

Presented pursuant to Section 25(6) and (7) of the Government Resources and Accounts Act 2000, and Section 3(3) of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003

Community Development Foundation Account 2003-2004

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 14 MARCH 2005

The National Audit Office
scrutinises public spending
on behalf of Parliament.

The Comptroller and Auditor General,
Sir John Bourn, is an Officer of the
House of Commons. He is the head of the
National Audit Office, which employs some
800 staff. He, and the National Audit Office,
are totally independent of Government.

He certifies the accounts of all Government
departments and a wide range of other public
sector bodies; and he has statutory authority
to report to Parliament on the
economy, efficiency and effectiveness
with which departments and other bodies
have used their resources.

Our work saves the taxpayer millions of
pounds every year. At least £8 for every
£1 spent running the Office.

This account can be found on the National Audit Office web site at
www.nao.org.uk

Contents

	Page
Trustees Report	2
Statement of Trustees' and Accounting Officer's responsibilities	7
Statement on Internal Control	9
The Certificate and Report of the Comptroller and Auditor General	11
Statement of Financial Activities	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Accounts	16

Trustees' Report

The Trustees of the Foundation during the year were

Mr Eddie O'Hara MP (Chair- resigned December 2003)
Mr Suhail Aziz
Ms Mavis Best MBE
Mr Paul Burstow MP (Appointed January 2004)
Mr Michael Hamilton
Mr Abdul Ismail
Mr Jagwant Johal
Dr Gareth Jones
Ms Avila Kilmurray
Mr Peter Latchford
Professor Ruth Lister CBE
Mr Andrew Robinson MBE
Mr Robert Russell MP (Resigned December 2003)
Mr Andrew Selous MP (Appointed January 2004)
Mr Colin Williams OBE (Deputy Chair and Acting Chair)
Ms Hilary Willmer

One vacancy in the year

Finance Committee Members

Mr Peter Latchford (Chair)
Mr Michael Hamilton
Mr Andrew Robinson MBE
Ms Hilary Willmer

The address of the Foundation is

60 Highbury Grove
London
N5 2AG

The principal banker for the Foundation is

National Westminster Bank Plc
City of London Office
PO Box 12258
London
EC2R 8PA

The solicitors are

Royds Treadwell
2 Crane Court
London
EC4A 2BL

The Auditors are

National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

The Trustees have pleasure in submitting their Annual Report, together with their accounts for the year ended 31 March 2004. The statement of financial activities for the year ended 31 March 2004, the cash flow statement and the balance sheet at that date are attached.

History, structure and policies

History

The Community Development Foundation (CDF) was established as a Registered Charity (No. 306130) by a Trust Deed dated 12 December 1967 to pioneer new forms of community development. We enjoy all-party support and substantial backing from local and central government, business and trusts. CDF is also a Non-Departmental Public Body (NDPB) sponsored by the Active Communities Directorate of the Home Office.

CDF's mission is to strengthen communities by ensuring the effective participation of people in determining the conditions that affect their lives through

- providing support for community initiatives;
- promoting best practice; and
- informing policy-makers at local and national level.

Structure

Organisation

As at the balance sheet date CDF had 56 full-time equivalent staff working from Head Office and seven regional offices and carries out work across the UK. Its principal office is 60 Highbury Grove, London N5 2AG (see Organisational Chart on Page 8).

Trustees

CDF staff are employed by and overseen by a Board of Trustees, which meets three times a year, along with three finance committee meetings. One of the Trustee meetings is a two-day residential to set the broad strategy and review progress for CDF. The Finance Committee is made up of Trustees (normally four) and operates under terms of reference from the full Board. Decisions are ratified by the full Board. Trustees of the Community Development Foundation are appointed by the Minister of State at the Home Office on behalf of the Home Secretary. There are 14 Trustees and a list of current Trustees is attached. As a result of Eddie O'Hara's resignation as Chairman in December 2003, Colin Williams took over as Acting Chair. We are pleased to announce that the Home Secretary has appointed Tom Levitt MP as CDF's new Chairman of the Board of Trustees, with effect from the 1 of June 2004.

Tom was elected MP for High Peak in 1997 after 14 years service at all levels of local government, including Derbyshire County Council. In September 2003 Tom was appointed Parliamentary Private Secretary to International Development Secretary Hilary Benn. Formerly he was Parliamentary Private Secretary to Barbara Roche MP (1999-2003), first in the Home Office and then in the Office of the Deputy Prime Minister.

CPF Trust Limited

CPF Trust Limited (the Trust) is a related party to CDF. It was originally established for the advancement of public education and training of young people and the provision of facilities for educational and recreational purposes. However, the Trust has not conducted any business since 1989. In October 1989 the Directors of the Trust, at the request of the Trustees of the Community Development Foundation agreed to purchase the property situated at 60 Highbury Grove and to manage the property on behalf of the Foundation.

During the year to 31 March 2004, the Trust has continued to own the property situated at 60 Highbury Grove, which is let to the Community Development Foundation.

Policies

Reserves policy

The current Trustee policy in relation to reserves is to maintain a sum in reserves equivalent to shut-down costs, which is five months operating costs minimum. In practice, the reserve is kept slightly above this level to allow for the realities of shutdown timing. Other reserves are to deal with underlying gaps in operating costs and are part of the Trustee strategy in relation to operating costs.

Investment policy

The current investment policy is maximising return within a low risk strategy. In view of the current economic situation our policy has been to earn interest by placing cash on short-term deposit rather than in long-term property or share arrangements. This is kept under annual review to ensure value for money.

Employee involvement

Staff have union recognition and regular meetings take place to discuss employment issues. All staff are kept informed on specific matters directly by management and they receive copies of Directorate minutes, budgets, annual reports and other key documents. CDF carries out exit and entry interviews for all staff, organises an induction briefing for all staff, and operates a supportive staff development programme. A full staff manual is adhered to, covering such areas as health and safety, recruitment, equal opportunities, parental leave, other leave and working hours. In accordance with CDF's equal opportunities policy, it has established fair employment practices in the recruitment, selection, retention and training of disabled staff. The profile of staff in terms of disability, ethnicity, age and other factors is regularly analysed and reported to Trustees.

