

Annual Report 2020
CIO 1154467



HISTORICAL BACKGROUND

The Roger & Douglas Turner Charitable Trust (“the Trust”), a Charitable Incorporated Organisation, was incorporated on 5 November 2013 and merged with two unincorporated charitable trusts established separately by the late Mr Douglas William Turner (“DWT”) and his son, the late Mr Roger Douglas Turner (“RDT”) as follows:

- The RD Turner Charitable Trust (“the legacy charity” 263556) was settled on 21 December 1971 and its assets amounted to £30.1m (including £22.1m in Arley Estate) when it merged with the Trust on 31 December 2013;
- The Douglas Turner Trust (charity 227892) was settled on 27 January 1964 and its assets were accrued through lifetime gifts by DWT which increased to £16.7m when it merged with the Trust on 31 December 2015.

RDT owned Arley Estate for 40 years until he died in 1999. Under the terms of his Will, the Estate passed to the legacy charity “as an accretion and addition to the fund of the said charity and subject to and with the benefit of the powers provisions and other matters contained in the said trust”. He also “without seeking to impose any binding trust or obligation” expressed the hope that the Trustees “will use their best endeavours to ensure that:

1. The Arley Estate should continue so far as practicable in its current form;
2. They continue to employ where practicable as many as possible of the persons employed by me at my death in connection with the Arley Estate and allow them to continue occupying any accommodation on the same basis as that upon which they are occupying the same at my death;
3. They continue where practicable to allow as many as possible of the persons who at the date of my death have been previously employed by me in connection with the Arley Estate and who at that date are occupying accommodation either rent free or on favourable terms to continue occupying such accommodation on the same basis;
4. They continue to give such assistance as at present to St Peter’s Church, Arley Memorial Hall and Arley Sports and Social Club”

In 1999 Trustees consulted leading Counsel on various issues including RDT’s expressed wish that ‘the Arley Estate should continue so far as practicable in its current form’. They were advised that this neither made it a permanent endowment nor restricted Trustees’ powers of sale or disposition of land in relation to Arley Estate nor imposed a condition on the gift or a restriction on Arley Estate under Charity Law. Counsel advised Trustees to formulate a policy for the charitable use of funds and to identify which assets were to be held as investments.

Following a strategic review, the Trust merged with The Douglas Turner Trust in 2015; Trustees resolved both to increase the overall amount of donations to UK charities and to improve the return from Arley Estate, whilst retaining its unique charm for enjoyment and public benefit of residents and visitors, by providing that:

1. Arley Estate should be retained by the Trust for the foreseeable future;
2. Arley House should be run as a bespoke wedding and conference centre;
3. Arley Arboretum should be made available to a wide range of visitors to enhance public benefit;
4. Arley Gaol, The Boathouse and The Grange should be converted and used as appropriate accommodation;
5. Arley House & Gardens Limited, a wholly owned company, should manage the Estate’s trading activities;
6. The Trust’s charitable aims should over-ride the company’s trading activities in the event of conflict.

POLICY: The Trustees reaffirmed in 2019 the policy developed in 1999, subject to minor changes:

1. To support by means of donations other UK registered charities, primarily within the City of Birmingham, the four Black Country boroughs (Walsall, Wolverhampton, Sandwell and Dudley) and Worcestershire.
2. To maintain, to the extent practicable, the amenities of Upper Arley village for the benefit of:
 - (i) their present and future residents;
 - (ii) farming and other enterprises and pursuits in the villages and the surrounding areas;
 - (iii) St Peter’s Church and Arley Memorial Hall;
 - (iv) the community at large and visitors who come to the area primarily for the purpose of recreation;
 - (v) visitors to the Arboretum to enjoy it as an education and leisure resource on an affordable basis.
3. To support such other general charitable purposes in Upper Arley as the Trustees shall in their absolute discretion decide.
4. To regard Arley Arboretum and the office accommodation of Arley House as ‘own-use’ assets and to regard the remaining Estate properties as the Trust’s investments. These investments include those properties let to Arley House & Gardens Limited, which for accounting purposes are consolidated as tangible fixed assets to comply with SORP 2015.

CONTENTS

	Page
Historical background	2
Reference and administrative information	4
Overview of a challenging year	5
Our Charitable Aims	6
Achievements and performance in 2020	7
Financial review	8
Investments	9
Managing risk	10-11
Governance	12
Key financial policies	13
People	13
Public benefit	13
Fundraising activities	13
Plans for the future	14
Trustees' responsibilities and disclosure of information to the auditors	14
Independent auditor's report	15-16
Consolidated statement of financial activities	17
Balance sheets	18
Consolidated and cash flow statements	19
Notes to the accounts	20-31

REFERENCE AND ADMINISTRATIVE INFORMATION

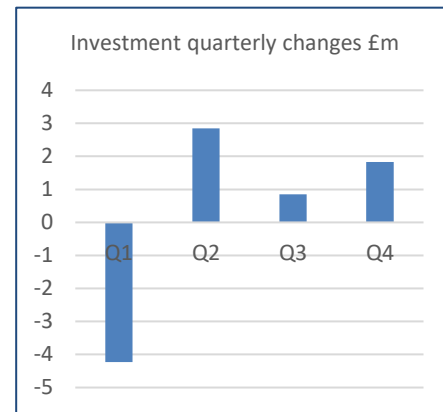
Charitable Incorporated Organisation (CIO)

Charity number 1154467

Trustees	Peter Millward (Chairman) Dawn Long Amanda McGeever Ron Middleton (Vice Chairman) Sharon Stotts Geoff Thomas	
Chief Executive, Arley Estate	David Causer	david@arleyestate.co.uk
Finance Director	Mark Webb	mark@arleyestate.co.uk
Grants & Compliance Officer	Jenny Harris	jenny@turnertrust.co.uk
Principal Office	Arley House Lion Lane Upper Arley DY12 1SQ	Phone 01299 861368
Websites	Grants Arboretum Weddings, events and trading	www.turnertrust.co.uk www.arleyarboretum.co.uk www.arleyhouseandgardens.co.uk
Audit and accounting	Auditors: Crowe U.K. LLP Black Country House Rounds Green Road Oldbury B69 2DG	Consultant Accountants: Mazars LLP 45 Church Street Birmingham B3 2RT
Investment Managers	Sarasin & Partners LLP Juxon House 100 St Paul's Churchyard London EC4M 8BU	Investec WIN 30 Gresham Street London EC2V 7QN
Property Consultants	Halls Gavel House 137 Franche Road Kidderminster DY11 5AP	Bronwin & Abbey Auction House King George's Way Pershore Worcs WR10 1 EY
Bankers	Handelsbanken 63 Market Street Stourbridge DY8 1AQ	CCLA 85 Queen Victoria Street London EC4V 4ET
Solicitors	Lodders Solicitors LLP 10 Elm Court, Arden St Stratford-upon-Avon CV37 6PA	Higgs and Sons 3 Waterfront Business Park Brierley Hill West Midlands DY5 1LX
IT consultants	Pinfields IT 60 Sugarbrooke Road Bromsgrove B60 3DN	

OVERVIEW OF A CHALLENGING YEAR

A year ago, as we approved the Annual Report 2019, we were aware of reports of a deadly coronavirus spreading globally from Wuhan in China; we began to make plans to respond to the rapidly unfolding UK crisis. Our quoted investments fell in value by over £4,000,000 by the end of the quarter; as we had already drawn down £900,000 from the portfolio in January to meet the costs of a major capital reconstruction project at Arley, we did not want to risk drawing further amounts whilst markets were in turmoil. This was followed by huge dividend cuts, particularly in the UK from FTSE companies and uncertainty over the shape and timing of the recovery. By March we had to review the impact on our operations.



