

Think Ahead

ACCA

STRATEGIC BUSINESS LEADER

PRE-SEEN INFORMATION

Applicable for the March 2025 Exam

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1. Introduction

Historic Places (HP) is a charity which operates in the country of Eardisia. It aims to preserve historical sites in Eardisia.

2. Eardisia sector information

Overview of charitable sector

Charities (charitable organisations) promote the welfare of society and the public interest. They carry out many different activities, including helping the sick and disabled, providing poverty relief and education, preserving history and campaigning on issues affecting society. Charities raise funds through various methods, including donations by those who support their work and commercial activities. The charitable sector includes large, national charities and smaller charities which operate on a single site.

Charities' legal position

Charities in Eardisia are often set up as companies limited by guarantee. A company limited by guarantee does not have any shares or shareholders. It is underwritten by guarantors who guarantee to pay a specified amount of money to help settle its debts only in the event of insolvency. Surpluses are not distributed to the guarantors but invested in the charity to help promote its charitable objectives.

Charities' activities are determined by their governing document (constitution).

Many charities raise funds by means of surpluses from commercial activities, for example, running shops. Commercial activities are carried out through subsidiary companies which charities wholly own.

Charity regulation

Charities in Eardisia are regulated by the Charity Supervisory Board (CSB), established by Eardisia's central government. The CSB aims to ensure that the general public can be confident that donations to charities will be used for proper charitable purposes. The CSB investigates allegations that charities are not acting in accordance with their charitable objectives, are behaving unethically, are misusing funds or otherwise breaching regulations.

The content of charities' accounts is governed by a statement of recommended practice (SORP), published by the CSB. The CSB requires all charity accounts to be audited. Larger charities (charities whose annual income exceeds \$10m) need to report on internal control and risk management systems, with the report being reviewed by the charity's external auditors.

Charities and commercial subsidiaries wholly owned by charities are not subject to taxation in Eardisia.

Heritage sub-sector

Many charities in Eardisia exist for the purpose of preserving the country's heritage at urban and rural sites. Heritage means things of historical or cultural value which are worthy of preservation.

Charities in the heritage sub-sector conserve and maintain historical sites (including buildings and museums) and objects kept at those sites. They generally allow public admission to the sites which they maintain.

Heritage charities aim to bring history to life for visitors. They seek to encourage public appreciation of, and participation in, heritage. This includes encouraging members of the public to visit sites and work for the charities as unpaid volunteers.

Heritage charities are also concerned with education. They host visits from groups of schoolchildren and students at their sites. Some establish formal links with schools and universities. A number of charities provide training in conservation and other activities.

The two largest heritage charities in Eardisia are Historic Places (HP), which mainly looks after sites over 300 years old, and Living the Past (LTP), which mainly cares for sites which are less than 300 years old.

Heritage charities' significant stakeholders

Trustees	Trustees are individuals who oversee a charity's activities. They are responsible for ensuring that it acts in accordance with its charitable objectives and constitution, and complies with regulations. Trustees should ensure that the charity's control and risk management systems are effective and that the charity is managed with honesty and integrity. They develop the charity's strategic direction in conjunction with executive management. Trustees are accountable for the charity's activities to the charity's supporters*, the Charity Supervisory Board and the general public. Trustees are not paid for their time and receive no employment benefits.
Executive management	Executive managers are employees responsible for the day-to-day operations. They normally meet regularly as an executive board or committee.
Other paid employees	Paid employees include head office administration staff and staff working full or part-time at the sites.
Volunteers	Volunteers carry out unpaid work at a charity's site in their spare time. They have no contractual obligation to keep volunteering.
Donors	Donors give monies to charities without expecting anything in return. Donors may give on a one-off or a regular basis.
Members	Members pay an annual fee or a one-off fee for life membership, which gives them certain privileges depending on what the charity does. The most important privileges which membership gives them are free admission to sites operated by the charity and voting at the charity's annual general meeting (AGM), including electing trustees. Members do not own the charity and do not have any responsibility for its debts.
Non-member visitors	Non-members pay an admission fee to have access to the sites.
Guarantors	Guarantors guarantee a specified amount to help settle a charity's debts if the charity becomes insolvent, but are generally not otherwise involved with the charity's activities.
Charity Supervisory Board (CSB)	The CSB acts on behalf of Eardisia's government in overseeing charities' activities.
Media	Stories in the media can illustrate the good work charities are doing. However, media coverage can also be a source of bad publicity, for example, stories about charities wasting money.

