	843	1,045	17,565	15,407
Gross liabilities	(13)	(215)	(6)	(70)
Net assets	830	830	17,559	15,337

Garden City Technologies Ltd has no recognised gains or losses other than the surplus before tax. In addition to the net income shown above, Letchworth Cottages and Buildings Ltd has a revaluation surplus arising in the year of £1,931,000 (15 months ended 31 December 2015: £1,250,000).

Surplus attributable to Letchworth Garden City Heritage Foundation

The surplus for the year after surplus on sale of properties and property revaluation surpluses but before actuarial gains and losses, dealt within the accounts of the Foundation amounted to £11,537,000 (15 months ended 31 December 2015: surplus £10,433,000). The total income for the Foundation for the year was £10,122,000 (15 months ended 31 December 2015: £13,737,000).

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

3 ANALYSIS OF INCOME

	Unrestricted £'000	Restricted £'000	12 months ended 31 December 2016 £'000	15 months ended 31 December 2015 £'000
Investment income:				
Income from investment properties	8,404	131	8,535	11,224
Dividends	–	271	271	333
Bank interest	25	1	26	43
	8,429	403	8,832	11,600

	Unrestricted £'000	Restricted £'000	12 months ended 31 December 2016 £'000	15 months ended 31 December 2015 £'000
Income from charitable activities:				
Cinema income	1,013	–	1,013	1,897
Educational farm income	526	–	526	506
Other charitable income	228	39	267	361
	1,767	39	1,806	2,764

Government grants income of £87,000 were receivable for the year (15 months ended 31 December 2015: £109,000) from the Department for Environment Food & Rural Affairs in respect of support for agricultural environmental works and is included within other charitable income in the unrestricted fund. A government grant of £39,000 was received in the year (15 months ended 31 December 2015: £nil) from the Department for Transport to fund the purchase of a community minibus which was delivered in early 2017.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

4 ANALYSIS OF EXPENDITURE

	Direct Costs £'000	Support Costs £'000	12 months ended 31 December 2016 £'000	15 months ended 31 December 2015 £'000
Expenditure on investment and property management:				
Property and related costs	3,775	1,213	4,988	6,042
Impairment losses	11	–	11	190
	3,786	1,213	4,999	6,232

During the year amounts included in assets under construction were considered to be impaired by £11,000 (15 months ended 31 December 2015: £190,000) as the cost of construction exceeded the fair value of the completed asset.

	12 months ended 31 December 2016 £'000	15 months ended 31 December 2015 £'000
Expenditure on charitable activities:		
Provision of cinema and cultural events	1,295	1,904
Provision of cinema refurbishment	1,068	402
Provision of studio & gallery	419	361
Provision of educational farm	616	682
Provision of heritage collection, exhibitions and Institute	407	451
Provision of heritage advice	307	350
Provision of environmental improvements and town support	564	658
Provision of treatment centre	307	383
Provision of minibus service	188	247
Provision of community information	139	203
Miscellaneous charitable expenditure	421	497
Grants payable	358	420
Support costs	2,134	2,507
	8,223	9,065

Miscellaneous charitable expenditure includes various town centre support and the provision of ballroom services.

Analysis of governance costs:		
Legal and company secretarial	18	27
Internal audit	17	35
Publication of Foundation's annual report and accounts	2	1
External audit of the Foundation	53	51
Other governance costs	35	39
	125	153

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

4 ANALYSIS OF EXPENDITURE *(continued)*

	12 months ended 31 December 2016 £'000	15 months ended 31 December 2015 £'000
Net Income for the year is stated after charging:		
Group auditors' remuneration and expenses:		
audit of the Foundation financial statements	43	41
audit of the subsidiary financial statements	10	10
VAT	2	2
tax compliance	2	2
advisory	2	–
	59	55
Depreciation of tangible fixed assets - owned assets	455	436
Operating lease rentals – land and buildings	129	183
During the year the following exceptional expenditure was incurred:		
Costs of refurbishing Broadway Cinema	1,068	402

The project to convert the cinema to the Broadway Cinema & Theatre began during the previous period. The project involved both the creation of theatre facilities and refurbishment works to the existing cinema building. Those costs related to the Theatre development of £2,101,000 (15 months ended 31 December 2015: £nil) have been included in assets under construction. Those associated with the refurbishment works, £1,068,000 (15 months ended 31 December 2015: £402,000) have been expensed to the SOFA, within the expenditure on charitable activities set out earlier in this note.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