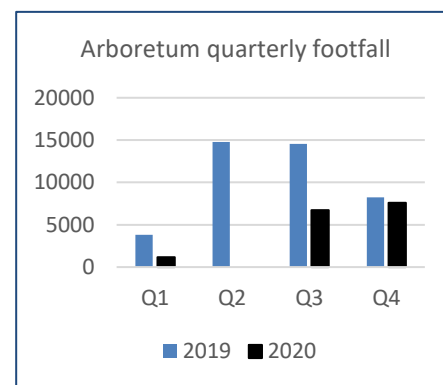
Grant-aid to UK charities

A further challenge in 2020 was the UK Government’s requirement to work from home where possible, combined with the requirement for home schooling, which impacted both our own staff and charities’ ability to make grant appeals. We also decided to focus our grants on charities in front-line care which we had regularly supported and for which we had historical due diligence information. Grant-aid amounted in total to £515,000, down from £711,000 in 2019. We anticipate that our grant-giving will increase in 2021 once the current lockdown is lifted.

Charitable activities at Arley Arboretum

The Arboretum was closed on 15th March for the entire second quarter and we took the opportunity to make the amenities more Covid-secure. We also made the grass parkland more resilient in wet weather for visitors’ cars.

It reopened in July with strict social-distancing protocols, limited tea-room service and restricted footfall. 2019 had been a record year for visitors but staffing became inefficient and the facilities began to suffer. Despite a difficult year, the recovery in quarter 4 reflected dedicated efforts by staff to organise events towards Christmas.



Five-year capital expenditure programme at Arley



Having completed the conversion of Arley House to a wedding and conference centre in 2018, the pandemic caused delays in the reconstruction work and fitting-out of three properties to provide much needed accommodation in Arley village. ‘The Grange’ (opposite) has been converted from three residential flats to a boutique hotel and the old Gaol and Boathouse, which had been derelict, were redesigned as self-catering apartments.

The completion of these projects marks the end of the big capital expenditure programme and, once the economy recovers, should provide valuable new opportunities for the trading company to generate additional funds for the charity.

Trading activities at Arley House & Gardens Limited (“AHAG”)

The Government lockdowns had a big impact on UK hospitality events and our trading turnover fell from £533,000 to £101,000; even when lifted, numbers of wedding guests were restricted to 30 then 15, so only five weddings were held, with many couples choosing to postpone their celebrations to 2021 or later. Accordingly, on completion of the accommodation projects, the AHAG Board felt unable to commit to planned leases (which had been subject to Charity Commission Orders) whilst trading conditions were so uncertain.

OUR CHARITABLE AIMS

Our primary aim is to provide grants to UK registered charities in the beneficial area of Birmingham, the Black Country and Worcestershire.

We focus on charities which support impaired health and the disabled, independent hospices, work in the community, social support and children and young people. We normally have some limited funds for both arts and heritage work.

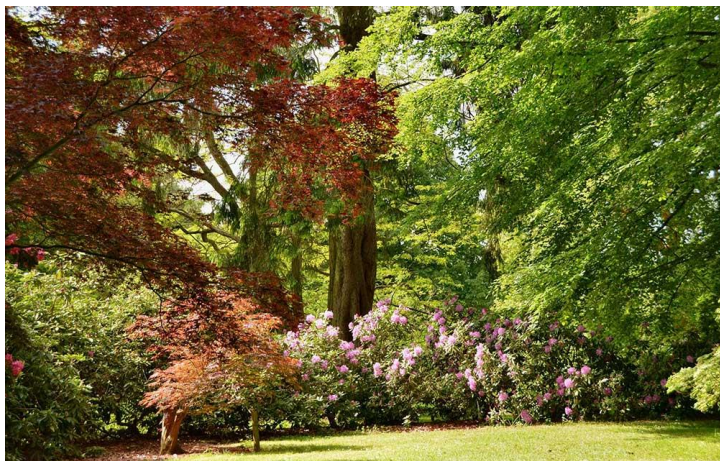
The majority of our beneficiaries have been regularly supported for four years or more with annual grants for unrestricted funding which can be used for salaries and other core costs. Due diligence is undertaken on these so-called 'Regulars' most of which are visited roughly every two years for a discussion with management about charitable outcomes and plans for the future.

Charities seeking grants need to be of sufficient size and long enough established, with adequate management, governance and financial controls and a clear financial need in the context of the charity's reserves and strategy. The expected impact of any grant needs to be clear and there needs to be evidence in respect of projects that they could not be funded from charities' own reserves; very large national and international charities are generally not supported even if a project is being undertaken in the beneficial area.

Although predominantly a response-funding Trust, there is a limited amount of targeted funding available to support charitable activities in the village of Upper Arley.

Our secondary aim is to maintain Arley Estate for public benefit by providing access for recreation and education at Arley Arboretum and gardens.

The Estate, located in Worcestershire's Severn Valley, is a significant tourist attraction in the County and can be accessed via Arley Station on the Severn Valley Railway as an alternative to access by road.



The 200-year-old Arboretum, which has some of the most magnificent exotic species in England, provides a wonderful setting in every season.

Children are welcomed with many activities including an adventure play area, a living maze together with quests, scavenger hunts and seasonal events and encouragement to learn about the natural environment. Admission to the Arboretum is required via the internet in order to ensure that it is Covid-safe.

There are many walks around the Estate and The Severn Way passes the village and crosses the footbridge to join the North Worcestershire Path.

The Italian Garden

Inspired by the renaissance gardens of the late 15th Century the Italian Garden, which is an integral part of the Arboretum, features a spectacular fountain with 18 foot water jets, formal flower beds, box hedging, colonnades of silver lime trees and a dovecote.

Although normally for public benefit, this garden is licenced for weddings and events can be hired for private use via the trading company.

Arboretum tea-room

The tea room provides snacks for our visitors, but without seating during Covid-19 restrictions.



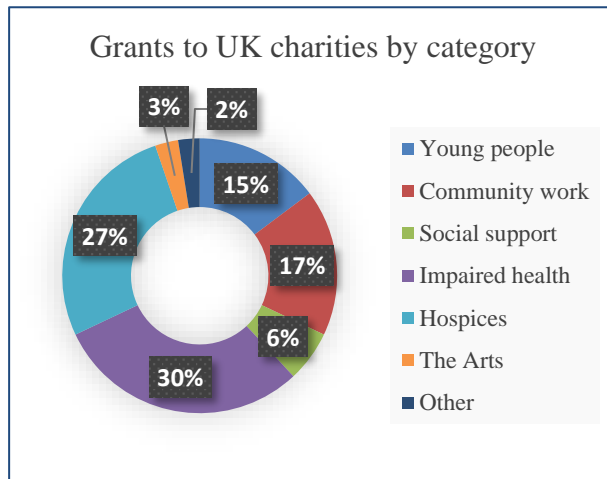
ACHIEVEMENTS AND PERFORMANCE IN 2020

How we performed - grant aid to other UK charities

We awarded 126 grants amounting to £515,000 compared with 198 grants of £711,000 in 2019, with an average grant of £4,087 (2019: £3,591), including 29 (2019: 28) grants of £5,000 or more, mainly to ‘Regular’ grant-aided charities.

In 2020 our visits programme to our Regular charities (those which have been supported for at least four years) to review their governance, operations and public benefit, had to be organised by video conference where possible.

All grants of £10,000 or more were paid to Regulars, seven to local hospices; the largest was to Birmingham St Mary’s Hospice for £30,000 of which £10,000 was paid in response to an emergency appeal during the initial Covid-19 lockdown when retail income was brought to a halt. We also donated £10,000 to each of The Stonehouse Gang, Cerebral Palsy Midlands, Cotteridge Church Day Centre and the National Churches Trust.



Our impact is usually not separately identifiable or measurable as it is inextricably linked to the overall charitable outcomes of our applicants. Several Regulars have given us feedback that they appreciate the flexibility of our unrestricted grants in order to pay core costs including salaries – often their largest cost:

Extracts of charities’ grant-aid feedback in 2020

“Without your support we could not have offered vital emotional support...as the virus accelerated towards its peak”

“Your kind gift...has enabled us to deliver our Care of Next Infant Programme for bereaved families”

“Your grant...has helped us to bring joy and companionship to our...visually impaired beneficiaries in the area.”