Review

Overall

CDF works to a three-year work plan that is set by Trustees and agreed with the Active Communities Directorate (ACD) of the Home Office. Specific objectives are negotiated annually in the framework of this three-year forward plan. Performance in relation to these objectives is recorded and reported to Trustees and to the Home Office in May or June of each year. Both Trustees and the ACD are asked to assess performance and the views of the ACD are taken into account by Trustees in their assessment, which takes place in July of each year. In the opinion of Trustees, CDF's work in 2003-2004 was carried out efficiently and in line with the agreed objectives. A more detailed report on work undertaken in 2003-2004 will be posted on the CDF website (www.cdf.org.uk) and available in a printed version.

CDF's core work is paid for by grant-in-aid from the Home Office, and this is supplemented by income brought in through the sale of books, through contracts with other government departments, conferences, training courses, research contracts and consultancies. All such income-generating work has to be in line with current work objectives and to fit under one of the three main areas of work: fieldwork, best practice or policy. Across the UK, CDF is building up its consultancy and training work with a view to consultancy and training work becoming increasingly self-sufficient. Normally, CDF's turnover is about 60% Home Office and 40% other income but this can be changed from time to time if CDF is administering a grants programme such as the Neighbourhood Support Fund, as it is at present for the Department for Education and Skills (DFES). This makes CDF's annual turnover seem far higher than the £1.5-£1.8 million norm, but the bulk of this additional money is passed on to the fieldwork projects that form the programme. In 2003-2004 out of income received from the DFES in respect of the Neighbourhood Support Fund of £6,045,242 a total of £6,199,800 went to community projects (£5,869,628) and to umbrella organizations supporting the projects (£330,172). The excess payments to groups were financed from funds held in the year to 31 March 2003. NSF has a high research, best practice and evaluation component that feeds into CDF's core work.

Financial review

Results for the year

The Statement of Financial Activities (SOFA) on page 13 shows a deficit of £93,262 (surplus of £1,732,028: 2002-2003). This deficit is fully attributed to movement on restricted funds while unrestricted funds show a significant surplus in the year. The SOFA shows there are Net Incoming Resources on Unrestricted Funds of £487,619 (£90,056: 2002-2003) while there were Net Outgoing Resources on Restricted Funds of £580,880 (£1,641,972: 2002-2003).

The movement on Restricted Funds is mainly attributed to four projects; Bangor, Community Health Exchange, Neighbourhood Support Fund and Working Together Learning Together. All of these projects are self-financing in that expenditure is recoverable from the grant provider for expenditure incurred. As at 31 March 2004 all of these projects had surplus funds remaining, which supported this deficit. For Bangor, this deficit in the year will be recoverable from the funder, the Community Fund, before the project ends in November 2004 or covered by funds already held. The Community Health Exchange receives funding until May 2005, which will cover all the projects costs. In this financial year the project undertook some work publishing two pieces of advice and guidance on 'Community Health Partnerships' and on the 'Sustainability of Community Health Initiatives' which were funded from Specific Reserves. As at 31 March 2003 the Neighbourhood Support Fund included funds set aside to cover wind up costs for Phase 1 of the project. These windup costs were incurred when the project finished in September 2003. Lastly, the Working Together Learning Together project finished in May 2004; however staff for this project continued to support the Scottish Development Centre after that date. These costs were funded by excess funds of £85,573 held for that project at 31 March 2003.

Financial position

The balance sheet on page 14 shows Net Assets at 31 March 2004 of £4,117,553 (2003: £4,210,815). Funds carried forwarded can be analysed as follows

	2004 £	2003 £
Designated funds		
Loans and fixed assets	247,586	247,586
Specific reserve	1,368,203	738,680
General redundancy	98,274	94,253
Cessation fund	371,119	371,119
Designated grants	154,067	169,367
Total designated funds	2,239,249	1,621,005
General fund	87,026	217,652
Restricted funds	1,791,278	2,372,158
Net assets	4,117,553	4,210,815

Future developments

CDF is currently in the process of looking for new premises and will be moving from 60 Highbury Grove, London. To fund the possible relocation costs reserves for £186,596 have been set-aside.

Supplier payments

As a NDPB CDF is required to make payments to suppliers within 30 days or in compliance with the terms of the particular contract. In the year CDF paid 93.16 % of invoices on time.

Auditors

The Comptroller and Auditor General has been appointed as the external auditor under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003 and will report to Parliament and the Trustees. The cost of the statutory audit carried out by the Comptroller and Auditor General is £15,000.

Significant interests

There are no company directorships or other significant interests held by Trustees or management team that may conflict with their responsibilities.

Sarah Benioff
Chief Executive and Accounting Officer

30 November 2004

Tom Levitt
Chairman

18 November 2004

Statement of Trustees' and Accounting Officer's responsibilities

Under charity law applicable in England and Wales, the Trustees are required to prepare financial statements for each financial year, which show a true and fair view of the state of affairs of the charity and of its financial activities during the year. In preparing those financial statements, the Trustees are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue its activities.

The Trustees are responsible for keeping accounting records, which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Charities Act 1993.

The annual accounts of CDF are also prepared in accordance with Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance, other guidance issued by the Treasury and the Accounts Direction issued on behalf of the Secretary of State.

The Accounting Officer for the Home Office has designated the Chief Executive as the Accounting Officer for the Trust. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies Accounting Officer Memorandum, issued by the Treasury and published in Government Accounting.

Trustee policy on disclosure combines an annual return stating other interests and a statement at the start of every meeting of Trustees in relation to a declaration of interest on any item on the agenda.