5 GRANTS PAYABLE

	12 months ended 31 December 2016 £	15 months ended 31 December 2015 £
The commitments made in the year comprise:		
Institutional grants:		
Grants greater than £1,000: 34 (2015: 42)	283,875	341,730
Smaller grants	18,032	31,619
Total institutional grants	301,907	373,349
Individual grants:		
Community grants - grants over £1,000 to 28* individuals (2015: 29 individuals)	52,541	40,038
Smaller community grants to individuals	10,788	6,422
Total individual grants	63,329	46,460
*22 (2015: 18) paid under object (i) and 6 (2015: 11) paid under object (iii)		
Total commitments made in the year	365,236	419,809
Grants cancelled or recovered	(7,493)	-
Total grants payable	357,743	419,809
Reconciliation of grants payable:		
Commitments at 1 January 2016	30,365	30,933
Total grants payable	357,743	419,809
Grants payable	388,108	450,742
Grants paid during the year	(359,953)	(420,377)
Commitments at 31 December 2016	28,155	30,365

Commitments at 31 December 2015 and 31 December 2016 are payable within one year and included in creditors (note 14).

Grant applications are considered by the Grants Committee by reference to the objects of the charity. Each application is supported by a detailed application form setting out details of how the funds will be used and the planned benefits so that the committee can evaluate each case.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

5 GRANTS PAYABLE *(continued)*

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

Object	12 months ended 31 December 2016		15 months ended 31 December 2015	
	Number	Total Value of Grants (£)	Number	Total Value of Grants (£)
(a) Providing, facilitating and encouraging housing and any associated amenities	10	147,800	9	146,500
(i) Preservation of buildings and other environmental features	–	–	1	2,500
(ii) Assisting in the provision of facilities for recreation	2	2,000	9	41,500
(iii) Advancement of education and learning	11	97,107	14	94,035
(iv) Relief of poverty and sickness	11	36,968	6	43,195
(v) Supporting Garden City charitable organisations	–	–	1	1,000
(vi) Supporting other charitable purposes	–	–	2	13,000
	34	283,875	42	341,730

Grants made under object (a) are made by Letchworth Cottages and Buildings Limited under its own objects.

Grants made under the other objects are made by the Foundation.

(a) Providing, facilitating and encouraging housing and any associated amenities

Chestnut Tree Children's Centre Pre School Learning Alliance	–	–	1	1,000
Herts Young Homeless	2	44,500	2	44,500
Home-Start North Hertfordshire	2	17,000	2	17,000
Howard Cottage Housing Association	2	31,000	2	31,000
Letchworth and Baldock Children's Centre	1	1,000	–	–
North Herts Citizen's Advice	1	48,000	1	48,000
North Herts Homes Ltd.	1	5,000	1	5,000
St Thomas' Church	1	1,300	–	–
	10	147,800	9	146,500

(i) Preservation of buildings and other environmental features

Letchworth Parish (St Michael's with St Mary's)	–	–	1	2,500
	–	–	1	2,500

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

5 GRANTS PAYABLE *(continued)*

	12 months ended 31 December 2016		15 months ended 31 December 2015	
	Number	Total Value of Grants (£)	Number	Total Value of Grants (£)
(ii) Assisting in the provision of facilities for recreation				
Howard Cottage Cougars	–	–	1	1,000
Jackmans Community Association	–	–	1	7,000
K and Y Activities	1	1,000	–	–
Letchworth Arcadians	1	1,000	1	1,000
Letchworth Garden City Eagles Football Club	–	–	1	10,000
Letchworth Garden City Rugby Club	–	–	1	10,000
North Herts Bowls Club	–	–	1	7,000
St Thomas' Church	–	–	1	3,500
Wednesday Drop In Club	–	–	1	1,000
Whitethorn Wanderers Football Club	–	–	1	1,000
	2	2,000	9	41,500
(iii) Advancement of education and learning				
5th Letchworth Scouting Group	–	–	1	10,000
Fearnhill School	1	2,000	–	–
Garden City Academy	1	10,594	–	–
Home-Start North Hertfordshire	–	–	1	2,950
Jackie's Drop In Centre	–	–	1	10,000
Khalsa Football Academy	1	9,200	–	–
Learn IT	1	31,152	2	20,560
Letchworth Baptist Church	1	1,170	1	1,275
Letchworth Civic Trust	2	30,000	1	15,000
Letchworth Corner Sports Club Weightlifters	–	–	2	15,000
Letchworth Garden City Festival Steering Committee	1	3,716	1	8,000
Local History Group	1	1,575	–	–
Norton Methodist Community Centre	1	4,600	1	3,750
Pixmore School	–	–	1	1,000
Rhapsode	–	–	1	5,000
Street Dance Productions	1	3,100	–	–
T'COHCHA Streetdance Crew	–	–	1	1,500
	11	97,107	14	94,035