“Surprised, overwhelmed, tearful but very,very grateful...all of the families had similar reactions when told that their children would be assessed, fitted and supplied with a wheelchair funded by the generosity of The Trust.”

How we performed - Arley Estate and Arboretum

We gave £10,000 to Happy Hares Nursery at Upper Arley Primary School, established independently from the Education Authority to encourage growth of the school roll in support of local working families’ wrap-around care needs.

Arley Arboretum

After a record year in 2019 with 41,377 visitors, we closed the facility during the lockdown and made substantial changes to provide a safe space with appropriate social-distancing in the tea room. Admission was only allowed by pre-booked on-line tickets which enabled us to track visitors for public health purposes and footfall was just 15,499.

The emphasis has changed away from attracting a large public footfall towards providing an open space for peace and respite.

Arley House & Gardens Limited (“AHAG”)

AHAG has faced extremely challenging trading conditions in the year and we had to reduce staff numbers in order to avoid an existential threat during Covid-19. Despite the challenges we are delighted that it won a wedding venue award for a second year based on feedback from customers; this award exceeded our expectations and is a great tribute to the hard work and dedication of the events team.

Arboretum visitor feedback 2020

“...we love coming to Arley, it is a truly beautiful place, very open, a wonderful selection of trees and the views over the Severn Valley are gorgeous.... we feel very safe, it is clear trouble has been taken to ensure our safety...”

FINANCIAL REVIEW

Total income fell from £2,070,000 to £1,553,000 principally because of the £384,000 fall in trading turnover and £198,000 fall in income from general fund investments. Government grants and furlough income of £80,000, together with robust control of costs by the management team helped to avoid a significant operating deficit.

General Fund

The General fund holds our market securities and is focussed on our primary aim of giving grant-aid to UK charities:

General Fund	2020 £'000	2019 £'000	
Investment income	515	712	Impacted by dividend cuts, net of Managers' fees
Charitable grants	(515)	(711)	Charitable grants reduced during Covid uncertainty
Charitable costs	(68)	(100)	Non-essential costs avoided in 2020
Other income	10	-	Grant income
Operating (deficit)	(58)	(99)	
Investment gains	1,631	3,957	Equities recovered after a major correction in first quarter
Transfers to Arley Fund	(1,475)	(890)	Cash for Arley capital projects, completing our 5-year plan
Movement in funds	98	2,968	

Arley Fund (designated)

The Arley fund holds the Arley Estate properties, for both investment and own-use, and supports our secondary aim of by providing access for recreation and education at Arley Arboretum and gardens:

Arley Fund	2020 £'000	2019 £'000	
Estate property surplus	109	162	£101,000 increase costs offset by £48,000 higher income
Trading contribution	14	43	£432,000 fall in turnover offset by significant cost reductions
Other income	80	-	Government hospitality grants and furlough income
Charitable (deficit)	(202)	(210)	Lower Arboretum footfall caused reduced turnover and costs
Operating surplus/(deficit)	1	(5)	
Investment gains	598	277	Rural residential housing demand drove 4.5% increase in values
Tangible asset revaluation	10	217	Values held during period of trading uncertainty.
Transfers from General Fund	1,475	890	Funding for accommodation projects
Movement in funds	2,084	1,379	£1,624,000 own-use capital investment & £598,000 gains

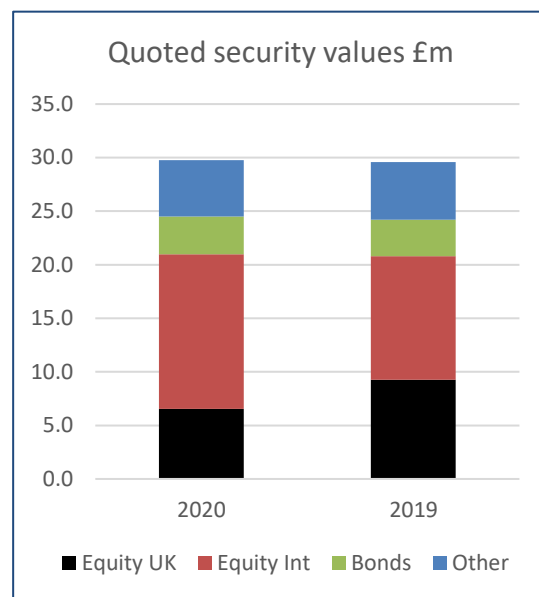
INVESTMENTS

Investments include both quoted securities and a tenanted portfolio of investment properties at Arley Estate.

QUOTED SECURITIES

Following an independent review of our investment strategy and manager performance by Stanhope Consulting in 2019, the Board resolved to retain both managers as their past performance had been strong, with an overall neutral equity content of 70%. Stanhope also recommended eventually moving the equity portion to one global benchmark, whilst accepting that we might prefer to adopt an intermediate position, retaining separate UK and ex-UK benchmarks for Investec with Sarasin using a single global one. This option was adopted by the Board towards the end of 2019.

Sarasin’s equities are now benchmarked against an MSCI global index to suit their thematic approach. Investec’s UK equities continue to be benchmarked against the FTSE all-share index but their portion reduced from 40% to 30%. The overall impact at 31 December was a reduction in UK equity portion from 31% to 22% with ex-UK equities increasing from 39% to 48%. Both houses continue to have 30% of securities in bonds, and other investments including property.



Investment performance was dominated by the adverse impact of Covid-19 on both income and valuations supplemented by Brexit uncertainty in the UK. The second quarter showed a remarkable recovery specifically in US technology stocks which took advantage of changed business behaviours during pandemic lockdowns and other restrictions. By 31 December, after £1,100,000 withdrawals for Arley capital projects and gains of £1,631,000, values recovered to £29,747,000 (2019 £29,357,000) providing an overall total return of £2,292,000 (2019: £4,816,000).

FREEHOLD PROPERTIES AT ARLEY

Arley Estate includes the following:

- **Investment properties:** a tenanted portfolio is principally comprised of 52 residential houses, 3 farms, woodland, a pub and a post office.
- **Own-use properties** including Arley Arboretum (a charitable asset) and various commercial properties:
 - Arley House provides both our wedding and conference facility via a lease to AHAG and our Estate office;
 - The Grange, the Gaol and adjoining Boathouse provide accommodation to support these facilities.

Trustees’ valuation: The Board valued the component property parts of Arley Estate, subject to the current occupation and tenancies in place but without making any adjustment for the ‘marriage value’ of the entire estate. Having had regard to Halls’ advice and to ONS data which demonstrated increasing demand for rural properties in the Wyre Forest area, the value of residential tenanted properties was increased by 4.5% (2019 3%). The outlook for ‘bare land’ prices remains uncertain whilst the impact of Brexit on the agricultural sector is clarified, so land values on the Estate were unchanged in both years. The valuation is split as follows:

Trustee valuation as allocated in the financial statements	2020	2019
Tenanted properties within Investments	24,992,000	24,344,000
Own-use properties within tangible fixed assets	5,297,000	3,668,000
Total	£30,289,000	£28,012,000

The movement in tenanted property values was mainly attributable to increases in market prices whereas the movement in value for own-use properties was principally the cost of capital expenditure of £1,624,000, relating to the completion of the major reconstruction project for accommodation.

