

ARC COMMUNITY TRUSTEES

(Company limited by guarantee)

Report and Financial Statements for the year ended 31 March 2022

*Charity number 1130383
Company number 06777508*

ARC COMMUNITY TRUSTEES

(Limited by Guarantee)

for the year ended 31 March 2022

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for the year ended 31 March 2022

Administrative information

Trustees

Susanne Traudt (Chairperson)

James Rickard (Deputy-Chairperson) (Treasurer February 2020 to August 2021)

Elinor Wilkes (Treasurer) (appointed 16 August 2021)

Thomas Wood (appointed 30 August 2021)

Gillian Walley (appointed 22 April 2021)

Holly Marshall

Peter Ames (resigned 2 September 2021)

Company registration number

06777508

Charity registration number (England and Wales)

1130383

Company Secretary

Nathan Maknight Company Secretarial Limited

Bankers

C. Hoare & Co.

Auditors

Lubbock Fine LLP

Paternoster House

65 St Paul's Churchyard

London

EC4M 8AB

Registered Office

39 Crosby Row,

London,

SE1 3YD

Trustees Annual Report

ARC COMMUNITY TRUSTEES

(Limited by Guarantee)

for the year ended 31 March 2022

The Trustees present their report and the audited financial statements for the year ended 31 March 2022.

The financial statements have been prepared in accordance with the accounting policies set out on pages 15 and 16 and comply with the Memorandum and Articles of Association, applicable laws and the requirements of the Financial Reporting Standard applicable in the UK and Republic of Ireland (The FRS 102 Charities SORP), the Charities Act 2011 and the Companies Act 2006.

Structure, Governance and Management

Governing document

The organisation is a charitable company limited by guarantee, incorporated on 19th December 2008 and registered as a Charity on 26th June 2009. The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. In the event of the company being wound up, members are each required to contribute an amount not exceeding £10.

Recruitment and appointment of directors

The directors of the company are also Charity Trustees for the purposes of Charity law. Under the requirements of the Memorandum and Articles of Association, directors are elected to serve for a period of three years after which they must be re-elected at the next Annual General Meeting. All directors give their time voluntarily and receive no benefits from the Charity. Due to the nature of the Charity's work, there is particular focus upon the welfare of young children. The directors seek to ensure that the best interests of the charity and ultimately the children served by the charity are appropriately reflected through the diversity of the Trustee body. The more traditional business skills are well represented on the Board. In an effort to maintain this broad skill mix, members of the Board are requested to provide a list of their skills (and update it each year) and in the event of particular skills being lost due to retirement, individuals are approached to offer themselves for election to the Board. In the event that a new member joins the Board there is no formal induction process. The training requirements of Board members are assessed periodically on a case by case basis, however mandatory training is uniformly undertaken.

Organisational structure

The Charity has a Board of Directors which meets periodically throughout the year and is responsible for the strategic direction and policy of the Charity, including the approval of budgets and the exercising of financial controls. At present, the Board has six members from a variety of professional backgrounds, and each takes a nominal lead role across specific areas e.g., operational support, comms and marketing, maintenance, parent liaison.

A scheme of delegation is in place and day to day responsibility for the provision of the services rests with the Nursery Manager. The finance function is externally contracted to a firm of accountants. The Nursery Manager is responsible for ensuring that the Charity delivers the services specified and that key performance indicators are met. The Nursery Manager has responsibility for the day-to-day operational management of the nursery, individual supervision of the staff team and also ensuring that the team continue to develop their skills and working practices in line with good practice. The performance and remuneration of the Nursery Manager is reviewed in the context of certain mutually agreed metrics each year by a sub-committee of the Board.

Risk Management

The Board reviews on an annual basis the major risks to which the Charity is exposed. Where appropriate, systems or procedures have been established to mitigate the risks the Charity faces. Internal control risks are minimised by the implementation of procedures for authorisation of all transactions and projects. Procedures are in place to ensure compliance with Health and Safety of staff, volunteers, clients and visitors to the nursery. These procedures are periodically reviewed to ensure that they continue to meet the needs of the Charity.

Whilst the impact of COVID-19 during April 2021 to March 2022 has not been as severe as the previous year, potential risks associated with surge periods (Omicron) in relation to staff sickness and pre-school childcare provision have been closely monitored. In addition, financial implications of potential closures was

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understood (building on scenario modelling from the previous year) and closely monitored throughout the year to allow for mitigations to be enacted if required.