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

5 GRANTS PAYABLE *(continued)*

	12 months ended 31 December 2016		15 months ended 31 December 2015	
	Number	Total Value of Grants (£)	Number	Total Value of Grants (£)
(iv) Relief of poverty and sickness				
Angels Support Group Hitchin	–	–	1	5,095
Centre for Healthy Living	1	7,000	–	–
Cheap as Chips	1	1,000	–	–
Garden City Academy	1	1,406	–	–
Headway Hertfordshire	1	8,062	1	8,100
Hertfordshire Fire & Rescue Services	1	1,500	–	–
Howard Garden Social & Day Care Centre	–	–	2	24,000
Kingfisher Club	1	1,000	–	–
KLM Table Tennis	1	1,000	–	–
Letchworth & Baldock Lions	1	1,000	1	1,000
Stand By Me	–	–	1	5,000
Herts Sports Partnership	1	6,500	–	–
Wednesday Drop In Club	1	1,000	–	–
The Wheelchair Dance Sport Association	1	7,500	–	–
	11	36,968	6	43,195
(v) Supporting Garden City charitable organisations				
Royal British Legion	–	–	1	1,000
	–	–	1	1,000
(vi) Supporting other charitable purposes				
Relate Central & Northern Hertfordshire	–	–	1	5,000
Tilehouse Counselling	–	–	1	8,000
	–	–	2	13,000

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

6 SUPPORT COSTS

	Investment Management	Charitable Activities	12 months ended 31 December 2016 Total	15 months ended 31 December 2015 Total
Communications & Marketing	53	327	380	608
Finance	227	356	583	887
Strategic Planning	80	124	204	172
Executive	187	294	481	484
Human Resources	41	234	275	271
Information Technology	333	521	854	968
Support Centre	248	197	445	511
Governance	44	81	125	154
Total for year ended 31 December 2016	1,213	2,134	3,347	4,055
Total for 15 months ended 31 December 2015	1,548	2,507	4,055	

The support costs of the Foundation consisted of the eight cost elements listed in the table. These costs are allocated to the activity cost categories on a basis consistent with the use of resources as follows:

Communications & Marketing and Governance	Percentage of the time spent
Finance, Strategic Planning, Executive and Information Technology	Work done
Human Resources and Support Centre	Headcount

Support Centre costs are those costs incurred in running the Foundation's Support Centre building.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

7 STAFF COSTS

	12 months ended 31 December 2016 £'000	15 months ended 31 December 2015 £'000
Staff costs for the Group during the year amounted to:		
Wages and salaries	2,966	3,647
Social security costs	271	283
Other pension costs	384	481
Agency staff costs	140	144
Redundancy costs	48	111
	3,809	4,666

Areas within the organisation employed agency staff during the year to cater for specific projects and staff absence.

The redundancy costs relate to payments made during the year to staff whose role became redundant. They are included within support costs which are allocated across charitable activities.

	12 months ended 31 December 2016 Number	15 months ended 31 December 2015 Number
The monthly average number of employees of the Group during the year calculated on a full-time equivalent basis, is analysed as follows:		
Charitable activities	66	76
Property management and maintenance	10	14
Administration and support	26	26
	102	116

The number of employees whose emoluments (including benefits in kind but excluding employer pension contributions) amounted to over £60,000 in the year/period were as follows:

£60,001 - £70,000	2	2
£70,001 - £80,000	1	1
£80,001 - £90,000	–	1
£90,001 - £100,000	1	–
£100,001 - £110,000	–	1
£110,001 - £120,000	1	–
£130,001 - £140,000	1	1
£230,001 - £240,000	–	1
	6	7

In 2016, employer contributions of £99,170 (15 months ended 31 December 2015: £141,717) were made to the defined benefit pension scheme in respect of the above employees.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

7 STAFF COSTS *(continued)*

Key management personnel

Total employee benefits (including pension contributions) received by the Leadership Team employees for their services during the year totalled £742,019 (15 months ended 31 December 2015: £894,172). The Leadership Team during the year comprised the Chief Executive Officer, Commercial Director, Company Secretary and Heads of Property, Heritage & Strategic Development, Marketing & Leisure Development and Charitable Services Development.

