

PN INDEPENDENT EXAMINATIONS

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The Chair
Board of Trustees
Naval Under Fives (East)

14 Aug 20

NAVAL UNDER FIVES (EAST) – ACCOUNTS & EXAMINATION – 31 JULY 2020

1. The Naval Under Fives (East) Fund has been examined for the year that ended 31 July 2020 and accounts prepared. A draft Trustees' Annual Report (TAR) is also attached. PDF versions of the accounts and TAR, provided by PNIE, should be uploaded to the Charity Commission website when the annual return is completed online.
2. The accounts were well presented. The bank was quickly reconciled but the cash was more difficult as it appeared that some entries had not been put onto Sage. Getting into a routine of putting cash transactions onto Sage as they enter or leave the cash box is essential to avoid these problems in future.
3. A misunderstanding regarding wages last year lead to losses being overstated. Last year's losses were actually £35.8K (and £83K in the year before that). In this year the fund gained £9.2K. So the new Operations Manager had achieved a £46K change in fortunes. The biggest savings being in wages with setting wage costs falling by £42K (14%) and office staff costs by £19K (32%).
4. In common with other pre-school groups the amount that could be claimed for furlough grants was restricted as Local Authorities did not claim back any of their funding. The Operations Manager was able to claim back £18.1K in furlough refunds.
5. The trustees are rightly concerned about having enough in the reserves to cover redundancies should the organisation have to close. The accounts now show a provision for redundancy. This totals £72.1K when using the statutory minimum payment rate. This does not take into account periods of notice that have to be given. Going back fifteen or so years, NU5, SFTAC, the RN community centre bars, wives' and youth groups etc were all part of one Portsmouth Naval Community Central Fund. This held a redundancy reserve but the provision disappeared when the STFAC and NU5 separated from the Central Fund, which itself closed a few years ago.
6. After allowing for the £9.6K correction the fund is £18.9K better off than last year
7. There is a Service Level Agreement between the charity and the MoD, although this does not include MoD maintaining the fabric of the buildings. A change in status e.g. by converting to a Charitable Incorporated Organisation could lead to a disadvantageous renegotiation as DIO might treat it an encroaching civilian commercial organisation.

8. Summary. The Naval Under Fives charity is in a much better financial position than it was a year ago. After allowing for liabilities, it has net assets of £90.8K. However, £72K of this is ringfenced for redundancies should numbers fall or the MoD changes its policies.



P A Nicholls
PN Independent Examinations

Information:

Operations Manager, Naval Under Fives

NAVAL UNDER FIVES (EASTERN AREA)
ANNUAL REPORT AND FINANCIAL STATEMENTS

For Period

1 August 2019 to 31 July 2020

Registered Charity No. 1036832

NAVAL UNDER FIVES (EASTERN) FUND

LEGAL AND ADMINISTRATIVE INFORMATION

Charity Registration no.	1036832
Address	8 Shackleton Road Gosport Hampshire PO13 9SG
Governing Document	Constitution (revised 2004)
Objectives	To provide day care for children of Service families To advance the development and education of preschool children. To provide a safe, healthy, happy and stimulating environment. To assist the development of children through structured and free play. To meet the requirements of Ofsted.
Trustees	Mrs Jackie Cole Chair Mrs Janice Murphy Secretary Mrs Susan White Treasurer Mrs Charlotte Pattenden Mrs Sally Pratt (Staff Representative – Employee) Mrs Julie Johnson (Staff representative – Employee)
	Trustees are selected by recommendation from existing trustees, interview, instruction and then proposed at next Trustees meeting.
Independent Examiner	Peter Nicholls MBE MAAT 5 Nursery Road Havant Hants PO9 3BG

The Activities of the Charity

- The NUF Operations Manager oversees the overall running of the charity on a day-to-day basis on behalf of the Board of Trustees. A deputy assists the Operations Manager. The organisation consists of one office, six pre-schools and one under three groups. Each group has fully qualified and trained staff.
- Staff members are encouraged to maintain the high levels of training and to continue to receive high Ofsted reports.
- Continues to liaise with the Naval Service Family Personnel Support organisation to maintain the Service Level Agreement. Liaising with LEAs and Ofsted.
- The Board of Trustees is made up from volunteers and each group encourages parents to volunteer their time. College apprentices are paid.
- Several of the groups participated in fund raising for other charities e.g. Ocean Ward Southampton, MacMillan, Poppy Appeal and Children in Need.
- Numbers had fallen to around 120 children. The majority of children came from Service families.