MANAGING RISK

Key risks in 2020

With experience of the pandemic, we have reviewed the Trust’s risk profile and identified the following key risks:

Category	Strategic Risk	How risk is managed
Covid-19	Risks to health of staff and/or visitors from poor infection-control protocols	Workplace-screen controls; NHS app point, food served at tea room hatch with outside seating only
Hospitality	Reduced demand for Arley house and accommodation whilst weddings restricted	Staff cut back to the minimum to enable trading to resume without damaging reputation
Recession	Bad debts and pricing pressures impact charitable and trading income streams	Overheads tightly controlled; arboretum staffing matched to pre-booked demand
Climate change	River bank erosion or flooded properties; Higher rainfall threat to visitor attractions	Flood defences for installation at the Boathouse; Car parking enhanced with mesh surface
Reputation	Adverse social media feedback going viral inadequate Arboretum visitor offering	Booking via internet enables improved management of expectations and footfall
Cyber-fraud	Cyber-terrorism threatens internal systems New computers nullify anti-virus software	IT service contract provides enhanced support; Trustees have dedicated i-pads & e-mail accounts

Building resilience in global markets

Following external advice, the geographical weighting of equities was revised to make the portfolio more resilient to market corrections and improve longer-term total returns. We continue to review investment risks by:

- Using two investment houses with globally spread portfolios and differing investment strategies;
- Investing in good quality securities traded on major global exchanges;
- Avoiding high risks of capital losses from derivative-based hedge funds;
- Holding regular meetings with managers to review performance, strategic asset allocations and ranges;
- Engaging independent consultants to perform periodic reviews of our strategy and manager performance;

Specific continuing risks in our quoted investment portfolio include:

Category	Investment risk	How risk is managed
Capital	Recessionary market correction coupled with some permanent loss of capital	Securities researched by competent internal teams Selective use of funds in international markets
Counterparty	Cash: custodian failure Nominee client account exposure	Custodian arrangements reviewed periodically Due diligence re Beaufort Securities experience
Market	Liquidity risks - property or alternatives Equity and other market risks	Low-liquidity funds and retail generally avoided Multi-asset portfolio, globally spread

Building resilience at Arley

The following recent actions have ameliorated key operational risks and were taken partly to minimise the risk of contracting and/or spreading Covid-19 at Arley:

- Arboretum admissions: advance bookings are required to control footfall and aid social-distancing and tracing;
- UK lockdowns: Arboretum was shut, weddings suspended, staff furloughed or worked from home as required;
- Arley House power: a back-up diesel generator was installed to avoid recurrence of supply interruptions;
- Arboretum parking surface: mesh was laid on the grass parkland to provide a firm base for cars in wet weather;

MANAGING RISK (continued)

Operational risks

In order to manage operational risks effectively we:

- Obtain independent professional support in managing major capital projects;
- Review financial, hazard and other operational risks at the Audit Committee;
- Manage potential conflicts, principally associated with grant-giving, at every meeting.

Project risks on large construction projects incorporate professional expertise to assist in the prudent management of those risks and these projects are led by established professional firms of contract designers and architects with a pre-agreed specification based on a planned turn-key outcome.

Hazard risks within Arley Estate including health & safety issues are managed by the Chief Executive who, as Safety Officer, is responsible via the Audit Committee to Trustees. There is a quarterly process in place for reviewing the major operational risks to which the Trust is exposed, and we have established systems and procedures to manage them.

Health and safety at work: a comprehensive system of risk assessments is in operation prior to any work being undertaken on the Estate. Employees are encouraged to identify emerging risks and appropriate training needs are regularly reviewed with staff members required to enhance their specific skills or knowledge. Trustees and the Chief Executive keep abreast of Health & Safety law to ensure that the Trust’s culture and behaviours receive the appropriate leadership. Periodic external audits of health and safety are undertaken, with appropriate action taken on recommendations.

Visitors and safeguarding: Particular attention is given to hazard risks affecting our stakeholders. Our procedures consider the risks to which visitors are potentially exposed, striking a reasonable compromise between safety, conservation and access. Visitors to the Arboretum are required to take personal responsibility for their own health and safety; children and vulnerable adult visitors must be safeguarded and supervised by a responsible adult visitor at all times.

	Hazard risk	Mitigations and controls
Public visitors	Food safety, Child safeguarding Emergencies	Daily monitoring against standards Responsibility rests with adult visitors Access for emergency vehicles enhanced
Tenants	Exposure: gas, electricity, asbestos, legionella	Inspections, minimum work standards carried out, with tenants encouraged to report any concerns to the Estate Office
Employees	Health & Safety at work, including: <ul style="list-style-type: none"> • Working at height • Mechanical handling • Use of chain saws 	Safety-first culture, review of skills and ban on use of machinery or working in hazardous conditions unless appropriate training and competence levels achieved

These and other delegated risks are included in a risk register which is regularly reviewed by the Audit Committee to monitor actions to be taken by management.

Legal compliance: The risks associated with the Arley Estate are managed in accordance with applicable laws and obligations to tenants, visitors and employees.

Cyber security: firewalls, user access controls, malware protection and patch management have all been reviewed during the year and enhancements made as appropriate. Internet banking is used for payments to employees, suppliers and grant-aided charities; the system requires multiple layers of access codes; all transactions also require segregation of duties between a loader and two approvers.

Managing potential conflicts of interest or loyalty: a register of interests is reviewed at Trustee meetings and if any conflict could arise the conflicted Trustee is excluded from any decision. Following legal advice, one trustee was appointed to the Board of AHAG during the year but this interest is routinely noted and this trustee is excluded from voting as necessary. Accordingly the Board of AHAG is regarded as independent from the Trust.

GOVERNANCE

The Charity Governance Code

Our governance is kept under review to comply with the Governance Code so far as reasonably possible. New Trustees are appointed having regard to diversity of skills, experience, gender and age. However, we do not advertise trustee vacancies because of the need for high level of knowledge and experience of charities in the context of a relatively small Board and we believe the current informal approach is appropriate.

There is no restriction on length of service or any specific term of office for the original Trustees at the date of incorporation. However, all new Trustees are appointed for renewable three-year terms of office and the Chairman is appointed for between 5 and 8 years. Trustees are encouraged to undertake appropriate training.

The Board approved a Governance Manual during the year which included the following:

Constitution and related matters clarify the distinction between the roles of governance and management:

Governance	Management
Determining strategy and policy	Implementing strategic decisions
Appointing and overseeing Chief Executive	Appointing managers and staff
Determining governance framework	Supporting governance decisions
Setting the risk framework, overseeing exposure	Managing risk
Approving plans and budgets	Delivering plans and budgets
Monitoring performance	Measuring performance
Providing insight wisdom and judgement	Consulting the Board and Chairman

Trustees’ code of conduct: This is based on the code issued by the Association of Chief Executives of Voluntary Organisations and Good Governance: A Code for the Voluntary and Community Sector from the National Council for Voluntary Organisations. Through their collective actions as a Board, trustees are responsible for the successful development of a strategy to further our objects, delivery of which, in respect of Arley Estate, is delegated to the Chief Executive. The code establishes the principles expected of Trustees and Management to fulfil these responsibilities by maintaining the highest standards of integrity and stewardship by ensuring that the Trust is effective, open and accountable with good working relationships.

Declaration of interests: The Trust aims to uphold the Charity Commission's guidelines which state that *‘trustees are required to act reasonably and prudently in all matters relating to the charity and need always to bear in mind that their prime concern is the interests of the charity. They cannot let their personal views or prejudices affect their conduct as trustee’*. A register of interests is maintained and the policy includes examples of potential conflicts which could arise and how they should be managed.

Board meetings and scheme of delegation

Board meetings take place quarterly to review the charity’s activities and to consider grant appeals. At least one further meeting is held annually to review and monitor our strategy and associated risks. To facilitate the decision-making process, we delegate governance as follows:

- The **Audit Committee** liaises with external auditors, promotes and safeguards high standards of financial reporting, internal control, risk management and legal compliance;
- The **Investment Committee** monitors the performance of the Investment Managers against agreed benchmarks and receives advice on Estate matters from our Property Consultants;
- The **Nominations Committee** ensures that Trustees of appropriate calibre and mix of skills are put forward for selection to the Board of Trustees;
- The **Grants Committee** previews all grant applications in detail and makes recommendations to the Board. We rotate membership at each meeting to reduce the risk of bias.

The management of the Estate and of charitable grant applications are delegated to the Chief Executive and the Grants and Compliance Officer respectively. Arley House & Gardens Limited has its own independent Board but Trustees retain oversight with one Trustee-Director and by means of formal reports and informal dialogue with its Chairman.