Board of Trustees

Members of the Board of Trustees, who are the trustees of the charity, neither received nor waived any emoluments during the year (15 months ended 31 December 2015: £nil). The Chairman was reimbursed nil out of pocket expenses. One other trustee was reimbursed for travel expenses of £32.

Following the departure of the Chief Executive Officer, the Chairman took on the role of Interim Chief Executive from June 2016 until the recruitment of a new Chief Executive Officer who joined the Foundation in April 2017. At that point, the Interim Chief Executive Officer returned to being Chairman. During 2016 the Chairman received fees of £60,000 for his services as Interim Chief Executive Officer.

8 TANGIBLE ASSETS – INVESTMENT PROPERTIES

	Freehold property £'000	Long Leasehold property £'000	Assets under construction £'000	Total £'000
Group				
At 31 December 2015 – at valuation	126,971	1,685	194	128,850
Additions	374	–	2,000	2,374
Disposals	(841)	(100)	–	(941)
Transfers	1,826	–	(1,826)	–
Revaluation	13,657	100	–	13,757
Impairment	–	–	(11)	(11)
Net book value:				
At 31 December 2016	141,987	1,685	357	144,029
At 31 December 2015	126,971	1,685	194	128,850
Foundation				
At 31 December 2015 – at valuation	118,473	1,685	194	120,352
Additions	374	–	2,000	2,374
Disposals	(682)	(100)	–	(782)
Transfers	1,826	–	(1,826)	–
Revaluation	12,194	100	–	12,294
Impairment	–	–	(11)	(11)
Net book value:				
At 31 December 2016	132,185	1,685	357	134,227
At 31 December 2015	118,473	1,685	194	120,352

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

TANGIBLE ASSETS – INVESTMENT PROPERTIES *(continued)*

Assets under construction relate to costs of ongoing property projects. Impairments are recognised on developments where the total costs of development exceed the anticipated market value at the completion of the construction.

The investment properties were valued at 31 December 2016 by Bidwells LLP acting as an Independent External Valuer in accordance with the RICS Valuation – Professional Standards UK January 2014 (amended April 2015) issued by the Royal Institution of Chartered Surveyors and FRS102. The valuations were carried out by Bidwell employees, all of whom are MRICS qualified and Registered Valuers.

The valuation of investment property has been undertaken on the basis of Fair Value as defined in FRS 102 assuming that the property would be sold subject to any existing leases. Surplus property and property held for development is valued to Fair Value assuming the property would be sold with vacant possession in its existing condition. The opinions of value have been primarily derived using comparable recent market transactions concluded on arm's length terms.

In reaching the valuation figures Bidwells has departed from the RICS Valuation – Professional Standards in that they have not been instructed to inspect all the properties or read all the leases. Bidwells has inspected a sample of the portfolio (approximately 20% of the rack rented properties each year on a rolling programme) and read a sample of the lease documents only. For all other properties they have relied on information provided by the Foundation and their advisers and the accuracy of the valuation depends on the accuracy of the information provided.

In accordance with the Valuation Standards, Bidwells has confirmed that it has acted as valuer for the Foundation since September 2005 and has met the independence guidelines in terms of proportion of fees. Bidwells has a policy of rotating personnel undertaking this valuation so that no single valuer values the portfolio for more than seven consecutive years.

The valuation of these properties amounted to: Group £143,672,000 and Foundation £133,870,000 (31 December 2015: Group £128,656,000 and Foundation £120,158,000).

The revaluation surplus for the Group of £13,757,000 and Foundation of £12,294,000 (2015: Group £16,344,000 and Foundation £14,271,000) includes downward revaluations of £1,540,000 in both cases and all related to freehold property (2015: £1,556,000).

The Foundation recognises that there are mixed motive properties to the value of £34,447,000 (31 December 2015: £31,506,000) held within the total investment property portfolio. Mixed motive properties are investments that are held partly for their investment potential and partly for furthering the aims of the Foundation.

The total value of investment properties whose valuation is primarily based on the development value of land is £3,920,000 (31 December 2015: £2,910,000).

The original 'cost' of investment properties held at valuation comprises the value at which those properties were vested to the Foundation on 1 October 1995 together with additions to those properties and the cost of properties acquired since that date. The cost of these properties at 31 December 2016 was Group £66,768,000 and Foundation £65,927,000 (31 December 2015: Group £64,978,000 and Foundation £64,137,000).