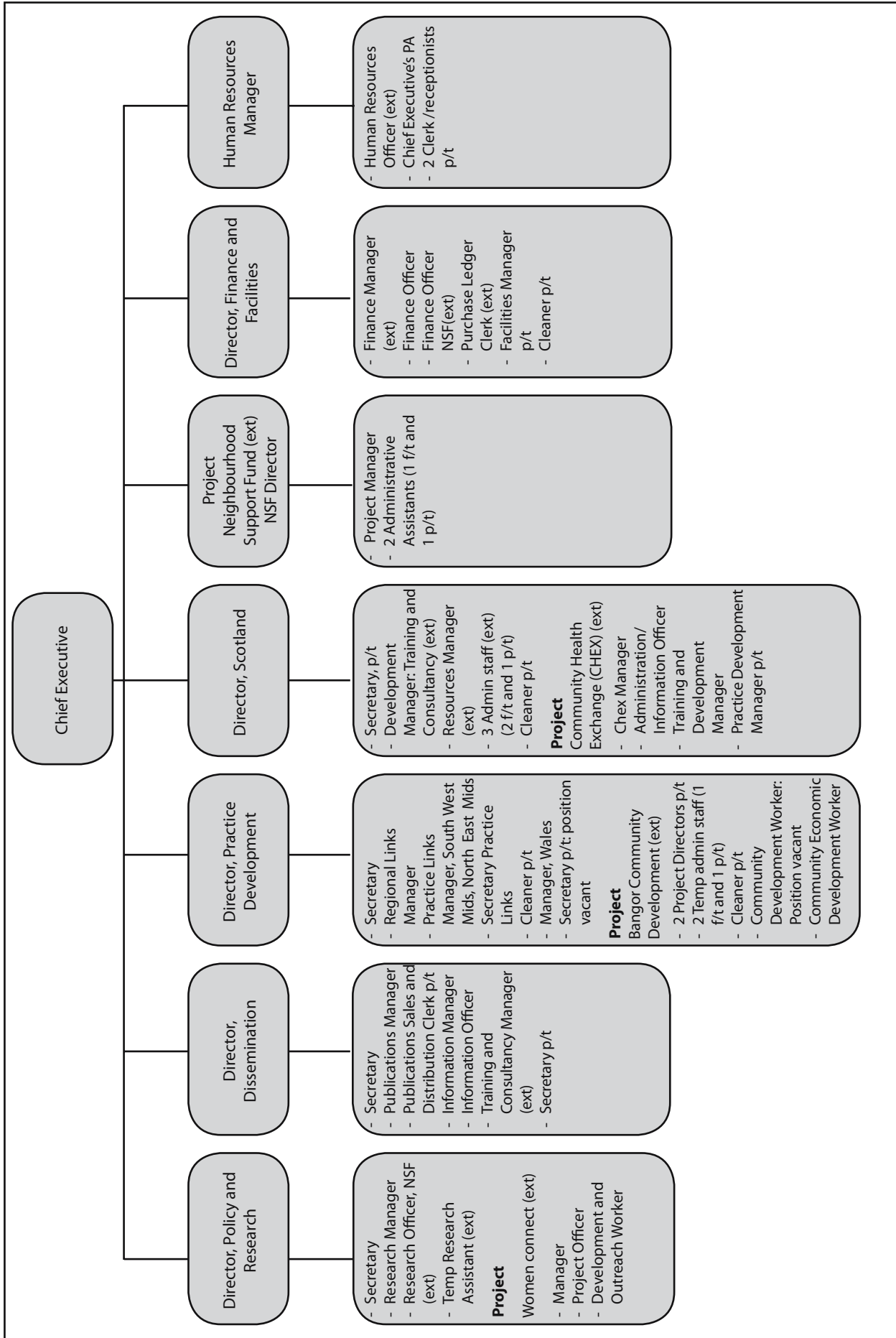
By order of the Trustees

Sarah Benioff
Chief Executive and Accounting Officer

30 November 2004

Tom Levitt
Chairman

18 November 2004



Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of CDF's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting and the requirements laid down by the Home Office in our annual Grant letter.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in CDF for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Risk management is implicit in CDF's systems and procedures. Risks are regularly considered and discussed at the Trustee level and appropriate actions taken when necessary. In addition, risks, which have been identified and are maintained on a risk register, are discussed periodically with management at Directorate meetings where guidance is provided on how to manage these risks.

The risk and control framework

The key elements of the risk management strategy include the following

- a senior management team, which meets every four weeks to consider the plans and strategic direction of the organisation. This team includes the Chief Executive, Director of Finance, the Human Resources Manager and five service Directors. Other staff attend on an occasional basis to observe and contribute;
- reports are made to the Finance Committee and to the full Trustee board on financial and performance systems of internal control. Systems are subject to external assessment every five years, through a Quinquennial Review;
- historically, the Chief Executive and Director of Finance reported to Trustees regarding internal controls and systems and assessed these on a continuous basis. However, given the growing importance of corporate governance, the need for internal audit was recognised during 2003-2004. Therefore, the Home Office conducted an internal audit during the year. As CDF is not large enough to warrant having its own in-house internal audit function, this audit will be contracted out in future years;
- for those groups and umbrellas that receive funding that CDF administers on behalf of the Department for Education and Skills, the Neighbourhood Support Fund, a member of the finance team is engaged to conduct audits on a sample of those recipients, to monitor use of funding;
- all manager's report regularly to the Chief Executive or senior staff on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects. Trustees receive regular reports on work performance in relation to objectives;
- senior staff undertake a regular programme of structured workshops, some of which have external facilitation, to identify and keep up to date the record of risks facing the organisation. This is linked in to the annual work programme process;
- a programme of risk awareness training has been established;

- senior staff operate on an ongoing basis a prioritisation methodology to rank risk and assess cost benefit. This is done both in relation to the annual (and three-yearly) work programme but also for in-year unexpected items or changes;
- key performance and risk indicators are in place and are the subject of reports to the sponsor department and to Trustees;
- an organisation-wide risk register has been established;
- reports are produced by the Chief Executive on internal control activities for other staff, for Trustees and for the sponsor department;
- where appropriate, reports are produced on compliance with key government recommendations. Work is under way in relation to adapting CDF's IT system to deal with the Cabinet Office report Successful IT: Modernising Government in action; and
- An Audit Committee will be put in place during 2004-2005. Currently, the Finance Committee is responsible for discussing issues relating to the external audit and the Chief Executive and Director of Finance are responsible for matters relating to the internal audit.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors and other reports. A plan to address weaknesses is in place following the Home Office Audit and Assurance Unit's review.