KEY FINANCIAL POLICIES**Investment policy for quoted securities**

There are no restrictions on the Trust's power to invest and we do not currently prohibit any investments on social, environmental or ethical grounds beyond those adopted by the managers' internal procedures. Our investment objective is to generate a balanced total return from income and capital growth based on relative benchmarks for different asset classes with 70% in equities, 15% in bonds and 15% in alternatives (including property) to generate a total return over the long term of 3.5% above UK RPI, net of fees.

Investment policy for freehold property

Arley Estate properties continue to be held to maximise total investment returns. Many of the Estate properties are subject to long-term tenancy arrangements. It is intended to maintain and improve the properties and so far as possible refurbish them having regard to the constraints and wishes of sitting tenants. Management has developed minimum standards for tenancies, with the help of appropriate professional advice.

Reserves Policy

Although the whole of the accumulated fund is legally expendable and unrestricted, our policy is to maintain the capital base (primarily the quoted investments in the general fund) in real terms to support future grant awards; these investments are therefore excluded from reserves. The designated Arley fund can only be realised by disposing of tangible fixed assets, principally Arley House and Arboretum, which are inextricably linked with the investment property portfolio of Arley Estate. It is also excluded from reserves,

Reserves are that part of the Trust's unrestricted funds that is freely available to spend on any of the charity's purposes; they are unencumbered amounts represented by cash or other readily realisable assets less liabilities.

Our policy is to hold reserves generally in the target range of £250,000 to £750,000. At 31 December 2020, reserves amounted to £601,000 (2019: £893,000).

Remuneration policy

Our approach to remuneration ensures that we can attract and retain talented and motivated people who can achieve our mission and deliver our strategic goals. Our aim is to pay competitively in the not-for-profit sector within the context of affordability. In addition to linking pay to performance, and providing salary progression for those who deliver exceptional performance, we review internal relativity through a pay moderation process. In determining the Chief Executive's remuneration, we also periodically review external survey data from the Association of Chief Executives of Voluntary Organisations (ACEVO).

PEOPLE

We have welcomed several new employees during the year, including Mr Mark Webb who joined us from Mazars as Finance Director, and we wish them all every success in their new roles. The government restrictions arising from the global pandemic have placed additional pressures on staff in 2020 and we are grateful for the huge commitment and enthusiasm of the Chief Executive, David Causer, and his team during the year to enable the successful completion of the major capital projects and to implement our flexible working arrangements to facilitate home-schooling needs.

The Directors of Arley House & Gardens Limited are non-executive and unremunerated. We are grateful to them for their continued diligent stewardship of the company's activities, enabling Trustees to focus on the charitable activities of the Trust. We also wish to thank our 18 active volunteers who bring significant additional skills and experience and continue to support the work of the Arboretum with great enthusiasm.

PUBLIC BENEFIT

We have considered the Charities Act 2011 on public benefit, noting that the Act states that there is no presumption of benefit. We have also had due regard for Charity Commission Guidance on the subject, in the context of both our charitable activities at Arley Estate and our charitable grant giving.

FUNDRAISING ACTIVITIES

The Charity has no fundraising activities requiring disclosure under Section 162a Charities Act 2011.

PLANS FOR THE FUTURE – ARLEY ESTATE

What we planned a year ago, progress in 2020 and updated plans for 2021

Arley Fund	Progress to date	Plans for 2021
Commence a project to convert an Estate building to accommodate wedding and conference guests.	Construction completed in 2020	To be leased to AHAG after trading conditions improve
Convert the mothballed former gaol building into accommodation	Construction completed in 2020	To be leased to AHAG after trading conditions improve
Extend the Arboretum using land annexed by agreement with the adjacent tenant farmer.	Planning permission obtained	Project date to be agreed after the pandemic

Our plans for 2021 and beyond

General fund: we hope to reinstate the prior level of grant-aid, funded partially by drawdowns from our investment portfolio.

Arley fund: the recent UK Government guidelines should allow safe and effective reopening of the Arboretum before Easter.

TRUSTEES’ RESPONSIBILITIES AND DISCLOSURE OF INFORMATION TO AUDITORS

The Charities Act 2011 requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Trust and of the surplus or deficit of the Trust for that period. In preparing those financial statements the Trustees are required to:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards and the Charities SORP, disclosing and explaining any departures in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Trust will continue in operation.

The Trustees are responsible for keeping accounting records which disclose, with reasonable accuracy, the financial position of the Trust at any time, and for ensuring that the financial statements comply with charity law. The Trustees are also responsible for safeguarding the Trust’s assets, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Trustees have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.



Peter J Millward

Chairman
5 March 2021

Independent Auditor's Report to the Members of The Roger and Douglas Turner Charitable Trust**Opinion**

We have audited the financial statements of The Roger and Douglas Turner Charitable Trust ('the charity') and its subsidiary ('the group') for the year ended 31 December 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity and group's affairs as at 31 December 2020 and of the charity and 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 Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and charity and their environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 14, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities SORP (FRS102) 2019. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for charity and group's operations were Charity Commission regulations, General Data Protection Regulation (GDPR), Anti-fraud, bribery and corruption legislation, Environmental protection legislation, Health and safety legislation, Taxation legislation and Employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income, valuation of investment properties and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, and the Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charity's members, as a body, in accordance with Chapter 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor

Black Country House, Rounds Green Road, Oldbury, B69 2DG

5th March 2021

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

Unrestricted Funds	Note	2020			2019		
		Arley Fund £'000	General Fund £'000	Total £'000	Arley Fund £'000	General Fund £'000	Total £'000
<u>Income from:</u>							
Investments	3	568	661	1,229	520	859	1,379
Trading Activities	4	101	-	101	533	-	533
Charitable Activities	5	133	-	133	157	-	157
Other income	6	80	10	90	-	-	-
Donations and Legacies		-	-	-	1	-	1
Total Income		882	671	1,553	1,211	859	2,070
<u>Expenditure from:</u>							
Raising Funds	7	459	146	605	358	147	505
Trading Activities	8	87	-	87	490	-	490
Charitable Activities	9	335	583	918	368	811	1,179
Total Expenditure		881	729	1,610	1,216	958	2,174
Operating (Deficit)/Surplus		1	(58)	(57)	(5)	(99)	(104)
Net investments (loss)/gain	14	598	1,631	2,229	277	3,957	4,234
Net Income/(deficit)		599	1,573	2,172	272	3,858	4,130
Revaluation of fixed assets	13	10	-	10	217	-	217
Transfers between funds	20	1,475	(1,475)	-	890	(890)	-
Net Movement in Funds		2,084	98	2,182	1,379	2,968	4,347
Total Funds at 1 January		28,671	30,250	58,921	27,292	27,282	54,574
Total Funds at 31 December		30,755	30,348	61,103	28,671	30,250	58,921

The charity had no recognised gains or losses other than the net movements in funds for the year.

The Arley Fund is a designated fund which includes the net assets and operations of Arley Estate, Arboretum and the trading subsidiary, Arley House & Gardens Limited.

The notes on pages 20 to 30 form part of these financial statements.

BALANCE SHEETS AS AT 31 DECEMBER 2020

	Note	GROUP		CHARITY	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fixed assets					
Intangible assets	13	9	13	9	13
Tangible assets	13	5,571	3,919	5,571	3,919
Investments	14	54,739	53,701	54,739	53,701
Total		60,319	57,633	60,319	57,633
Current assets					
Stock	15	17	16	12	7
Debtors	16	223	186	188	210
Cash	17	968	1,457	898	1,432
		1,208	1,659	1,098	1,649
Creditors					
Amounts due within one year	18	(424)	(371)	(314)	(361)
Net Current Assets		784	1,288	784	1,288
Net Assets		61,103	58,921	61,103	58,921
Arley Fund	19	30,755	28,671	30,755	28,671
General Fund	19	30,348	30,250	30,348	30,250
Total Funds		61,103	58,921	61,103	58,921

The movement in funds dealt with in the financial statements of the charity was £2,182,000 (2019: £4,347,000).