Financial Review

The Naval Under Fives charity is in a much better financial position than it was a year ago. After allowing for liabilities, it has net assets of £90.8K. However, £72K of this is ringfenced for redundancies should numbers fall or the MoD changes its policies.

Investment Selection Policy

The Trustees have decided not to invest spare reserves in market-based investments as they do not wish to subject the charity's money to the risks and vagaries of the market.

Reserves Policy

The Trustees have considered the level of reserves they wish to retain appropriate to the charity's needs. The trustees aim to ensure that the charity will be able to continue to fulfil its charitable objectives even if there is a temporary shortfall in income e.g. adverse demographics in the area, or unexpected expenditure. Reserves are generated by parental paid fees, as opposed to Government funding, which may only be utilised in accordance with Ofsted regulations. The Trustees consider that it would be prudent to hold greater reserves than currently held so that there is sufficient to pay redundancy payments to its staff should the Ministry of Defence withdraw its support. In addition, as the MoD no longer maintains the fabric of the buildings used for the settings, the Trustees wish to hold readily accessible reserves to provide the means to refurbish settings as the need arises.

Risk Assessment

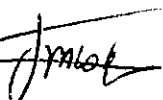
The Trustees actively review the major risks that the charity faces on a regular basis. The major risk would be a radical change of policy by the Ministry of Defence. This has been assessed and is covered by the Service Level Agreement between the charity and the Ministry of Defence. Other risks centre on the change in numbers of children in the area and competition from other preschool facilities, some government funded, in the area.

Declaration

I declare in my capacity of charity trustee, that

- The trustees have approved the report above; and
- Have authorised me to sign it on their behalf.

J Cole
Chair



16 September 2020

Independent Examiner's Report to the Trustees of the Naval Under Fives (Eastern Area) Fund

I report on the accounts of the Charity for the year ended 31 July 2020, which are set out in pages 1 to 4.

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of the accounts. The charity's trustees consider that an audit is not required for this year under section 144(2) of the Charities Act 2011 (The Charities Act) and that an independent examination is needed. The charity's gross income exceeded £250,000 and I am qualified to undertake the examination by being a licenced member of the Association of Accounting Technicians.

It is my responsibility to:

- examine the accounts under section 145 of the 2011 Act;
- to follow the procedures laid down in the General Directions given by the Charity Commission under section 145(5)(b) of the Charities Act, and
- to state whether particular matters have come to my attention.

Basis of independent examiner's report

My examination was carried out in accordance with the general Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustee for any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statement below.

Independent examiner's statement

In connection with my examination, no material matters have come to my attention which gives me cause to believe that in any material respect:

- The accounting records were not kept in accordance with section 130 of the Charities Act; or
- The accounts did not accord with the accounting records; or
- The accounts did not comply with the applicable requirements concerning the form and content of the accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than in any requirement that the accounts give a "true and fair" view which is not a matter considered as part of an independent examination.

I have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.



P A Nicholls MBE MAAT
5 Nursery Road
Havant
Hants PO9 3BG

16 September 2020

NAVAL UNDER FIVES (EAST)