*Stakeholders who give money or non-financial resources – donors, volunteers, members, non-member visitors – are sometimes known collectively as supporters of a charity.

Heritage charities' income

Charities raise money in several ways:

- **Donations** – charities obtain donations in various ways, contacting possible donors through the post, by email or text message, or giving visitors the chance to donate when they visit the historical sites. Charities encourage donations by advertising, including adverts on television or on social media. Most charities have websites which allow donors to donate on them. Charities retain contact details of previous donors and focus marketing campaigns on obtaining further donations from them.
- **Membership** – annual or one-off life membership fees.
- **Admission fees** – fees charged to non-members who visit charity sites.
- **Commercial activities** – commercial income can come from various sources. Most sites have catering facilities (cafes or restaurants) at the site. Smaller catering facilities may only provide snacks and drinks, larger facilities will offer full meals. Charities may open some of their sites for hospitality events, such as corporate events or weddings.

Most sites also have shops. Smaller shops may just sell guidebooks or other items connected to the site, for example, books about the historical period when the site was in use. Larger shops sell a greater variety of products such as greeting cards, toys, household items, clothing and bags. Some of the items may be branded with the charity's logo.

A small number of charities in Eardisia also operate shops which are not at their sites, but which are located in shopping areas. These shops sell the same items which are sold at the charity's sites. Some charities also sell their shop products online.

Heritage charities' expenditure

Charities incur the following main categories of expenditure:

- **Site operating costs** – these are day-to-day running expenses, including the wages of employees who work at the sites.
- **Site maintenance and conservation costs** – sites require varying amounts of maintenance, depending on their age and condition. Some maintenance takes place regularly throughout each year and may be undertaken by the charity's employees or outside contractors. Sometimes major, one-off, projects are undertaken by outside contractors.

Charities also incur costs conserving historical objects at their sites. These objects often require complex treatment carried out by specialists.

- **Administration costs** – these include costs of fundraising and marketing the charity's activities, also the costs of administering membership. They also include the salary costs of the charity's executive management and other head office administration staff. Charities can suffer bad publicity and attract less support if administration costs are believed to be too high.

Heritage charities' challenges

The principal challenge which charities face is the variety of factors which can cause deterioration in the sites and objects which they are trying to preserve. These include the passage of time and natural conditions such as high humidity. Pollution and violent weather conditions caused by climate change can accelerate deterioration or result in significant damage. Wear and tear from having a large number of visitors can also affect sites.

Larger charities are also dependent on recruiting sufficient volunteers to ensure there are enough staff at each site. Volunteers are unpaid, thus saving charities salary costs, but their hours and attendance may not be regular and they may decide to stop volunteering suddenly.

Heritage charities face the challenge that non-heritage charities are also seeking donations. Potential donors are likely to receive communications from many charities. Charities which are in the news at particular times may raise considerable sums of money, but this may mean that donors give less to other charities which they normally support.

At present, there is a recession in Eardisia, and, as a result, many charities have seen a fall in donations.