The notes on pages 20 to 31 form part of these financial statements.

Approved by the Board on 5 March 2021 and signed on its behalf by:



Peter J Millward
Chairman

CONSOLIDATED AND CHARITY CASH FLOW STATEMENT
For the year ended 31 December 2020

	Note	GROUP		CHARITY	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash (used in) operating activities	20	(620)	(864)	(667)	(869)
Cash flows from investing activities					
Dividend and Interest income		661	859	661	859
Distribution received under deed of covenant		-	-	2	4
Purchase of tangible fixed assets		(1,726)	(513)	(1,726)	(513)
Proceeds from sale of tangible fixed assets		5	2	5	2
Capital expenditure developing website		-	(1)	-	(1)
Purchase of investments		(10,827)	(4,577)	(10,827)	(4,577)
Capital expenditure on investment properties		(50)	(85)	(50)	(85)
Investment cash drawdown		1,100	900	1,100	900
Proceeds from sale of investments		10,968	4,718	10,968	4,718
		<u>131</u>	<u>1,303</u>	<u>133</u>	<u>1,307</u>
Cash provided by/ (absorbed by) investing activities		131	1,303	133	1,307
Increase/(decrease) in cash and cash equivalents in the year		(489)	439	(534)	438
Cash and cash equivalents at the beginning of the year		1,457	1,018	1,432	994
Total cash and cash equivalents at the end of the year		968	1,457	898	1,432

The notes on pages 19 to 29 form part of these financial statements.

NOTES TO THE ACCOUNTS

1 GENERAL INFORMATION

This Charitable Trust (hereinafter ‘the Trust’ or ‘the Charity’) is a Charitable Incorporated Organisation (CIO), registered with the Charities Commission in England and Wales, registration number 1154467. The charity is a public benefit entity; its principal office is at Arley House, Lion Lane, Upper Arley, Worcestershire, DY12 1SQ.

2 PRINCIPAL ACCOUNTING POLICIES

Basis of preparation: The accounts of have been prepared on an accruals basis under the historical cost convention, with items recognised at cost or transaction value unless otherwise stated in the relevant notes below, as amended for the revaluation of investments. They have been prepared in accordance with the current Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The accounts have been prepared to give a ‘true and fair’ view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a ‘true and fair view’. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

Assessment of going concern: The Trustees consider, despite COVID-19, that there are no material uncertainties about the Trust’s ability to continue as a going concern and the Financial Statements are drawn up on the Going Concern basis. This assumes that the Trust will continue in operational existence for the foreseeable future following stress testing numerous forecasts and scenarios. With respect to the next reporting year, the most significant areas of uncertainty that affect the income of the Trust and the carrying value of its assets are the level of investment return and the performance of investment markets. The willingness of the public both to purchase admission tickets to the Arboretum and to make bookings are areas of financial uncertainty which the Trustees have mitigated with an internet-based booking system to manage footfall more effectively. There is a further area of uncertainty in the trading subsidiary in respect of income from weddings and events during the UK government restrictions in respect of COVID-19 which Trustees have mitigated by reducing overhead costs and taking full advantage of government grants for hospitality venues and furlough schemes for staff.

Basis of consolidation: The Trust has one wholly owned subsidiary, Arley House & Gardens Limited, which is registered in England. Consolidated financial statements of the Group have been prepared on a line-by-line basis, with the results of the subsidiary included in the designated Arley Fund. As permitted, a separate income and expenditure account, dealing with the results of the Trust only, has not been presented.

Fund Accounting: The trust’s constitution permits funds to be expended without restriction. The Trustees have included the operations of the Arley Estate, including the trading company, in a separate designated fund.

Income recognition: all income is recognised once the charity has entitlement, it is probable that the income will be received and the amount can be measured reliably.

Donations and legacies are recognised when the group has been notified the amount and the settlement date.

Investment Income is accounted for when receivable and the amount can be measured reliably by the Trust; dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment managers.

Rental Income from Arley Estate properties is recognised when it is receivable and it is probable that the Group will receive the amount due under the lease.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group. Revenue is measured as the fair value of the consideration received, excluding discounts, rebates, value-added tax and other sales taxes; the following criteria must also be met before revenue is recognised:

NOTES TO THE ACCOUNTS (CONTINUED)

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue from sales of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction;
- the respective costs incurred or to be incurred can be measured reliably.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract but all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion the contract can be measured reliably;
- the cost incurred and the cost to complete the contract can be measured reliably;

Expenditure is recognised as soon as there is a legal or constructive obligation committing the Group to that expenditure, it is probable that settlement will be required and the amount can be measured reliably. Expenditure is accounted for on an accruals basis. Expenses including support costs are allocated or apportioned to the applicable expenditure headings.

Grant awards are accounted for as expenditure as soon as a valid expectation has been communicated to the recipient charity, unless the offer is conditional upon events outside the Trust's control and it is possible but not probable that an outflow of economic benefits will arise, in which case such amounts are recognised as contingent liabilities until the grant conditions are fulfilled.

Irrecoverable VAT: the Group is partially exempt for VAT purposes and holds a group registration certificate. VAT is charged against the expenditure heading for which it was incurred.

Operating lease rentals are charged on a straight-line basis over the period of the lease.

Pension Costs: The Trust contributes to a defined contribution 'money purchase' scheme on behalf of certain employees. Costs are charged to the Statement of Financial Activities.

Holiday pay: The holiday year is also the financial year and employees are required to take their holiday entitlement during the year; accordingly, there is normally no holiday pay accrual.

Fixed assets: Freehold land and buildings are recognised at valuation on an open market existing use basis. All other assets costing more than £100 are stated at historical cost less depreciation, which is charged on a straight-line basis down to expected residual value over the following estimated useful economic lives of 5 years for motor vehicles and equipment and 3-10 years for fixtures and fittings and 3-5 years for intangible assets.

Financial investments in market securities are basic financial instruments, initially recognised at transaction value and subsequently measured at fair value as at the year-end using the closing quoted market price. The statement of financial activities includes all the net gains and losses arising on revaluation and disposals.

Financial investments in freehold land and buildings are valued quinquennially on an open market existing use basis subject to current occupation and tenancies in place at that time by independent Chartered Surveyors. In intervening years the Trustees value them by reference to market reports and government indices having discussed the circumstances of Arley Estate with the independent chartered surveyors. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

Realised gains and losses on investments are taken to the Statement of Financial Activities as they arise. They are calculated as the difference between sales proceeds and their opening carrying value or their purchase value acquired subsequent to the first day of the financial year. Realised gains and losses are calculated as the difference between the fair value at the year-end and the carrying value.

Government Grants are credited to the consolidated statement of financial activities as the related expenditure is incurred.

NOTES TO THE ACCOUNTS (CONTINUED)

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments: Other than financial investments, the Trust only has financial assets and financial 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 with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Stocks are stated at the lower of cost (based on the cost of purchase on a first in first-out basis) and net realisable value. At each reporting stocks are assessed for impairment; any losses are recognised immediately.

Debtors: Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash with financial institutions is repayable without penalty on notice of not more than 24 hours.

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be reliably estimated. They are normally recognised at their settlement amount after allowing for any discounts.

3 INCOME FROM INVESTMENTS:

	2020	2019
	£'000	£'000
Dividends - UK and Overseas Equities	469	793
Interest - UK Fixed Interest Securities	192	66
Sub-total General Fund	661	859
Income – rental	542	491
- other	26	29
Sub-total Arley Fund	568	520
Total Investment Income	1,229	1,379

4 INCOME FROM TRADING

	2020	2019
	£'000	£'000
Tea room	-	150
Forestry	9	10
Weddings and events	60	359
Other income	32	14
Total income	101	533

The tea room is regarded as ancillary trading and its activities have been transferred to charitable activities from 1 January 2020.

5 CHARITABLE INCOME

This income arises from admissions and charges for events and refreshments at Arley Arboretum.