Registered Charity No 1036832

BALANCE SHEET

31-Jul-20

31-Jul-19

<i>Fixed Assets</i>			
Property	Notes 4	£ 2,178.00	£ 4,748.00
<i>Current Assets</i>			
Cash	£	-	£ 999.45
Floats held by Pre-Schools	£	-	£ 120.00
Petty Cash held by Pre-Schools	£	210.67	£ 390.90
Barclays Community Account	£	<u>98,058.38</u>	<u>£ 88,629.85</u>
Total Cash & Bank held	£	98,269.05	£ 90,140.20
Debtors and prepayments	8	<u>£ 4,809.90</u>	<u>£ 2,617.67</u>
Total Current Assets	£	103,078.95	£ 92,757.87
<i>Less Liabilities</i>			
Creditors	9	<u>£ 14,351.74</u>	<u>£ 25,474.20</u>
Net Current Assets		<u>£ 88,727.21</u>	<u>£ 67,283.67</u>
Total Assets		<u>£ 90,905.21</u>	<u>£ 72,031.67</u>
Provision for Redundancy		£ 72,100.00	
Total Assets After Provision		<u>£ 18,805.21</u>	

Approved on behalf of all trustees

Jackie Cole
Chair

16 September 2020

NAVAL UNDER FIVES (EAST)
STATEMENT OF FINANCIAL ACTIVITIES

For year ended 31 Jul 20

Income	Note	<i>Previous Year</i>
Donations	£ 18,109.68	£ -
Charitable Activities	£ 304,491.06	£ 355,665.13
Interest	<u>£ 35.23</u>	<u>£ 36.17</u>
Total Income	2 <u>£ 322,635.97</u>	<u>£ 355,701.30</u>
 Expenditure		
Charitable Activities	<u>£ 313,363.09</u>	<u>£ 401,163.80</u>
Total Expenditure	3 <u>£ 313,363.09</u>	<u>£ 401,163.80</u>
Net income or (expenditure)	£ 9,272.88	£ (45,462.60)
Previous Year Correction	£ 9,600.66	£ -
Net movement in funds	£ 18,873.54	£ (45,462.60)
Total Funds brought forward	£ 72,031.67	£ 117,494.27
Total Funds carried forward	<u>£ 90,905.21</u>	<u>£ 72,031.67</u>

Notes to the Accounts

Note 1

a. The financial statements are prepared under the historic cost convention (as modified by the revaluation of fixed asset investments) and in accordance with applicable accounting standards: Charities Statement of Recommended Practice (FRS 102) 2019, UK Accounting Standards and the Charities Act 2011.

Incoming resources

- a. Donations are included in the Statement of Financial Activities (SOFA) when the fund becomes entitled to the donation or grant and it is reasonably certain that it will be received.
- b. Incoming resources from fund raising are reported gross in the SOFA
- c. Intangible income is not included in the accounts.
- d. The fund receives no unpaid volunteer help, although staff members may occasionally work without pay when trialling new schemes.

Expenditure and liabilities

- a. Liabilities are recognised as soon as there is a legal or constructive obligation committing the fund to the expenditure.

Assets

Tangible fixed assets are capitalised if they can be used for more than one year and cost at least £100. They are valued at cost or a reasonable value on receipt. The fund does not have a policy of revaluation. Depreciation is annually, straight line and over the estimated life of the item.

NAVAL UNDER FIVES (EAST)

Note 2 - Income

Voluntary Income

		<i>Previous Year</i>
Furlough Grants	£ 18,109.68	£ -
<i>Charitable Activities</i>		
HCC LEA Funding	£ 164,425.39	£ 158,825.64
PCC LEA Funding	£ 63,793.53	£ 91,993.11
Hants Parents' Fees	£ 49,039.01	£ 70,417.87
Portsmouth Parents' Fees	£ 14,394.43	£ 15,231.68
Early Years	£ 104.01	£ 3,416.02
Sodexo/Busy Bees	£ 12,423.27	£ 15,080.28
Apprentice Funding	£ -	£ 500.00
Milk	£ 67.42	£ 270.53
Photo Discount	£ -	£ 105.00
Miscellaneous Income	£ 244.00	£ 25.00
	£ 304,491.06	£ 355,665.13
<i>Investment Income</i>		
Bank Interest	£ 35.23	£ 36.17
Total Income	£ 322,635.97	£ 355,665.13