Mission, Purpose and Objectives

The Charity reviews the aims, objectives and activities each year. This review looks at what has been achieved and the outcomes of work in the prior period. The review looks at the success of each key activity and the benefits they have brought to those groups of people the Charity is set up to help. The review also helps the Board ensure the aims, objectives and activities remained focused on the Charity's stated purposes.

Our Mission

To provide accessible, responsive childcare and related services to the local community (predominantly London, SE1). This aim is incorporated in a motto, namely, "Families working together for their own and each other's children".

Our Charitable Purpose

We aim to provide childcare of the highest standard, including affordable and vulnerable places, to families living and working in the local community.

Our Objectives

The Charity's objectives are:

- To enhance the development and education of children, principally below statutory school age, by providing childcare and early learning for children and families;
- To provide activities to enhance parental skills and child development; and
- To provide advice and assistance to families in relation to the costs of childcare.

The Charity recognises that its financial position must be sound and secure and that its activities should be managed with a view to at least breaking even each year.

Public benefit

The Trustees have referred to the Charity Commission guidance on public benefit in setting the aims and objectives of the Charity and its future plans.

Measuring our achievements against the Charity's objectives

The Charity has discharged its objectives by pursuing two complementary activities in the year to 31 March 2022. Firstly, the core activity of the Charity is to provide high quality early pre-school education and care through the provision of services at the Arc Nursery. In addition, as a core component of this service provision the Charity provides places to children on a substantially subsidised basis. These places are not fixed in number and their allocation to children is determined by the Trustees on the basis of need. The Trustees are satisfied that the Charity performed adequately well during the period under review considering each of their objectives, with a view to focusing on the core objectives of the charity.

Review of the year

This year has shown an increase in incoming resources for the Charity. Revenue from restricted and unrestricted sources increased by some £42,215 (2021: £56,604 decrease). The balance of restricted reserves of the Charity increased by £943 (2021: £42) whereas unrestricted reserves increased by £10,771 (2021: £68,061 decrease). Our unrestricted reserves at the end of the financial year were £89,278 (2021: £78,507).

Overall review of the Charity's performance

The Trustees are reasonably satisfied with the Charity's overall performance during the year under review. Income from charitable activities increased and occupancy levels achieved were broadly consistent with the Charity's operating targets.

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Whilst the health impact of COVID-19 has been less than the previous financial year (and with fewer closures), there were infection rate surges that impacted the nursery through sickness and general fatigue. This, combined with an industry wide challenge to fill vacancies, limited the occupancy targets that could be achieved, therefore reducing income, and also created a reliance on agency fill at higher costs. Management and the Trustees worked hard to recruit to key roles and to mitigate risks associated with vacancies, preserving early years staffing ratios, and to ensure the safety and well-being of staff and children.

Three new Trustees were appointed in summer 2021 which has helped to bolster the Board skills, capability and capacity, and overall parent satisfaction remains high.

Financial Review

The Trustees are satisfied that the underlying financial performance of the Charity remains robust. Overall average occupancy increased to 68% (2021: 61%). The fee rates were increased modestly with effect from 1 January 2022, and the terms and conditions reviewed to tighten certain policy aspects pertaining to seasonal fluctuation. Going forward there will be an annual review of fees, which has been communicated to parents, taking into account local comparators to ensure competitiveness. The Charity's financial performance will continue to be largely determined by the mix of the relevant age groups of children attending the Nursery and, crucially, overall occupancy levels throughout the year. In addition, the necessity to use agency staff and also recruitment agencies both with associated higher costs has impacted negatively on pay budgets.

In-year impact from COVID-19 was less than the previous year, however the Board had previously modelled various scenarios to be satisfied that the nursery would be able to survive a period of reduced revenues if it was forced to close through a combination of a reduction in operating costs and managing use of the cash reserves. The financial position of the nursery was closely tracked during the year, with efforts to minimise spend where appropriate, and avoid closures.

Work is ongoing to bring the nursery back to pre-covid occupancy levels and the Charity has seen demand begin to return with the number of families living in the Arc's catchment area increasing. However, the Arc has experienced significant recruitment challenges (seen industry wide) which has negatively impacted on the ability to increase occupancy levels and service the demand.