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

9 TANGIBLE ASSETS – OPERATIONAL ASSETS

	Freehold property £'000	Plant and equipment £'000	Assets under construction £'000	Total £'000
Group and Foundation				
Cost:				
At 31 December 2015	5,216	5,113	–	10,329
Additions	–	137	2,101	2,238
Disposals	–	(27)	–	(27)
At 31 December 2016	5,216	5,223	2,101	12,540
Depreciation:				
At 31 December 2015	2,291	4,291	–	6,582
Charge for the year	38	417	–	455
Disposals	–	(27)	–	(27)
At 31 December 2016	2,329	4,681	–	7,010
Net book value:				
At 31 December 2016	2,887	542	2,101	5,530
At 31 December 2015	2,925	822	–	3,747

The category 'plant and equipment' comprises plant, equipment, machinery, vehicles and furniture.

Assets under construction comprises the expenditure incurred on the Cinema to convert it to provide Theatre facilities. Once complete and in use, these costs will be transferred to freehold property and depreciated over the period estimated to provide community benefit. The element relating to the Cinema refurbishment is included within property costs (note 4).

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

10 OTHER INVESTMENTS

	Listed Investments £'000
Group	
Market value at 1 January 2016	6,391
Surplus on revaluation	627
Market value at 31 December 2016	7,018
Historical cost at 31 December 2016	6,309

The investments comprise 12,897,651 units (31 December 2015: 12,897,651 units) held by Letchworth Cottages and Buildings Ltd in Global equities in Cazenove Capital Management's Charity Multi-Asset Fund. Up to May 2015 dividends receivable were reinvested in further units in the fund. From June 2015 Cazenove have been instructed to pay dividends received on the units to the Association so that the income is available for the grant programme.

	Subsidiary undertakings £'000
Foundation	
Cost and net book value: At 31 December 2015 and 31 December 2016	815

Details of the principal investments in which the Foundation holds more than 10% of the nominal value in 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	10%	100%	Charitable housing association
Garden City Technologies Ltd	A Ordinary shares	100%	100%	Telephony services
	B Ordinary shares	100%	None	

Letchworth Cottages and Buildings Ltd is a charitable housing association registered under the Co-operative and Community Benefit Societies Act 2014.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

11 STOCKS

Retail stocks

	Group		Foundation	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Retail stocks	28	24	28	24

12 DEBTORS

Deposits with Herts County Council
Trade debtors
Amounts owed by subsidiary undertakings
Taxes and social security
Other debtors
Prepayments and accrued income

	Group		Foundation	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Deposits with Herts County Council	500	500	500	500
Trade debtors	786	761	772	744
Amounts owed by subsidiary undertakings	–	–	9	276
Taxes and social security	157	–	157	–
Other debtors	1,783	171	1,783	171
Prepayments and accrued income	1,553	1,406	1,481	1,337
	4,779	2,838	4,702	3,028

Amounts deposited with Herts County Council relate to the Street Scene development and are repayable between 2019 and 2031.

13 LOANS

Due within one year:
Loans to staff
Loans to individuals and local organisations

	Group		Foundation	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Loans to staff	15	30	15	30
Loans to individuals and local organisations	9	16	9	16
	24	46	24	46

Due after one year:
Loans to staff
Loans to individuals and local organisations
Loans relating to leasehold enfranchisement

Loans to staff	36	30	36	30
Loans to individuals and local organisations	4	11	4	11
Loans relating to leasehold enfranchisement	225	264	225	264
	265	305	265	305

The loans relating to leasehold enfranchisement were 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 interest concerned.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

14 CREDITORS

Amounts falling due within one year:

Trade creditors

Taxes and social security

Other creditors

Accruals and deferred income

Grants payable

	Group		Foundation	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade creditors	517	741	517	741
Taxes and social security	107	259	107	259
Other creditors	908	799	908	799
Accruals and deferred income	3,302	2,892	3,292	2,882
Grants payable	28	30	28	30
	4,862	4,721	4,852	4,711

Deferred Income

Deferred income balances reflect income received during the accounting period for which the Group has not supplied the service as at the end of the period and therefore cannot be recognised as income in the period.

Deferred income at 31 December 2015

Net transferred from/(to) the SOFA

Deferred income at 31 December 2016

	Group		Foundation	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Deferred income at 31 December 2015	1,203	1,211	1,203	1,211
Net transferred from/(to) the SOFA	118	(8)	118	(8)
Deferred income at 31 December 2016	1,321	1,203	1,321	1,203

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

15 DEFINED BENEFIT PENSION

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 full valuation of the scheme was undertaken as at 31 March 2013 and updated by a qualified independent actuary to 31 December 2016 on a basis appropriate to FRS 102.