6 OTHER INCOME

This income arises from Governments Grants and Furlough payments £80,000 (Arley Fund) and a return of a restricted grant £10,000 (General Fund)

NOTES TO THE ACCOUNTS (CONTINUED)

7 RAISING FUNDS EXPENDITURE

	2020			2019		
	Arley Fund £'000	General Fund £'000	Total 2020 £'000	Arley Fund £'000	General Fund £'000	Total 2019 £'000
Investment management charges	-	146	146	-	147	147
Repairs & property maintenance	66	-	66	50	-	50
Depreciation & Amortisation	86	-	86	83	-	83
Direct staff costs	53	-	53	49	-	49
Shared staff costs	140	-	140	47	-	47
Shared overheads	114	-	114	129	-	129
Total Raising Funds	459	146	605	358	147	505

8 TRADING EXPENDITURE

Cost of sales	-	-	-	133	-	133
Direct expenses	29	-	29	129	-	129
Direct staff costs	38	-	38	144	-	144
Shared staff costs	1	-	1	47	-	47
Shared overheads	19	-	19	37	-	37
Total trading expenditure	87	-	87	490	-	490

9 CHARITABLE EXPENDITURE

Direct costs – Arboretum	37	-	37	26	-	26
Direct staff Costs	121	37	158	102	54	156
Shared staff costs	80	-	80	131	-	131
Shared overheads	97	-	97	109	13	122
Professional charges	-	16	16	-	20	20
Governance	-	15	15	-	13	13
Charitable grants	-	515	515	-	711	711
Total charitable expenditure	335	583	918	368	811	1,179

Shared costs of staff and overheads are analysed in note 11.

Governance includes audit fees of £15,350 (2019: £12,449) and accountancy costs of £nil (2019: £958).

10 CHARITABLE GRANTS ANALYSIS

	2020			2019		
	Number	% value	£'000	Number	% value	£'000
Young people	21	15%	76	41	17%	123
Community work	28	17%	89	50	18%	125
Social support	10	6%	31	18	8%	57
Impaired health	49	30%	154	62	27%	189
Hospices	9	27%	138	8	17%	121
The Arts	6	3%	14	14	9%	67
Environment & heritage	3	2%	13	6	4%	29
Total	126	100%	515	199	100%	711

NOTES TO THE ACCOUNTS (CONTINUED)

10 CHARITABLE GRANTS ANALYSIS (Continued)

Charitable grants of £5,000 or more:

Grant-aided charity name	Category		2020 £'000
Birmingham PHAB Camps	Young people	*	7
Happy Hares (Upper Arley)	Young people		10
Stonehouse Gang	Young people	*	15
Kids	Young people		7
Cotteridge Church Day Centre	Community work	*	10
Dorothy Parkes	Community work	*	6
Birmingham Settlement	Community work		5
Sport 4 Life UK	Community work	*	5
ARCOS	Impaired health	*	5
ASPIE	Impaired health	*	5
Cerebral Palsy Midlands	Impaired health	*	10
Changing Faces	Impaired health		5
BUDS	Impaired health		5
Listening Books	Impaired health		5
Headway Birmingham & Solihull	Impaired health		5
Breast Cancer Haven	Impaired health		5
Myriad Centre	Impaired health	*	5
NICE	Impaired health	*	7
Acorns Children's Hospice Trust	Hospices	*	25
Birmingham St Mary's Hospice	Hospices	*	30
Compton Care	Hospices	*	20
Kemp House Trust	Hospices	*	5
Mary Stevens Hospice	Hospices	*	10
Primrose Hospice	Hospices	*	18
St Giles Hospice	Hospices	*	10
St Richards Hospice	Hospices	*	20
Birmingham City Mission	Social support	*	6
St. Anne's Hostel	Social support		6
National Churches Trust	Environment & heritage	*	10
Total £5,000 or more (30 grants)	Regular grant-aided charities	*	282

11 STAFF COSTS

	2020 £'000	2019 £'000
Wages and salaries	472	511
Social security costs	46	40
Pension costs	24	22
	542	573

The key management personnel of the charity comprise the trustees, the Chief Executive, Finance Director and the Trust Administrator. The total employee benefits of the key management personnel of the charity were £207,328 (2019: £183,626). There was 1 (2019: 1) employee whose earnings fell between £120,000 and £130,000 (2019: £120,000 and £130,000).

In 2020 The Trust did not pay any settlements to former employees (2019: 2 which totalled £18,145).

There were 18 active volunteers (2019: 20) who provided ad-hoc support to projects in the Arboretum. The economic contribution of general volunteers is not recognised in the accounts.

NOTES TO THE ACCOUNTS (CONTINUED)

11 STAFF COSTS (Continued)

The average number of employees calculated on an average head count basis was:

	2020	2019
Estate and property	2	2
Arboretum	11	15
Management and administration	7	6
	<u>20</u>	<u>23</u>

12 SHARED COSTS (Arley Fund)

		2020			2019		
Cost sharing within Arley Estate is based on time spent:		Staff costs £'000	Other costs £'000	Total £'000	Staff costs £'000	Other costs £'000	Total £'000
Raising funds	Note 6	140	114	254	47	129	176
Trading	Note 7	1	19	20	47	37	84
Charitable	Note 8	80	97	177	131	109	240
		<u>221</u>	<u>230</u>	<u>451</u>	<u>225</u>	<u>275</u>	<u>500</u>

13 FIXED ASSETS: GROUP AND CHARITY

Intangible fixed assets: During the year there were £nil additions to website development costs (2019: £1,000); Depreciation of £4,262 was charged. The net book amount at 31 December 2020 was £8,738 (2019: £13,000).

Tangible fixed assets	Freehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 January 2020	3,699	355	246	4,300
Additions	1,640	6	80	1,726
Disposals	-	(5)	-	(5)
Revaluation	10	-	-	10
At 31 December 2020	<u>5,349</u>	<u>356</u>	<u>326</u>	<u>6,031</u>
Depreciation				
At 1 January 2020	31	202	148	381
Charge for the year	21	27	33	81
Elimination on disposals	-	(2)	-	(2)
At 31 December 2020	<u>52</u>	<u>227</u>	<u>181</u>	<u>460</u>
Net book amount				
At 31 December 2020	<u>5,297</u>	<u>129</u>	<u>145</u>	<u>5,571</u>
At 31 December 2019	<u>3,668</u>	<u>153</u>	<u>98</u>	<u>3,919</u>

Freehold land and buildings which had an historical cost of £5,023,000 (2019: £3,383,000) include assets in course of construction of £nil (2019: £816,000).

NOTES TO THE ACCOUNTS (CONTINUED)

14 FIXED ASSET INVESTMENTS - GROUP AND CHARITY

			2020	2019
	Freehold land and buildings £'000	Quoted securities £'000	Total £'000	Total £'000
At 1 January 2020	24,344	29,357	53,701	50,423
Additions at cost	50	10,827	10,877	4,662
Disposal proceeds	-	(10,968)	(10,968)	(4,718)
Net investment gains / (losses)	598	1,631	2,229	4,234
Cash drawdown	-	(1,100)	(1,100)	(900)
Transfer (to) tangible fixed assets	-	-	-	-
	<u>24,992</u>	<u>29,747</u>	<u>54,739</u>	<u>53,701</u>
At 31 December 2020	<u>24,992</u>	<u>29,747</u>	<u>54,739</u>	<u>53,701</u>

Freehold land and buildings an independent quinquennial valuation of freehold land and buildings was carried out by Halls, Chartered Surveyors, on 31 December 2017. The valuation of £25,929,000 was based on the freehold value of all component parts of the Arley Estate, on an open market existing use basis subject to current occupation and tenancies in place. At 31 December 2020, having taken informal advice from Halls, the trustees valued the Estate on a similar basis at £30,289,000. For accounting purposes, the assets have been disclosed as follows:

		2020 £'000	2019 £'000
Own use tangible fixed assets	Note 12	5,297	3,668
Investments	Above	24,992	24,344
At 31 December 2020		<u>30,289</u>	<u>28,012</u>

The historical cost of the Estate, represented by the probate value on the death of the late Mr R D Turner on 30 April 1999, was £8,841,000.