Fundraising activities

The Charity received the following grants during the year. All restricted grants have been or will be used for the purposes for which they were given.

Southwark Council – Restricted grant	
For 'Deprivation funding'	£4,783 (2021: £5,742)
Southwark Council – Restricted grant	
Early Years Pupil Premium	£nil (2021: £nil)
Southwark Council – Restricted grant	
Early Years SEND Inclusion Fund	£198 (2021: £198)
Southwark Council – Restricted grant	
COVID-19 Community Fund	£nil (2021: £1,000)

Reserves policy

It is the policy of the Charity that unrestricted funds which have not been designated for a specific use should be maintained at a level equivalent to at least six month's budgeted expenditure. The Trustees consider that reserves at this level will ensure that, in the event of a significant decline in attendances and therefore fee income, they will be able to continue the Charity's current activities while consideration is given to ways in which additional funds may be raised. Under this policy, the year-end free reserves target should be no less than £377,036 (2021: £340,201). For the year ended 31 March 2022, the Charity's free reserves stood at £89,278 (2021: £78,507). The Trustees acknowledge that the level of free reserves available to the Charity have significantly declined in recent years and must be rebuilt as a matter of priority. For the year ended 31 March 2022, the Charity's restricted funds stood at £985 (2021: £42).

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Investment policy

The Charity maintains its banking facilities with C. Hoare & Co., 37 Fleet Street, London, EC4P 4DQ. All surplus funds are maintained in short and long term deposits held with its main bankers.

Future plans

Following inspection by OFSTED in July and December 2018, at which the rating of the nursery was held to be 'inadequate', a robust plan of improvement was implemented, duly led by a new management team at the nursery. The new management team has been supported by the Trustees and the Local Authority throughout this improvement plan and the necessary changes to practice and procedure were acknowledged by OFSTED at the review meeting in May 2019, at which time the nursery's rating was amended from 'inadequate' to 'good'. The nursery management team and Trustees remain committed to maintaining the current 'good' rating while aiming to be 'outstanding' at the next OFSTED review meeting.

COVID-19 impact on charitable activities April 2021 onwards and risk mitigation

Initially during the government-imposed closure of the nursery, the Charity was unable to provide early years education and care in the nursery setting with the exception of keyworkers' children. However, staff continued to maintain contact with the guardians of affected children throughout the period to provide support. Gratefully during the financial year April 2021 to March 2022, the impact of COVID-19 lessened due to a national wide vaccine programme coupled with continued restrictions to a greater or lesser extent as variants emerged.

The Board worked closely with the management team to ensure that The Arc acted appropriately to ensure the safety of the staff and children throughout the year, and to take advantage of government financial support available. A key aim for the Board was to strive to avoid closures of The Arc as long as there were safe staffing ratios, and the children and parents were benefitting.

Whilst occupancy levels remained lower than pre pandemic, the nursery was able to operate throughout the year, and the Board with management monitored and discussed the COVID-19 risks on a regular basis.

The Trustees and management team will continue to further develop the nursery's operating plan to keep pace with the evolving landscape to deliver safe pre-school education in line with changing government guidance on operating a Covid secure environment.

Auditors

Lubbock Fine have indicated their willingness to continue in office. They are deemed to be reappointed in accordance with section 487(2) of the Companies Act 2006.

Trustees' Responsibilities Statement

The Trustees (who are also directors of ARC Community Trustees Limited for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

- So far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- That Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

The financial statements and this report have been prepared in accordance with current legislation and the statement of recommended practice "Accounting and Reporting by Charities" (January 2019).

These financial statements have been prepared in accordance with the special provisions available to small companies under Part 15 of the Companies Act 2006 and the Financial Reporting Standard 102.