As a result of the actuarial valuation as at 31 March 2013 the Foundation made contributions to the scheme at the rate of 17.3% of pensionable pay for the year to 31 December 2016 plus deficit reduction payments of £314,000. The next triennial valuation as at 31 March 2016 was completed in March 2017 and showed that for funding purposes the deficit has been cleared. The accounting deficit as at 31 December 2016 remains as reflected in these accounts due to the different bases of calculation. The Foundation's contributions to the scheme from April 2017 will be increased to 27.5% of pensionable pay for the three years to 31 March 2020 but with no additional amount required for the triennial deficit reduction. Estimated contributions for the year ended 31 December 2017 are £600,000.

The major assumptions used by the actuary for the FRS 102 calculations were:

	2016 %	2015 %
Rate of increase in pensionable salaries	2.6	3.8
Rate of increase in pensions	2.5	2.4
Rate used to discount scheme liabilities	2.7	3.9

The underlying life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI2010 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% per annum. Based on these assumptions, the average future life expectancies at age 65 assumed at each period end are summarised as:

	Current Pensioners		Future Pensioners	
	2016 Years	2015 Years	2016 Years	2015 Years
Males	22.3	22.3	24.3	24.3
Females	24.5	24.5	26.7	26.7

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 Hertfordshire County Council Pension Fund in respect of the Foundation:

	2016 £'000	2015 £'000
Equities	16,597	13,760
Bonds	6,287	5,678
Property	1,760	1,747
Cash	503	655
Total fair value of assets	25,147	21,840

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

15 DEFINED BENEFIT PENSION *(continued)*

The amounts recognised in the balance sheet as at 31 December 2016 and 31 December 2015:

	2016 £'000	2015 £'000
Fair value of scheme assets	25,147	21,840
Present value of scheme liabilities	(31,130)	(25,449)
Net deficit in the scheme	(5,983)	(3,609)

Reconciliation of opening and closing balances of the scheme assets and liabilities:

	Fair value of scheme assets £'000	Present value of scheme liabilities £'000	Scheme assets less scheme liabilities £'000
Scheme assets/(liabilities) at the start of the year	21,840	(25,449)	(3,609)
Current service cost	–	(512)	(512)
Interest income/(cost)	854	(991)	(137)
Actuarial gains/(losses)	2,347	(4,771)	(2,424)
Contributions paid by the Foundation	699	–	699
Contributions paid by employees	160	(160)	–
Benefits paid	(753)	753	–
Scheme assets/(liabilities) at the end of the year	25,147	(31,130)	(5,983)

The amounts recognised in net income for the year to 31 December 2016 and 15 months to 31 December 2015:

	2016 £'000	2015 £'000
Current service cost	512	728
Losses on curtailments	–	5
Net interest cost	137	297
	649	1,030

The actual return on scheme assets for the year to 31 December 2016 and 15 months to 31 December 2015:

	2016 £'000	2015 £'000
Interest income on scheme assets	854	959
Actuarial gains on scheme assets	2,347	764
Actual return on scheme assets	3,201	1,723

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

15 DEFINED BENEFIT PENSION *(continued)*

The amounts recognised as other recognised gains and losses in the SOFA for the year to 31 December 2016 and 15 months to 31 December 2015:

	2016 £'000	2015 £'000
Actuarial gains on scheme assets	2,347	764
Changes in assumptions underlying present value of scheme liabilities	(4,771)	2,092
Actuarial gains/(losses) recognised in statement of recognised gains and losses	(2,424)	2,856

Cumulative amount of actuarial gains and losses recognised in the SOFA for the year to 31 December 2016 and 15 months to 31 December 2015:

	2016 £'000	2015 £'000
Cumulative actuarial loss at start of the year/period	(2,161)	(5,017)
Recognised during the year/period	(2,424)	2,856
Cumulative actuarial loss at end of the year/period	(4,585)	(2,161)

History of asset values, present value of liabilities and deficit in the scheme:

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Fair value of scheme assets	25,147	21,840	20,070	17,699	15,001
Present value of scheme liabilities	(31,130)	(25,449)	(26,364)	(22,530)	(19,969)
Deficit in the scheme	(5,983)	(3,609)	(6,294)	(4,831)	(4,968)