Note 3 - Resources Expended

Charitable Activities - Operating

Wages & National Insurance	£ 246,666.42	£ 286,783.32
Pensions	£ 2,660.70	£ 6,025.11
Pre-School Equipment	£ 1,281.47	£ 7,380.53
Pre-School Registration Fees	£ 420.00	£ 936.16
Misc Pre-School Group Expenses	£ 292.23	£ 221.48
Milk	£ 25.32	£ 344.61
Parties & Outings	£ 65.69	£ 2,793.75
Training	£ 1,512.25	£ 2,701.90
Staff Uniforms	£ -	£ 427.46
Repairs & Renewals	£ 1,412.10	£ 1,446.36
Premises Expenses	£ -	£ 206.90
Insurance	£ 2,449.07	£ 6,067.57
Sage Support	£ 1,893.76	£ 2,142.80
Print, Post, Stationery	£ 1,830.03	£ 2,169.38
Copier	£ 990.00	£ 1,320.00
Advertisements	£ 66.78	£ 182.17
Website	£ 450.00	£ 399.00
Nursery items & Food	£ 990.85	£ 1,448.13
Storage	£ 195.00	£ 1,716.14
DBS Clearances	£ 68.49	£ 261.45
Wi Fi/Internet	£ 2,643.13	£ 3,355.87
Bank Charges	£ 625.63	£ 244.85
Refuse	£ 940.40	£ 1,198.35
Travelling Expenses	£ 176.74	£ 1,471.55
<i>Charitable Activities - Support Costs</i>		
Office Wages & National Insurance	£ 41,757.51	£ 61,035.62
Office Pensions	£ 924.52	£ 968.45
Independent Examination Fees	£ 455.00	£ 450.00
Ofsted Checks	£ -	£ 60.00
Reflections Early Years Consultant	£ -	£ 640.00
Sports trainers(mostly EY Funded)	£ -	£ 4,020.00
Property Depreciation	£ 2,570.00	£ 2,744.99
Total Expenditure	£ 313,363.09	£ 401,163.90

NAVAL UNDER FIVES (EAST)

Note 4 - Tangible Fixed Assets - Property Account

Net Book Value at 1 Aug 19	£ 4,748.00
Depreciation	£ (2,570.00)
Property Valuation at 31 Jul 20	<u>£ 2,178.00</u>

Note 4A - Intangible Assets

The office and pre-school venues are provided by the Ministry of Defence in exchange for providing the pre-school service to the naval community.

Note 5 - Paid Employees

- The Charity has paid employees, average numbers were 30. All are employed directly on the charity's objectives. None was paid in excess of £60,000 in this year or last.
- The Naval Under Five Co-ordinator, a salaried employee, is also a trustee.
- Employer's National Insurance costs were £14534 (18/19 - £18976)

Note 6 - Trustee and Other Related Parties

- One trustee is an employee. Otherwise no expenses or emoluments have been paid to the trustees.
- There are no amounts due to or from the Trustees

Note 7 - Endowment and Restricted Funds - There are none

Note 8 - Debtors and Prepayments

Seahawk Fees	£ 1,291.92
Skylark Fees	£ 1,745.73
Spoonbill Fees	£ 1,322.25
Prepaid Insurance	£ 223.00
Prepaid Copier Hire	£ 165.00
Prepaid SAGE Payroll & Pension support	£ 62.00
	<u>£ 4,809.90</u>

Note 9 - Creditors and Accruals

Holiday Pay	£ 9,544.64
Wages	£ 4,278.26
Employers Pensions	£ 122.00
Aardvark - Nappies	£ 107.85
Vking - Stationery	£ 68.99
Independent Examiner's Fees	£ 230.00
	<u>£ 14,351.74</u>

Note 10 - Declarations

- The Trustees have not changed the year end date nor the length of the fund's financial year.
- All the fund's operations are continuing operations and there no operations were discontinued.
- The fund has no marketable intangible assets
- None of the fund's functional assets have been revalued during the year and the fund does not have a policy of revaluation of these assets.
- The fund has no material fixed assets which have not been capitalised and included in the Balance Sheet.