Sarah Benioff
Chief Executive and Accounting Officer

30 November 2004

Tom Levitt
Chairman

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 13 to 29 under the Government Resources Accounts Act 2000 as amended by Statutory Instrument 2003 No. 1326. These financial statements have been prepared in the form directed by the Charities Act 1993 and approved by the Treasury, they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 16 to 18.

Respective responsibilities of the Board of Trustees, the Chief Executive and Auditor

As described on page 7 the Board of Trustees and the Chief Executive are responsible for the preparation of the financial statements in accordance with the Charities Act 1993 and with the directions made by the Secretary of State for the Home Office and for ensuring the regularity of financial transactions funded by Parliament grant ('Grant in Aid'). The Board of Trustees and the Chief Executive are also responsible for the preparation of the Trustees Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to standards and guidance issued by the Auditing Practices Board, and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993 and with the directions made by the Secretary of State for the Home Office and whether in all material respects the expenditure, and income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the other contents of the Trustees Report are not consistent with the financial statements, if the Community Development Foundation has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 9 and 10 reflects the Community Development Foundation's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Community Development Foundation's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Community Development Foundation's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion, I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Community Development Foundation as at 31 March 2004 and of the incoming resources and application of resources for the year then ended have been properly prepared in accordance with the Charities Act 1993 and the directions made by the Secretary of State for the Home Office; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

17 December 2004

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of Financial Activities for the year ended 31 March 2004

	Notes	Unrestricted funds £	Restricted funds £	Total funds 2004 £	Total funds 2003 £
Net incoming resources for the year					
<i>Activities in furtherance of the charity's objects</i>					
Donations and sponsorships		75		75	100
Management and administration	2	506,793		506,793	395,899
Community initiatives	2	295,127	6,853,796	7,148,923	15,893,594
Best practice	2	184,275		184,275	83,432
Dissemination	2	252,296		252,296	179,303
<i>Activities for generating funds</i>					
Publications	3	121,999		121,999	128,694
Trading	3	860,430	15,099	875,529	766,462
Dissemination	3	17,500		17,500	
Investment income	3	138,668		138,668	102,381
Net incoming resources for the year		2,377,163	6,868,895	9,246,058	17,549,865
Resources expended for the year					
<i>Costs of generating funds</i>					
Trading		769,600		769,600	748,754
Publications		150,419		150,419	87,211
Costs of generating funds		920,019		920,019	835,965
<i>Cost of activities in furtherance of the charity's objects</i>					
Community initiatives		205,459	7,409,776	7,615,235	14,221,987
Best practice		185,949		185,949	179,061
Dissemination		233,708		233,708	268,690
Management and administration		384,409		384,409	312,134
<i>Cost of activities in furtherance of the charity's objects</i>					
		1,009,525	7,409,776	8,419,301	14,981,872
Net expenditure for the year	4,5	1,929,544	7,409,776	9,339,320	15,817,837
Notional Costs	7	(145,746)		(145,746)	(200,688)
Net (resources expended)/ incoming resources		301,873	(540,881)	(239,008)	1,531,340
Reversal of notional costs		145,746		145,746	200,688
Net (outgoing)/incoming resources before transfers		447,619	(540,881)	(93,262)	1,732,028
Transfers between funds		40,000	(40,000)		
Net movement on funds		487,619	(580,881)	(93,262)	1,732,028
Fund balances brought forward at 1 April		1,838,657	2,372,158	4,210,815	2,478,787
Fund balances carried forward at 31 March		2,326,276	1,791,277	4,117,553	4,210,815

The notes on pages 16 to 29 form part of these financial statements. The Charity has no recognised gains or losses other than the net movement in funds for the year. The incoming resources and resulting net movement in funds in each of the financial years arise from continuing operations. There were no discontinued operations or acquisitions in the year.

Balance Sheet as at 31 March 2004

	Notes	2004	2003
		£	£
Fixed assets	8	86,692	87,480
Current assets			
Debtors within 1 year	9	168,610	3,996,380
Debtor due after one year	10	280,449	289,010
Short term deposits		3,945,318	3,006,278
Bank and cash		54,906	58,870
		<u>4,449,283</u>	<u>7,350,538</u>
Current liabilities			
Creditors due within one year	11	<u>(418,422)</u>	<u>(3,227,203)</u>
Net current assets		4,030,861	4,123,335
Net assets		4,117,553	4,210,815
Funds			
<i>Restricted funds</i>	13	1,791,278	2,372,158
<i>Unrestricted funds</i>			
Designated funds	12	2,239,249	1,621,005
General Reserve	12	87,026	217,652
Total funds		<u>4,117,553</u>	<u>4,210,815</u>

The notes on pages 16 to 29 form part of these financial statements.

The accounts were approved by the Trustees and Chief Executive on 30 November 2004 and were signed on their behalf by

Tom Levitt 30 November 2004

Sarah Benioff 30 November 2004

Cash Flow Statement for the year ended 31 March 2004

	Notes	2004 £	2003 £
Net cash inflow/(outflow) from operating activities	18	962,580	(2,099,837)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(38,976)	(63,096)
Net cash (outflow) on capital expenditure and financial investment		(38,976)	(63,096)
Net cash inflow/(outflow) before management of liquid resources and financing		923,604	(2,162,933)
Financing			
Cash (outflow)/inflow from short term deposits		(939,040)	2,115,591
Net cash (outflow)/inflow from financing		(939,040)	2,115,591
(Decrease) in cash in the year	19	(15,436)	(47,342)

The notes on pages 16 to 29 form part of these financial statements.