These accounts were approved by the Board on..... and signed on their behalf by:

.....
Elinor Wilkes
Treasurer

COMPANY NUMBER: 06777508

Independent Auditors' Report to the members of ARC COMMUNITY TRUSTEES

(Limited by Guarantee)

for the year ended 31 March 2022

OPINION

We have audited the financial statements of Arc Community Trustees (the 'Charitable Company') for the year ended 31 March 2022 which comprise the Statement of financial activities, the Balance sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 Charitable Company's affairs as at 31 March 2022 and of its 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 Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 charitable company'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. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' 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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Independent Auditors' Report to the members of ARC COMMUNITY TRUSTEES

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for the year ended 31 March 2022

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Trustees' Report and from the requirement to prepare a Strategic Report.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Trustees' Responsibilities Statement, the Trustees (who are also the directors of the Charitable Company for the purposes of company law) 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 Auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Independent Auditors' Report to the members of ARC COMMUNITY TRUSTEES

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for the year ended 31 March 2022

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- The nature of the sector and the impact of Covid 19 on financial and operating performance and policies;
- Enquiries of management, including obtaining and reviewing supporting documentation, concerning the charity's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance of laws and regulations.
- Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. The engagement team includes audit partners and staff who have extensive experience of working with charities in similar sectors and this experience was relevant to the discussion about where fraud risks might arise.

We also obtained an understanding of the legal and regulatory framework that the charity operates in, focusing on provisions of those laws and regulations that had direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Charities SORP 2019, FRS 102 and Ofsted regulations.

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 may be fundamental to the charity's ability to operate or to avoid a material penalty.

As a result of these procedures, we considered the particular areas that were susceptible to misstatement due to irregularity, including fraud were in respect of income recognition, management override, going concern and non-compliance with Ofsted regulations. Our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Enquiring of management concerning actual and potential litigation and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reading minutes of meetings of those charged with governance;
- Reviewing income recognition on a sample basis to identify any cut off errors or the incorrect recognition and classification of grant income;
- In addressing the risk of fraud through management override of controls; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the rationale of any significant transactions that are unusual or outside the normal course of the charity's operations;
- Detailed reviews and challenge of cash forecasts prepared by management covering a period of at least one year from the signing of the audit report;
- Enquiring of management regarding noncompliance with Ofsted regulations and corroborating with Ofsted register filings.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

Independent Auditors' Report to the members of ARC COMMUNITY TRUSTEES

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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 Auditors' Report.

USE OF OUR REPORT

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Chandra (Senior Statutory Auditor)
for and on behalf of
Lubbock Fine LLP
Chartered Accountants & Statutory Auditors
Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Date:

ARC COMMUNITY TRUSTEES

(Company limited by guarantee)

Statement of Financial Activities

(Incorporating an Income and Expenditure Account)

for the year ended 31 March 2022

		2022	2022	2022	2021	2021	2021
		Restricted	Unrestricted	Total	Restricted	Unrestricted	Total
	Notes	£	£	£	£	£	£
Income from:							
Donations		-	-	-	-	200	200
Charitable activities		1,100	706,889	707,989	-	597,389	597,389
Grants		4,981	2,408	7,389	6,940	67,960	74,900
Other trading activities		-	385	385	-	1,059	1,059
Total income	2	6,081	709,682	715,763	6,940	666,608	673,548
Expenditure on:							
Charitable activities		5,155	698,894	704,049	6,898	734,669	741,567
Total charitable expenditure	3	5,155	698,894	704,049	6,898	734,669	741,567
Transfers between funds	12	17	(17)	-	-	-	-
Net income / (expenditure) for the year		943	10,771	11,714	42	(68,061)	(68,019)
Total funds brought forward		42	78,507	78,549	-	146,568	146,568
Funds at the end of the year	12	985	89,278	90,263	42	78,507	78,549

There were no recognised gains or losses other than the surplus reported for the financial year.

The net movements in funds for the year derived from the charity's continuing activities.

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Balance Sheet

As at 31 March 2022

	Notes	£	2022 £	2021 £
Fixed assets				
Tangible fixed assets	7		<u>9,575</u>	<u>1,145</u>
Current assets				
Debtors	8	43,910		36,470
Cash at bank and in hand		<u>157,704</u>		<u>152,832</u>
		201,614		189,302
Creditors: amounts falling due within one year	9	<u>120,926</u>		<u>111,898</u>
Net current assets / (liabilities)			<u>80,688</u>	<u>77,404</u>
Net assets	12		<u>90,263</u>	<u>78,549</u>
Funds	12			
Restricted funds			985	42
Unrestricted funds			<u>89,278</u>	<u>78,507</u>
Total funds			<u>90,263</u>	<u>78,549</u>

The notes on pages 15 to 22 form a part of these financial statements.

These accounts have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard 102 (FRS 102).