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

16 FUNDS

	Unrestricted Funds £'000	Endowment Funds £'000	Restricted Funds £'000	Total £'000
Group				
At 31 December 2015 – as reported	727	128,829	15,337	144,893
Investment property valuation adjustment (note 21)	–	(449)	–	(449)
Adjustment for FRS 102 implementation (note 21)	22	–	–	22
At 1 January 2016 – as restated	749	128,380	15,337	144,466
Retained surplus/(deficit) for the year	(2,761)	(11)	188	(2,584)
Surplus on revaluation	–	14,271	2,073	16,344
Transfers between funds	4,600	(4,600)	–	–
Actuarial loss on pension scheme	(2,424)	–	–	(2,424)
Balance at 31 December 2016	164	138,040	17,598	155,802
Foundation				
At 31 December 2015 – as reported	712	128,829	–	129,541
Investment property valuation adjustment (note 22)	–	(449)	–	(449)
Adjustment for FRS 102 implementation (note 22)	22	–	–	22
At 1 January 2016 – as restated	734	128,380	–	129,114
Retained surplus/(deficit) for the year	(2,761)	(11)	39	(2,733)
Surplus on revaluation	–	14,271	–	14,271
Transfers between funds	4,600	(4,600)	–	–
Actuarial loss on pension scheme	(2,424)	–	–	(2,424)
Balance at 31 December 2016	149	138,040	39	138,228

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 31 December 2016 there were 29 (31 December 2015: 29) shares in issue.

The transfer between funds during the year reflects the allocation of bank balances to the unrestricted fund to ensure an appropriate level of net current assets as shown in note 17.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

17 ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £'000	Endowment Funds £'000	Restricted Funds £'000	Total £'000
Fund balances at 31 December 2016 are represented by:				
Investment properties	575	133,295	9,802	143,672
Operational properties	3,429	–	–	3,429
Other investments	–	–	7,018	7,018
Assets under construction	2,101	357	–	2,458
Pension scheme deficit	(5,983)	–	–	(5,983)
	122	133,652	16,820	150,594
Net current assets	42	4,388	778	5,208
	164	138,040	17,598	155,802

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

Unrealised gains at 31 December 2015	325	55,696	7,657	63,678
Surplus on revaluation	–	11,845	1,463	13,308
Realised on disposals	–	(356)	(160)	(516)
Unrealised gains at 31 December 2016	325	67,185	8,960	76,470

The above figures include unrealised gains on other investments as follows:

Unrealised gains at 31 December 2015	–	–	82	82
Surplus on revaluation	–	–	627	627
Unrealised gains at 31 December 2016	–	–	709	709

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

18 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:

	Group and Foundation	
	2016 £'000	2015 £'000
Erection, purchase and redevelopment of premises	281	3,065

The total future minimum lease payments under non-cancellable operating leases for each of the following periods:

Payments due:		
Not later than one year	126	138
Later than one year and not later than five years	506	548
Later than five years	34,291	34,975
	34,923	35,661

Total future rental income commitments under non-cancellable leases with tenants at the year end for each of the following periods:

Receipts due:		
Not later than one year	6,096	5,252
Later than one year and not later than five years	16,179	13,580
Later than five years	225,939	182,596
	248,214	201,428

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

19 RELATED PARTIES TRANSACTIONS

The following Trustees (or spouses of Trustees where indicated by *) and Governors on the Grants Committee held positions in organisations which received grants from the Foundation:

Organisation	Position Held	Name	No.	2016 Total Value of Grants (£)	No.	2015 Total Value of Grants (£)
Home-Start North Hertfordshire	Manager	Charmaine Rogers [^]	–	–	3	19,950
Home-Start North Hertfordshire	Trustee	Pat Walker*	–	–	3	19,950
Letchworth Civic Trust	Trustee	Ian Cotterill [^]	–	–	1	15,000
Letchworth Civic Trust	Trustee	William Armitage [^]	–	–	1	15,000
Letchworth Civic Trust	Trustee	Lynda Needham	2	30,000	1	15,000
Letchworth Civic Trust	Trustee	Pat Walker *	–	–	1	15,000
Letchworth Corner Sports Club	Chair	Colin Chatfield	–	–	2	15,000
Letchworth Festival Steering Group	Committee Member	William Armitage	1	3,716	1	8,000

*Pat Walker was the spouse of someone who was a Trustee up to 2015 and therefore nil is recorded for 2016.

[^]Charmaine Rogers was a member of the Grants Committee until 2015 and Ian Cotterill and William Armitage ceased to be Trustees of Letchworth Civic Trust in the 2015 period and therefore in each case nil is recorded for 2016.