Notes to the Accounts

1 Basis of accounting and accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention modified by the inclusion of fixed assets at current cost. They comply with the Statement of Recommended Practice 'Accounting for Charities' (SORP) 2000 Edition and in accordance with applicable accounting standards.

Fund accounting

The reserves have been allocated to separate funds and future application.

Designated funds (see note 12)

a Loan and fixed assets

This represents an amount loaned to CDF Trust Limited to assist in the acquisition of the Headquarters' building together with a fund representing the book value of fixed assets.

b Specific reserve

This represents a number of initiatives as follows

	£
Staff development	26,531
SCDC	304,589
Project development	62,729
Other	12,513
Policy development and deficit reserve	222,661
Developing consultancy services	30,628
Publications, research + information services	49,575
Finance and support services	111,519
Pay and grading review	360,862
Headquarter relocation	186,596
Total	<u>1,368,203</u>

c General redundancy

This is in recognition of the commitment that the Foundation has to make redundancy payments on the closure of projects together with a reserve for possible future voluntary and/or compulsory redundancies of staff. In recognition of these obligations regular appropriations are made where necessary.

d Cessation reserve

The sum of £371,119 has been set aside to meet the financial obligations of the charity should it cease to exist.

General reserve

This reserve represents the funds, which are not currently designated for any specific purpose.

Restricted funds (See notes 13 and 17)

These funds are subject to specific conditions imposed by the donors.

*Incoming resources***Grants receivable**

A prudent estimate of grants receivable for the period is credited to income on receipt of notification from the grantor of a grant being made available for the period.

Where grants are received prior to the end of the financial year in respect of specific expenditure that is to be carried out during the following financial year, these grants are credited to the Statement of Financial Activities (SOFA) in the year of receipt.

The Grant in Aid from the Home Office is recorded in the Statement of Financial Activities in the year for which it relates, after a grant letter has been received stating the charity is entitled to the Grant in Aid and the amount is clearly stated. In the SOFA the grant has been allocated to the charity's activities in the same proportion as in the latest Trustee approved budget.

Donations

Donations are mainly from the corporate sector. These are recognised on an accruals basis where there is reasonable assurance of receipt.

Resources expended

Expenditure is classified between 'costs in the furtherance of charity's objects' and 'costs of generating funds'.

Costs in the furtherance of charity's objects

These include direct expenditures such as staff costs, premises and other operational costs for the core activities of the charity; best practice, dissemination and community initiatives.

Management and Administration includes 20% of the total Management and Administration costs while the remaining 80% are split between the other activities under 'Costs of Generating Funds' and 'Cost of Activities in Furtherance of the Charity's Objects'.

For the Neighbourhood Support Fund grants are administered for the Department for Education and Skills (DFES). These Grants are recorded in the Statement of Financial Activities in the period when they are paid out to the respective Groups and Umbrellas who receive funding for the Neighbourhood Support Fund.

Cost of generating funds

These include direct expenditures such as staff costs, premises and other operational costs for activities, which directly relate to generating income such as Training Income, Publications and other trading activities.

There were no fundraising activities or related costs in the year.

Pensions

CDF offers an occupational pension plan to all employees through the Pension Trust. This is a Money Purchase Plan, which equates to a defined contribution scheme. CDF contribute 10% of the gross salary to relevant staff. Staff make a contribution of 3.5% to match as well as any voluntary contributions that they wish to make. The Pension Trust provides an annual statement to participating individuals providing a broad estimate of their protected pension.

Pensions costs charged in the year amounting to £115,625. At the balance sheet date there were no prepaid pensions costs; however £11,109.35 was payable.

Liquid resources

This includes cash held on short-term deposit for at least a day in order to earn interest. All other cash held is cash at bank or in hand and is therefore disclosed as 'Bank and Cash' on the balance sheet.

Liabilities

A liability is recognised when a constructive obligation has arisen. This is either when there is a contract in place or when the goods or services have been satisfactorily received and a payment is due.

Deferred Income charges are made to spread the cost of assets purchased for restricted funds over the life of the restricted fund.

Bad debt provision

Bad debt provisions are made for debtors when there is a probable likelihood that they will not be recovered. This is usually determined as follows

- 25% of publications debtors greater than 1 month;
- 50% of publications debtors greater than 3 months; and
- 100% of debtors greater than 6 months.

Fixed assets

Fixed assets are included for assets greater than £100, which are held for continuing use by the charity. They are held at historic cost and depreciated on a straight-line basis over their estimated useful lives as follows:

	Year
Furniture and equipment	4

There has been no revaluation of assets in 2003-2004 or earlier years, as this continues to be immaterial.

Finance and operating leases

Costs in relation to operating leases are charged to the Statement of Financial Activity over the life of the lease. There were no finance leases.

Cash Flow Statement

Under Financial Reporting Standard 1 (revised), the charity is required to prepare a cash flow statement on the grounds of its size.

Taxation

As a charity CDF is exempt from corporation tax under Section 505 ICTA 1988. CDF is, however, registered for VAT and is not exempt from those requirements.

2 Activities in furtherance of the charity's objects

	Grant in Aid	Other grants	Other	Total	Total
	£	£	£	2004	2003
				£	£
Unrestricted incoming resources					
Donations and sponsorships	0	0	75	75	100
Management and administration	436,248	0	70,545	506,793	395,899
Community initiatives	277,096	0	18,031	295,127	199,507
Best practice	183,975	0	300	184,275	83,432
Dissemination	239,396	0	12,900	252,296	179,303
	<u>1,136,715</u>	<u>0</u>	<u>101,851</u>	<u>1,238,566</u>	<u>858,241</u>
Restricted incoming resources					
Black Country Connexions		91,407		91,407	0
Community fund		248,153		248,153	286,533
Community Scotland		256,717		256,717	46,566
Department for Education & Skills		6,054,602		6,054,602	15,124,279
Home Office	26,119	0		26,119	28,000
Learning & Teaching Scotland		35,381		35,381	40,000
Leeds City Council		0		0	4,042
NHS Scotland		140,543		140,543	116,951
Scottish Executive		0		0	38,890
SRB		0		0	1,155
Other income			874	874	7,671
Community initiatives	<u>26,119</u>	<u>6,826,803</u>	<u>874</u>	<u>6,853,796</u>	<u>15,694,087</u>
Activities in furtherance of the Charity's objects	<u>1,162,834</u>	<u>6,826,803</u>	<u>102,725</u>	<u>8,092,362</u>	<u>16,552,328</u>