The financial statements were approved by the Board and authorised for distribution on
and signed on its behalf by:

.....
Elinor Wilkes
Treasurer

Company number 06777508

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Cash Flow Statement

for the year ended 31 March 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Net cash provided / (used) by operating activities	13		<u>17,612</u>		<u>(95,465)</u>
Cash flows from investing activities:					
Cost of purchasing tangible fixed assets		(13,125)		(1,082)	
Bank interest receivable		<u>385</u>		<u>1,059</u>	
Net cash used by investing activities			(12,740)		(23)
Change in cash and cash equivalents in the reporting period			<u>4,872</u>		<u>(95,488)</u>
Cash and cash equivalents at the beginning of the reporting period			152,832		248,320
Cash and cash equivalents at the end of the reporting period			<u>157,704</u>		<u>152,832</u>

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Notes to the financial statements for the year ended 31 March 2022

1. Accounting policies

- a) These financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The Charitable Company is a public benefit company for the purposes of FRS 102 and therefore the Charity also prepared its financial statements in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (The FRS 102 Charities SORP), the Companies Act 2006 and the Charities Act 2011.

The trustees have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the charity to continue as a going concern. The trustees have made this assessment for a period of at least one year from the date of approval of the audit report in the financial statements. In particular the trustees have considered the charity's forecasts and projections. After making enquiries the trustees have concluded that there is a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. It is important to note that future developments around the ongoing Covid-19 pandemic such as restrictions requiring the part closure of the nursery and level of available government support schemes, may impact the forecasts and cannot be fully predicted. In addition, the Charity is likely to be impacted by inflation generally over the coming year. However the Trustees believe that the Charity has sufficient reserves to continue operating as a going concern. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

The following principal accounting policies have been adopted in preparing the financial statements.

- b) Incoming resources include the total amount of grants, voluntary income and nursery fees receivable and are recognised when there is entitlement to the funds, the receipt is probable and the amount can be measured reliably. Revenue and capital grants are accounted for gross when notification is received. Where the grants specify the time period they relate to, they are recognised as income in that period. Other grants are recognised as income when received.
- c) Resources expended are recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefit will be required in settlement and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. The Charity is not registered for VAT and its expenses are therefore inclusive of VAT which cannot be recovered.
- d) Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which is an estimate, based on staff time, of the amount attributable to each activity.

Incoming resources from charitable activities	90.0%
Governance and support	10.0%

- e) Governance and support costs include the management of the Charity's assets, organisation and management, and compliance with constitutional and statutory requirements. The only governance costs included in the accounts relate to audit fees as disclosed in note 4.

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Notes to the financial statements for the year ended 31 March 2022

- f) Individual fixed assets costing £100 or more are capitalised at cost and are depreciated over their estimated useful economic life. The depreciation rates in use are as follows:

Office equipment	25% straight line
Fixtures and fittings	25% straight line
Leasehold improvements	Over the lease term
Leasehold improvements (additional)	Over 3 years

- g) Unrestricted funds comprise accumulated surpluses of general funds and these are available for use at the discretion of the Trustees in the furtherance of the general charitable objectives of the Charity.
- h) Restricted funds are those that can only be used for restricted purposes within the objects of the Charity. Restrictions arise when specified by donors or when funds are raised for particular restricted purposes.
- i) Trade and other debtors are recognised at the settlement amount due after any discount offered. Prepayments are valued at the amount prepaid net of any discounts due.
- j) Cash at bank and cash in hand include funds available to the Charity immediately in current and deposit accounts and petty cash.
- k) 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 measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any discounts due.
- l) The Charity 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 amortised cost.
- m) ARC Community Trustees provides all employees access to a designated stakeholder pension scheme. Contributions made by the employee are matched by the company up to a maximum of 6% of the employee's annual salary.
- n) Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

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Notes to the financial statements for the year ended 31 March 2022

2. Total income

	2022 Unrestricted £	2022 Restricted £	2022 Total £	2021 Unrestricted £	2021 Restricted £	2021 Total £
Donations						
<i>Parent donation</i>	-	-	-	200	-	200
Charitable activities						
<i>Nursery school fees</i>	706,889	-	706,889	597,389	-	597,389
<i>Workplace Nursery Scheme Contributions</i>	-	1,100	1,100	-	-	-
Grants						
<i>Southwark Council deprivation funding</i>	-	4,783	4,783	-	5,742	5,742
<i>Southwark Council Early Years Pupil Premium</i>	-	-	-	-	-	-
<i>Southwark Council Early Years SENDIF funding</i>	-	198	198	-	198	198
<i>Southwark Council COVID-19 Community Fund</i>	-	-	-	-	1,000	1,000
<i>COVID-19 Furlough grant</i>	2,408	-	2,408	67,960	-	67,960
Other trading activities						
<i>Bank interest receivable</i>	385	-	385	1,059	-	1,059
Total income	709,682	6,081	715,763	666,608	6,940	673,548