None of the grants payable at the year end or previous period end related to an organisation in which a Trustee held a position.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

20 CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the 15 months ended 31 December 2015

As required by the Charities SORP (FRS 102), the SOFA comparatives are split by funds:

	Unrestricted Funds £'000	Endowment Funds £'000	Restricted Funds £'000	15 months ended 31 December 2015 £'000
Income from:				
Investments	11,120	–	480	11,600
Charitable activities	2,764	–	–	2,764
Total income	13,884	–	480	14,364
Expenditure on:				
Investment property management	5,893	190	149	6,232
Charitable activities	8,917	–	148	9,065
Total expenditure	14,810	190	297	15,297
Net income/(expenditure) before gains on investments	(926)	(190)	183	(933)
Net gain on investments	75	11,190	1,250	12,515
Net income/(expenditure)	(851)	11,000	1,433	11,582
Transfers between funds	125	(125)	–	–
Other recognised gains and losses				
Actuarial gain on pension scheme	2,856	–	–	2,856
Net movement in funds	2,130	10,875	1,433	14,438
Fund balances brought forward at 1 October 2014	(1,381)	117,505	13,904	130,028
Fund balances carried forward at 31 December 2015	749	128,380	15,337	144,466

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

21 TRANSITION TO FRS 102 FROM OLD UK GAAP AND OTHER ADJUSTMENTS

As stated in note 1, these are the Group's first financial statements prepared in accordance with FRS 102. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2016 and the comparative information presented for the 15 months ended 31 December 2015.

In preparing its FRS 102 balance sheet, the amounts previously reported in financial statements prepared in accordance with its old basis of accounting (UK GAAP) have been adjusted. There was one item impacting the transition balance sheet of 1 October 2014 and one adjustment impacting the net movement in funds for the 15 months ended 31 December 2015 and balance sheet as at that date:

	31 December 2015 £'000	1 October 2014 £'000
Total funds as at 31 December 2015 and 1 October 2014 – as previously reported	144,893	130,477
Investment property valuation adjustment	(449)	(449)
FRS 102 lease incentives adjustment	22	–
Total funds as at 31 December 2015 and 1 October 2014 – as restated	<u>144,466</u>	<u>130,028</u>
Net movement in funds for the 15 months ended 31 December 2015 – as previously reported	14,416	
FRS 102 lease incentives adjustment	22	
Net movement in funds for the 15 months ended 31 December 2015 – as restated	<u>14,438</u>	

The investment property valuation adjustment relates to a reduction in the opening valuation of interests in properties subject to leasehold enfranchisement as at 1 October 2014 and only impacts the Endowment Fund.

Under the old basis, lease incentives such as rent-free or stepped-rent arrangements were spread over the period of the lease up to the break clause date. Under FRS 102, these are spread over the full period to the lease end date. The exemption to apply this only to leases commencing on or after the FRS 102 transition date for the Group of 1 October 2014 has been applied and the impact on 2015 is £22,000 as shown in the tables above. The adjustment only impacts the Unrestricted Fund.

Under FRS 102 there is a change in the allocation of past service costs and actuarial gains used in the calculation of the pension deficit. Prior year figures in note 20 have been restated on this basis with an increase of £381,000 in both the service costs and actuarial gain with no impact on funds. Governance costs are now included within support costs and not shown separately on the SOFA as shown in note 6.

THE BOARD OF TRUSTEES

C Chatfield
(Chairman)

I C Cotterill
(Vice Chairman)

W G Armitage

C Hamilton

T Hone*

L A Needham**

R Riggall

T Saunders

M J Underwood

* Deputy for Hertfordshire County Council

** Deputy for North Hertfordshire District Council

C Chatfield served as Chairman until 30 June 2016 when he was appointed Interim Chief Executive and was reappointed Chairman from 1 April 2017. I C Cotterill served as Vice Chairman until 30 June 2016 when he was appointed Chairman and served until 1 April 2017 when he was reappointed Vice Chairman.

Full details of our Board of Trustees and Governors are available at www.letchworth.com/heritage-foundation

OFFICERS AND REGISTERED OFFICE

Chief Executive

J M Lewis
(up to 30 June 2016)

C Chatfield, Interim Chief Executive
(1 July 2016 to 31 March 2017)

G Fisher
(from 3 April 2017)

Leadership Team

D Ames – Head of Strategic Planning and Development

G Dawson – Head of Marketing and Leisure Development

A Stewart – Head of Charitable Services Development

J Kaur – Company Secretary and Executive Team Manager

Secretary

J Kaur
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Registered Office and Principal Office

Letchworth Garden City Heritage Foundation
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Registered number 28211R

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