3 Activities for generating funds

	Grant in Aid	Income Earning	Publications	Training	Other	Total	Total
	£	£	£	£	£	2004	2003
						£	£
Unrestricted resources							
Publications	76,765	0	45,234	0	0	121,999	128,694
Trading	132,401	457,680	0	90,059	180,290	860,430	734,871
Dissemination	0	17,500	0	0	0	17,500	0
Interest receivable			0	0	138,668	138,668	102,381
Restricted resources							
Trading	0	15,099	0	0	0	15,099	31,591
Activities for generating funds	<u>209,166</u>	<u>490,279</u>	<u>45,234</u>	<u>90,059</u>	<u>318,958</u>	<u>1,153,696</u>	<u>997,537</u>

The Grant in Aid for the year to 31 March 2004 was £1,372,000 (2003: £965,000).

4 Net expenditure for the year

	Staff-related costs £	Premises costs £	Operational costs £	Total 2004 £	Total 2003 £
Resources expended for the year					
<i>Cost of activities in furtherance of charity's objects</i>					
Management and administration	296,585	30,532	57,292	384,409	312,134
Community initiatives	1,033,457	44,243	6,537,535	7,615,235	14,221,987
Best practice	127,347	15,987	42,615	185,949	179,061
Dissemination	214,240	0	19,468	233,708	268,690
<i>Cost of generating funds</i>					
Publications	61,375	0	89,044	150,419	87,211
Trading	501,912	29,960	237,728	769,600	748,754
Net expenditure for the year	<u>2,234,916</u>	<u>120,722</u>	<u>6,983,682</u>	<u>9,339,320</u>	<u>15,817,837</u>

5 Net expenditure for the year

Net expenditure for the year is arrived at after charging

	Total 2004 £	Total 2003 £
Depreciation	39,764	29,578
Rent and rates	101,515	93,024
Communications and information	69,426	89,550
Telephone and postage	79,476	125,408
Insurance	13,421	8,358
Audit	15,000	12,450
Accountancy	3,684	4,604
Trustees costs	10,395	20,232

The audit fee for 2004 is £15,000 (2003: £12,450). No charge was applied to the internal audit conducted by the Home Office Audit and Assurance Unit.

Trustees receive no remuneration in respect of their services. Trustees received reimbursement of expenses amounting to £4,071 in 2003-2004 (£6,615 in 2002-2003). These included reimbursement for travel and other reasonable out of pocket expenses. Nine Trustees, including the Chairman, claimed expenses in 2003-2004 (10 in 2002-2003).

6 Staff emoluments

	2004	2003 (Restated)
	£	£
Wages and salaries	1,156,246	957,577
Social security costs	147,284	121,978
Pension costs	115,625	95,758
Agency staff	100,201	76,746
Consultancies	399,960	527,403
Other staff related costs	315,600	222,692
Total staff emoluments	<u>2,234,916</u>	<u>2,002,154</u>

Consultancies are incurred to help support various projects particularly activities which generate funds. They are integral to CDF's work. Included in Other Staff Related Costs are Recruitment, Induction, Travel and Subsistence and Management Fees.

Chief Executive's Emoluments	2004 No £
Basic pay at 31 March 2004	53,251

The Chief Executive has withheld consent to disclose her pension details.

The number of employees whose emoluments as defined for taxation purposes amounted to over 50,000 in the year were as follows

	Number of employees	
	2004	2003
£50,000 upwards	1	1

The average number of people, including part-time staff employed, during the year was 50 (2003:50).

7 Notional cost of capital

Notional cost of capital is calculated as 3.5% of the average capital employed by the Charity in the year. This disclosure is required as the charity is a Non-Departmental Public Body.

8 Tangible assets

	Furniture and Equipment £
Cost	
At 1 April 2003	303,394
Additions	38,976
Disposals	(815)
At 31 March 2004	341,555
Depreciation	
At 1 April 2003	215,914
Charge for the year	39,764
Disposals	(815)
At 31 March 2004	254,863
Net book value at 31 March 2004	86,692
Net book value at 31 March 2003	87,480

All of the tangible assets shown above are used for direct charitable purposes.

9 Debtors due within one year

	2004 £	2003 £
Sundry debtors	160,319	3,990,419
Prepayments	8,291	5,961
	168,610	3,996,380

10 Debtors due after more than one year

CPF Trust Debtor	80,449	89,010
Loan to CPF Trust	200,000	200,000
	280,449	289,010
Total debtors	449,059	4,285,390

The Community Development Foundation has loaned a sum of £200,000 to CPF Trust Limited to assist in the purchase of the freehold of 60 Highbury Grove, London N5, and the Foundation's headquarters. The loan is for a period of 15 years, carries a rate of interest of 4% and is secured by a second mortgage on the property.

At 31 March 2004 and at current property values it is probable that, in the event of a sale of the property, sufficient funds would be obtained to repay the Foundation's loan in full.

Included in the CPF Trust Debtor is the amount that CPF Trust owes Community Development Foundation for financing the property related costs after taking into account what Community Development Foundation owes CPF Trust for renting the premises.

Sundry debtors at 31 March 2003 included £3.7 million due from the Department for Education and Skills (DFES) to fund the Neighbourhood Support Fund. At 31 March 2004, no comparable payment was owed to CDF as all monies due from the DFES were received before the year-end.

11 Creditors due in less than one year

	2004 £	2003 £
Loans and overdrafts	124,826	113,354
Payroll & pensions	49,648	67,615
Accruals	54,067	27,498
Deferred income	31,847	30,697
Trade creditors	158,034	2,988,039
	<u>418,422</u>	<u>3,227,203</u>

Sundry creditors at 31 March 2003 included £2.6 million, which was due to be paid to Groups and Umbrellas involved in the Neighbourhood Support Fund funded by the Department for Education and Skills. At 31 March 2004 no comparable amount was due as payments were made before 31 March 2004.