During the year, the nursery received 'Deprivation funding' in respect of children aged under five years of age, who on the relevant headcount day, were eligible to receive free nursery education at the charity's main nursery setting. The eligibility criteria are set by Southwark Council and the grant is based on information submitted to the Council. The charity provided free early years education to all such eligible pupils.

3. Total charitable expenditure

Expenditure on charitable activities

	Unrestricted £	Restricted £	Support and governance £	2022 Total £	2021 Total £
Direct costs	103,235	5,040	-	108,275	141,997
Staff costs (See Note 5)	394,294	-	6,459	400,753	410,464
Nursery occupancy costs	123,779	115	-	123,894	125,389
Other operating charges	32,771	-	33,845	66,616	60,795
Depreciation (See Note 7)	4,511	-	-	4,511	2,922
Total resources expended	658,590	5,155	40,304	704,049	741,567

Expenditure on charitable activities

	Unrestricted £	Restricted £	Support and governance £	2021 Total £
Direct costs	135,099	6,898	-	141,997
Staff costs (See Note 5)	403,779	-	6,685	410,464
Nursery occupancy costs	125,389	-	-	125,389
Other operating charges	26,240	-	34,555	60,795
Depreciation (See Note 4)	2,922	-	-	2,922
Total resources expended	693,429	6,898	41,240	741,567

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Notes to the financial statements for the year ended 31 March 2022

4. Net outgoing resources for the year

This is stated after charging:

	2022 £	2021 £
Depreciation	4,511	2,922
Auditors' remuneration:		
Current year	6,600	6,000
Operating lease payments	103,634	103,425

5. Staff costs and numbers

Staff costs were as follows:

	2022 £	2021 £
Salaries and wages	370,682	380,940
Social security costs	20,866	21,010
Pension contributions	9,205	8,514
	400,753	410,464

None of the employees earned over £60,000 during the year.

The average weekly number of employees analysed by activity was as follows:

	Headcount method 2022 No.	Full-time equivalent 2022 No.	Full-time equivalent 2021 No.
Teaching staff	21	16	18
Governance and support	4	3	3
	25	19	21

A number of volunteers assist with the activities of the Charity. As these volunteers are not employed by the charity, they are not included in the above note.

Key management personnel and Trustees

No trustee received any remuneration in the current year or the previous year. Key management personnel received remuneration of £48,664 (2021: £47,184) including employers national insurance contributions (NIC) and pension.

During the year Trustees received reimbursement of expenses amounting to £186 (2021: £nil)

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Notes to the financial statements for the year ended 31 March 2022

6. Taxation

The Charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

7. Tangible fixed assets

	Leasehold Improvements £	Leasehold Improvements Additional £	Fixtures & Fittings £	Office Equipment £	Total £
COST					
At 1 April 2021	248,297	13,632	40,386	19,529	321,844
Additions in the year	-	10,325	-	2,800	13,125
Disposals in the year	-	-	-	(368)	(368)
At 31 March 2022	248,297	23,957	40,386	21,961	334,601
DEPRECIATION					
At 1 April 2021	248,297	13,632	40,268	18,502	320,699
Charge for the year	-	3,441	39	1,031	4,511
On disposals	-	-	-	(184)	(184)
At 31 March 2022	248,297	17,073	40,307	19,349	325,026
NET BOOK VALUE					
At 31 March 2022	-	6,884	79	2,612	9,575
At 31 March 2021	-	-	118	1,027	1,145

All tangible fixed assets are used for direct charitable purposes.