Quoted securities portfolio

	2020 £'000	2019 £'000
Fixed interest	3,588	3,431
UK listed investments	7,778	9,257
Overseas investments	13,164	11,323
Commercial property	1,883	2,682
Alternative investments	2,748	1,492
Cash	586	1,172
	<u>29,747</u>	<u>29,357</u>
Historical cost	<u>22,459</u>	<u>22,459</u>

Material investments:

The Investment Policy states that no investments should exceed 5.0% of the value of the portfolio. At 31 December 2020 there were no such investments (2019: none).

Fixed asset investments – Charity

In addition to the above investments the charity has a £100 investment in the entire share capital of Arley House & Gardens Ltd.

NOTES TO THE ACCOUNTS (CONTINUED)

	Group 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
15 STOCK Goods for resale	17	16	12	7
16 DEBTORS				
Trade debtors	81	41	31	18
Prepayments	76	88	71	76
Other debtors	66	57	86	116
	223	186	188	210
17 CASH				
Cash at Handelsbanken	676	866	606	841
CCLA COIF Charities Income account	292	591	292	591
	968	1,457	898	1,432
18 CREDITORS DUE WITHIN ONE YEAR				
Trade creditors	69	51	63	42
Investment Manager charges	37	29	37	29
Rents received in advance	44	49	44	49
Other taxes and social security	14	16	10	16
Amounts due to group undertaking	-	-	72	60
Other creditors	20	26	15	15
Accruals and deferred income	240	200	73	150
	424	371	314	361

Included within accruals and deferred income are wedding deposits held for weddings in future years of:

Balance at 1 January 2020	43	42	-	-
New deposits during the year	154	243	-	-
Deposits released during the year	(35)	(242)	-	-
Balance at 31 December 2020	162	43	-	-

NOTES TO THE ACCOUNTS (CONTINUED)

19 ANALYSIS OF GROUP ASSETS AND LIABILITIES WITHIN FUNDS

	2020			2019		
	Arley Fund £'000	General Fund £'000	Total Funds £'000	Arley Fund £'000	General Fund £'000	Total Funds £'000
Intangible Assets	9	-	9	13	-	13
Tangible Assets	5,571	-	5,571	3,919	-	3,919
Investments	24,992	29,747	54,739	24,344	29,357	53,701
Fixed Assets	30,572	29,747	60,319	28,276	29,357	57,633
Stock	17	-	17	16	-	16
Debtors	170	53	223	123	63	186
Cash	378	590	968	587	870	1,457
Creditors	(382)	(42)	(424)	(331)	(40)	(371)
Net Current Assets	183	601	784	395	893	1,288
Total Funds	30,755	30,348	61,103	28,671	30,250	58,921

20 FUNDS ANALYSIS – GROUP

	1 January 2020 £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains / (Losses) £'000	31 December 2020 £'000
Operational funds	28,352	882	(881)	1,475	598	30,426
Revaluation reserve	319	-	-	-	10	329
Arley Fund	28,671	882	(881)	1,475	608	30,755
General Fund	30,250	671	(729)	(1,475)	1,631	30,348
Total Funds	58,921	1,553	(1,610)	-	2,239	61,103

	1 January 2018 £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains / (Losses) £'000	31 December 2019 £'000
Operational funds	27,169	1,211	(1,216)	911	277	28,352
Revaluation reserve	123	-	-	(21)	217	319
Total Arley Fund	27,292	1,211	(1,216)	890	494	28,671
General Fund	27,282	859	(958)	(890)	3,957	30,250
Total Funds	54,574	2,070	(2,174)	-	4,451	58,921

Of the £1m investments realised in January 2018, the remaining £0.5m is designated for capital expenditure.

Transfers between funds is cash transferred to finance major projects at Arley Estate.

NOTES TO THE ACCOUNTS (CONTINUED)

21 RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET OPERATING CASH FLOW

	Group 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
Net movement in funds	2,182	4,347	2,180	4,343
Add back depreciation charge	86	83	86	83
Profit on disposal of tangible fixed assets	(3)	(2)	(3)	(2)
Movement on revaluation reserve	(10)	(217)	(10)	(217)
Deduct income shown in quoted investing activities	(661)	(859)	(661)	(859)
(Gain) / loss on revaluation of investments	(2,229)	(4,234)	(2,229)	(4,234)
Decrease / (increase) in stock	(1)	(8)	(5)	(6)
Decrease / (increase) in debtors	(37)	(30)	22	(85)
Increase / (decrease) in creditors	53	56	(47)	108
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash used in operating activities	(620)	(864)	(667)	(869)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

22 RELATED PARTY TRANSACTIONS

(i) Transactions involving Trustees and connected parties

During both years the Trust awarded a small number of grants to charities that have a common or related trustee or director with one or more Trustees. One Trustee is a Director of the trading subsidiary. In accordance with the Trust's policy on conflicts of interest, the conflicted Trustees did not take part in the discussion. No Trustees are remunerated.

(ii) Trustee expenses

The sum of £397 (2019: £1,685) was reimbursed to two (2019: two) Trustees in respect of travel and other expenses and £nil (2019: £15) was incurred on behalf of Trustees.

(iii) Transactions with trading subsidiary

Costs (principally staff costs) recharged to the trading subsidiary amounted to £37,952 (2019: £181,531). Rent and service charge income was received from the trading subsidiary amounting to £41,290 (2019: £43,000).

There are no other related party transactions to disclose.

NOTES TO THE ACCOUNTS (CONTINUED)

23 INCOME EARNED FROM TRADING ACTIVITIES

The wholly-owned trading subsidiary, Arley House & Gardens Limited was incorporated in the United Kingdom (company number 09448082) and details of the trading results for the subsidiary alone are given below:

	2020	2019
	£'000	£'000
Turnover	101	533
Cost of sales	-	(172)
Direct costs	(67)	(215)
Other income	29	-
Overheads	(20)	(103)
	<hr/>	<hr/>
Profit included in Statement of Financial Activities on consolidation	43	43
Intra-group charge from the charity arising from internal leases, included in the company's own accounts	(41)	(39)
	<hr/>	<hr/>
Profit for the financial year	2	4
Amount distributed to the charity	(2)	(4)
	<hr/>	<hr/>
Retained in subsidiary	-	-
	<hr/>	<hr/>
The assets and liabilities of the subsidiary were:		
Current assets	142	72
Current liabilities	(142)	(72)
	<hr/>	<hr/>
Total net assets	-	-
	<hr/>	<hr/>
Total net assets representing aggregate share capital and reserves	-	-
	<hr/>	<hr/>

The Statement of Financial Activities of the Charity alone is not required to be published. It excludes the above trading turnover and costs but includes £43,000 investment income comprising £41,000 (2019: £39,000) intra-group service charges and £2,000 (2019: £4,000) gift aid income from the subsidiary.

NOTES TO THE ACCOUNTS (CONTINUED)

24 FINANCIAL INSTRUMENTS

	Group 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
Financial assets				
Financial assets measured at fair value through profit or loss	29,747	29,357	29,747	29,357
	=====	=====	=====	=====

Financial assets comprise cash, trade debtors and amounts owed by group undertakings and other debtors.

25 COMMITMENTS RECEIVABLE UNDER OPERATING LEASES

At 31 December 2020 the Group and Charity had future minimum lease receipts under non-cancellable operating leases as follows:

	Group 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
Not later than one year	233	321	288	341
Later than one year and not later than five years	60	197	250	375
Later than five years	-	-	150	250
	-----	-----	-----	-----
	293	518	688	966
	=====	=====	=====	=====

26 CAPITAL COMMITMENTS

At 31 December 2020 the Group and Charity had capital commitments of £nil (2019 £1,297,000).