12 Unrestricted funds

	Balance at 1 April 2003 £	Movement in Funds		Balance at 31 March 2004 £
		Designations £	Releases £	
Loans and fixed assets	247,586	0	0	247,586
Specific reserve	738,680	801,807	(172,284)	1,368,203
General redundancy	94,253	17,121	(13,100)	98,274
Cessation fund	371,119	0	0	371,119
Designated grants	169,367	0	(15,300)	154,067
Total designated funds	1,621,005	818,928	(200,684)	2,239,249
General reserve	217,652	87,026	(217,652)	87,026
Total unrestricted funds	<u>1,838,657</u>	<u>905,954</u>	<u>(418,336)</u>	<u>2,326,275</u>

13 Restricted funds

	Balance at 1 April 2003 £	Movement in Funds Designations Releases		Balance at 31 March 2004 £
	£	£	£	£
Bangor Project Community Fund	87,950	110,354	(127,592)	70,712
Canterbury People's Group	4,956	0	0	4,956
West Midlands Objective	0	0	(60)	(60)
Community Forum	430	0	0	430
Community Health Exchange	21,055	140,423	(160,904)	574
Community Resource Fund	14,531	0	0	14,531
Scottish Community Action Research Fund	30,669	143,653	(119,636)	54,686
Gurnos & Treharris Project	0	0	0	0
Learning Action Centres DFEE	303	0	135	438
Learning Action Centres DTI	2,279	0	0	2,279
Leeds City Council Project	306	0	0	306
Leicester Practice Learning Centre	3,722	0	0	3,722
Local Initiatives	974	0	0	974
London Survivors Group	325	0	0	325
Measures of Community Shares	7,000	0	0	7,000
Neighbourhood Support Fund	1,994,519	6,156,009	(6,658,114)	1,492,414
Policy Action Team 15	1,757	0	0	1,757
Regional Links Project	5,313	26,119	(27,536)	3,896
Connecting Communities	26,168	35,380	(53,381)	8,167
Self Advocacy Team	1,510	0	0	1,510
Small Grants Project (Manage)	85	0	0	85
Somali Project (CRETETA)	2,093	0	0	2,093
Welsh Community Strategy	25,000	0	(14)	24,986
Women Connect Phase 2	54,873	147,457	(153,550)	48,780
Working Together Learning Together	85,573	0	(53,459)	32,114
WUC Research	767	0	(23)	744
Standards	0	104,500	(93,004)	11,496
Resource	0	5,000	(2,637)	2,363
Total restricted funds	2,372,158	6,868,895	(7,449,775)	1,791,278

In the year £27,000 was transferred from Scottish Community Action Research Fund and £18,000 from Connecting Communities to a Specific Reserve held for the Scottish Development Centre as a reimbursement for management time spent on these projects in the year to 31 March 2003.

The Community Health Exchange has received £5,000 of funding from Specific Reserves to cover advice and guidance produced on 'Community Health Partnerships' and on the 'Sustainability of Community Health Initiatives'.

14 Other charitable funds

This fund represents movement through the profit and loss reserve in the year

	Balance at 1 April 2003 £	Movement in Funds Designations Releases		Balance at 31 March 2004 £
	£	£	£	£
Accumulated fund	0	487,619	(487,619)	0

15 Reconciliation of funds

	2004 £	2003 £
Opening funds as at 1 April	4,210,815	2,478,787
Movement in restricted funds	(580,880)	1,641,972
Movement in unrestricted funds	487,619	90,056
Funds carried forward at 31 March	4,117,553	4,210,815

	Restricted Funds £	General Funds £	Designated Funds £	Total £
Fixed assets	33,075	53,617		86,692
Net current assets	1,758,203	33,409	2,239,249	4,030,861
Total funds	1,791,278	87,026	2,239,249	4,117,553

16 Related party

During the financial year, CDF transacted with CPF Trust Limited, an incorporated charity that was deemed to be a related party by virtue of having some Trustees in common and because CPF Trust Limited owns the head offices occupied by CDF (60 Highbury Grove), which is part financed through a loan from CDF. Details of these transactions and the balance between the two entities are shown below

	2004 £	2003 £
Interest receivable on loan with CPF Trust Limited	8,000	7,000
Interest receivable on debtor balances	8,777	7,754
Rent payable to CPF Trust Limited	(27,365)	(28,935)
Other administration costs	2,027	5,685

As at 31 March 2004 the amount receivable from CPF Trust Limited amounted to £280,449 (2003: £289,010).

Following the year end, the Chief Executive of CDF and the Trustees on CDF's Finance Committee have been made directors of CPF Trust Limited. This change in control of CPF Trust limited will be reflected in future years' accounts.

CDF received a Grant in Aid of £1,372,000 in 2003-2004 (2002-2003: £965,000) from the Active Community Department of the Home Office. CDF also received funding from the Department of Education and Skills amounting to £6,054,602 (2002-2003: £15,124,279).

17 Funders

The projects were funded in 2003-2004 by the following organisations

Project	Funding Organisation
Bangor Project Community Fund	Community Fund
Community Health Exchange	NHS Scotland
Community Resource Fund	Active Community Department of the Home Office
Connecting Communities	Learning for Scotland
Gurnos & Treharris project	ERDF/Hoover Foundation
Learning Action Centres	Department for Education and Skills
Leeds City Council Project	Leeds City Council
Local Initiatives	Joseph Rowntree Foundation
Neighbourhood Support Fund	Youth Inclusion Team of the Department for Education and Skills
Regional Links project	Active Community Department of the Home Office
Resource	The Council for Museums
Scottish Community Action Research Fund	Communities Scotland
Small Grants Projects (Manager)	Department for Education and Skills
Somali project	SRB
Standard	Communities Scotland
Women Connect	Community Fund
WUC	Department for Education and Skills

An outline of the purposes and restrictions of each of the Restricted Funds is detailed below and overleaf.