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(Company limited by guarantee)

Notes to the financial statements for the year ended 31 March 2022

8. Debtors

	2022 £	2021 £
Trade debtors	3,325	4,773
Prepayments and accrued income	38,030	30,359
Other debtors	2,555	1,338
	43,910	36,470

9. Creditors : amounts falling due within one year

	2022 £	2021 £
Trade creditors	20,328	14,072
Other creditors including taxation and social security	83,986	85,900
Accruals	16,612	11,926
	120,926	111,898

10. Analysis of net assets between funds - current year

	Restricted funds £	Unrestricted funds (General & Designated) £	Total funds £
Tangible fixed assets	-	9,575	9,575
Net current assets	985	79,703	80,688
Net assets at 31 March 2022	985	89,278	90,263

	Restricted funds £	Unrestricted funds (General & Designated) £	Total funds £
Tangible fixed assets	-	1,145	1,145
Net current assets	42	77,362	77,404
Net assets at 31 March 2021	42	78,507	78,549

11. Financial instruments

	2022 £	2021 £
Financial Assets measured at amortised cost	6,370	7,680
Financial Liabilities measured at amortised cost	115,988	106,554

Financial Assets measured at amortised cost comprise of trade debtors, other debtors and accrued income.

Financial Liabilities measured at amortised cost comprise of trade creditors, other creditors and accruals.

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Notes to the financial statements for the year ended 31 March 2022

12. Movements in funds

	At 1 April 2021 £	Incoming resources £	Resources expended (including losses) £	Transfer between funds £	At 31 March 2022 £
Restricted funds					
Southwark Council - Deprivation funding *1	-	4,783	(4,783)	-	-
Southwark Council - Early Years SENDIF funding *2	42	198	(257)	17	-
Southwark Council - EYPP funding *3	-	-	-	-	-
Southwark Council COVID-19 - Community Fund *4	-	-	-	-	-
Workplace Nursery Scheme Contributions*5	-	1,100	(115)	-	985
Total restricted funds	42	6,081	(5,155)	17	985
General fund	78,507	709,682	(698,894)	(17)	89,278
Total unrestricted funds	78,507	709,682	(698,894)	(17)	89,278
Total funds	78,549	715,763	(704,049)	-	90,263

	At 1 April 2020 £	Incoming resources £	Resources expended (including losses) £	Transfer between funds £	At 31 March 2021 £
Restricted funds					
Southwark Council - Deprivation funding *1	-	5,742	(5,742)	-	-
Southwark Council - Early Years SENDIF funding *2	-	198	(156)	-	42
Southwark Council - EYPP funding *3	-	-	-	-	-
Southwark Council COVID-19 - Community Fund *4	-	1,000	(1,000)	-	-
Total restricted funds	-	6,940	(6,898)	-	42
General fund	146,568	666,608	(734,669)	-	78,507
Total unrestricted funds	146,568	666,608	(734,669)	-	78,507
Total funds	146,568	673,548	(741,567)	-	78,549

*1. Additional funding provided by Southwark Council to support children from deprived families.

*2. Funding provided by Southwark Council to support children with special educational needs.

*3. Funding provided by Southwark Council to support educational development of 3-4 years old children from deprived backgrounds.

*4. Funding provided by Southwark Council to support children with special educational needs during COVID-19 first lockdown.

*5. Contributions made by Workplace Nursery Schemes.

13. Reconciliation of net expenditure to net cash provided by operating activities

	2022 £	2021 £
Net expenditure	11,714	(68,019)
Depreciation of tangible assets	4,511	2,922
Loss on disposal of tangible assets	184	-
Decrease/(Increase) in debtors	(7,440)	14,944
(Decrease)/Increase in creditors	9,028	(44,253)
Bank interest receivable	(385)	(1,059)
Net cash inflow/(Outflow) from operating activities	17,612	(95,465)

ARC COMMUNITY TRUSTEES

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Notes to the financial statements for the year ended 31 March 2022

14. Operating lease commitments

At 31 March 2022, the charity had total minimum lease payments under non-cancellable operating leases as set out below:

	2022	2021
	£	£
Within 1 year	103,634	103,425
Between 2 to 5 years	105,427	209,061

15. Related parties

During the year, nursery fees paid by the Trustees totalled £41,989 (2021: £49,349).

16. Company limited by guarantee

Every trustee promises, if the Charity is dissolved while he or she is a member, or within twelve months after he or she ceases to be a member, to contribute such sum (not exceeding £10) as may be demanded of him or her towards the payment of the debts and liabilities of the Charity incurred before he or she ceases to be a member, and of the costs, charges and expenses of winding up, and the adjustment of the rights of the contributories among themselves.