Restricted funds	Purpose	Restrictions
Bangor Project Community Fund	A project working in Bangor community on social and economic regeneration	Timing, Methodology, Adherence to Purpose
Canterbury Peoples' Group	Estate based community development project to work with tenants on regeneration of their area	Timing, Methodology, Adherence to Purpose
Community Forum	Commissioned from Home Office to promote dialogue for local policy making	Timing, Methodology, Adherence to Purpose
Community Health Exchange	Community health networking	Timing, Methodology, Adherence to Purpose
Community Resource Fund	Research into social inclusion and regeneration	Timing, Methodology, Adherence to Purpose
Connecting Communities	Evaluation of impact of national programme to enhance use of Information and Communication Technology in communities	Timing, Methodology, Adherence to Purpose
Gurnos & Treharris Project	A project to build the organisational capacity of both communities and take forward renewal programmes	Timing, Methodology, Adherence to Purpose
Learning Action Centres	Centres established to manage the establishment of Information and Communication Technology	Timing, Methodology, Adherence to Purpose

Restricted funds	Purpose	Restrictions
Leicester Practice Learning Centre	A training centre for community workers wishing to work in community groups	Timing, Methodology, Adherence to Purpose
Leeds City Council Project	A project to develop the skills and knowledge of 12 unemployed people in order so they can undertake a qualitative audit of employment issues and social care needs	Timing, Methodology, Adherence to Purpose
Local Initiatives	Various studies of social and economic regeneration	Timing, Methodology, Adherence to Purpose
London Survivors Group	Project to set up a network of support for people with mental health issues in the London Area.	Timing, Methodology, Adherence to Purpose
Measures Of Community Shares	Study to analyse ways of judging whether communities are flourishing	Timing, Methodology, Adherence to Purpose
Neighbourhood Support Fund	Established to test community based approaches to reintegrating disaffected young people into the community	Timing, Methodology, Adherence to Purpose
Policy Action Team 15	Project of work in relation to social exclusion, in order to produce policy	Timing, Methodology, Adherence to Purpose
Regional Links Project	A project which is establishing regional/national links in relation to community development policy and best practice	Timing, Methodology, Adherence to Purpose
Resource	Community development initiatives	Timing, Methodology, Adherence to Purpose
Scottish Community Action Research Fund (SCARF)	Commissioned to select communities, supply research mentors, manage and evaluate an initiative designed to enable community organisations to develop, commission and make use of their own research.	Timing, Methodology, Adherence to Purpose
Self Advocacy Team	Initiative which is assisting a local project in enabling people with mental illnesses to relate to public services and utilise self-help	Timing, Methodology, Adherence to Purpose
Small Grants Project	Established to support and monitor small community based online centres	Timing, Methodology, Adherence to Purpose
Somali Project	Somali refugee employment Training Project in Tower Hamlets	Timing, Methodology, Adherence to Purpose
Standards	The creation of standards to be used by practitioners on community development	Timing, Methodology, Adherence to Purpose

Restricted funds	Purpose	Restrictions
Welsh Community Strategy	Programme of capacity building and support of 5 local regeneration programmes in Wales	Timing, Methodology, Adherence to Purpose
Women Connect Phase 2	A project to build organisational capacity through the use of information and communication technology for the female community	Timing, Methodology, Adherence to Purpose
Working Together Learning Together	A project to build community participation and develop skills	Timing, Methodology, Adherence to Purpose
WUC Research	Research commission for DfES	Timing, Methodology, Adherence to Purpose

18 Reconciliation of net outgoing)/incoming resources before revaluations and investment asset disposals to net Cash Flow from operating activities

	2004 £	2003 £
Net (outgoing)/incoming		
Resources before revaluations & investment asset disposals	(93,262)	1,732,028
Depreciation	39,764	29,578
Decrease/(increase) in debtors	3,836,331	(3,424,743)
(Decrease) in creditors	(2,820,253)	(436,700)
Net cash inflow/(outflow) from operating activities	<u>962,580</u>	<u>(2,099,837)</u>

19 Reconciliation of net cash flow to movement in net funds

	2004 £	2003 £
Change in cash for the period	(15,436)	(47,342)
Cash inflow/(outflow) from changes in liquid resources	939,040	(2,115,591)
Changes in net funds resulting from cash flows	923,604	(2,162,933)
Net funds at beginning of year	2,951,794	5,114,727
Net funds at end of year	<u>3,875,398</u>	<u>2,951,794</u>

20 Analysis of net funds

	At 1 April 2003 £	Cash flow £	At 31 March 2004 £
Cash available on demand	58,870	(3,964)	54,906
Overdrafts	(113,354)	(11,472)	(124,826)
Increase in cash for the period	(54,484)	(15,436)	(69,920)
Liquid resources			
Short term deposits	<u>3,006,278</u>	<u>939,040</u>	<u>3,945,318</u>
Net funds at end of year	<u>2,951,794</u>	<u>923,604</u>	<u>3,875,398</u>

21 Other commitments

The total commitments due in 2004-2005 under operating leases for rented accommodation are £98,252. All leases expire within one year as we are in the process of moving regional offices. There are no commitments due in more than one year.

22 Financial instruments

FRS13 Derivative and Other Financial Instruments, requires disclosure of the role financial instruments have in the CDF's activities during the year. However, FRS13 does not include debtors or creditors due in more than one year.

CDF have no derivatives, long-term debt or borrowing facilities.

23 Post balance sheet events

There were no other post balance sheet events other than those referred to in Note 16: 'Related Party'.

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

DG Ref: B73037 5543WC

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
06/05

Published by TSO (The Stationery Office) and available from:

Online

www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail
TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline

Lo-call 0845 702 3474

E-mail book.orders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

TSO Accredited Agents
(see Yellow Pages)

and through good booksellers

ISBN 0-10-328521-0



9 780103 285214