Heritage charities' key performance indicators

Financial indicators

Income

- Membership fees
- Donations
- Site admission fees
- Income from commercial activities (shops and catering)
- Income generated per visitor from shops and catering activities

Expenditure

- Site operating costs
- Site maintenance and conservation costs
- Administration expenses
- Employee costs

Operating margin

Surplus of income over expenditure

Non-financial indicators

Commitment

Number of:

- Members
- Donors
- Volunteers
- Visitors to sites

Education and development

Number of:

- Educational visits to sites
- Training days for staff and volunteers
- Trainees employed

Conservation/preservation

Number of:

- Hours spent on conservation
- Objects worked on
- Maintenance projects completed

Satisfaction

- Feedback from members and visitors
- Feedback from employees and volunteers
- % of annual members renewing

Environment

- Resource consumption
- % of energy obtained from renewable sources
- Waste and recycling rates
- Emissions

3. Historic Places

Background

Historic Places (HP) operates in the heritage charity sector and was founded 120 years ago. HP is a large charity which looks after around 350 sites over 300 years old. Many of the sites are castles or museums. It does not look after any sites with religious connections.

HP is a company limited by guarantee. HP's senior management and most administration staff are based at head office in Eardisia's capital city.

HP's commercial activities are undertaken by a subsidiary which HP wholly owns.

Mission and values

HP's mission is that it 'permanently protects and preserves sites entrusted to it and promotes interest in, and access to, them'.

The values which HP promotes are historical truth, accessibility, enjoyment, involvement, transparency, inclusivity, diversity, and social and environmental responsibility and stewardship.

Governance

HP has a two-tier governance structure with a board of trustees and board of executive directors. The board of trustees is responsible for overall control and management of HP, and for developing its strategies in consultation with the board of executive directors.

The board of trustees has audit, nomination and remuneration committees.

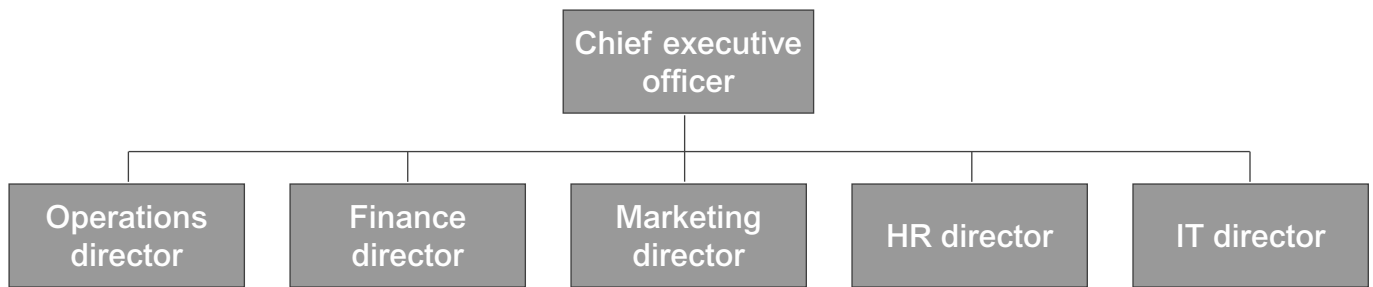
The board of trustees has nine members:

- **The chair.** The chair is appointed by the trustees and does not have a fixed term of office. HP's members do not vote on the appointment of the chair.
- **Nominated trustees.** Five trustees are nominated by HP's nomination committee. Their appointment is subject to a confirmation vote by HP's members. If they are confirmed in office by the vote, they then serve for three years and can then seek re-appointment.
- **Member-elected trustees.** Three trustees are elected by HP's members at the charity's annual general meeting. Trustees elected by the members also serve for three years and can seek re-election at the end of three years.

The board of trustees is supported by a board of executive directors (the executive board).

The executive directors are appointed by the board of trustees on the advice of the nomination committee. HP's members do not vote on the appointment of executive directors. The executive board is responsible for the day-to-day management of the operations of HP. The executive board is headed by the chief executive officer. The remuneration of executive board members, including the chief executive officer, is determined by the remuneration committee.

Executive board structure



Code of conduct

HP has a code of conduct, which trustees, executive directors, other paid employees and volunteers are expected to follow. The code includes core principles relating to professional behaviour, commitment, adherence to decisions made by the boards, confidentiality, conflicts of interest and bribery.

Acquisition of sites

HP acquires buildings and other sites as gifts from previous owners or by purchasing them using HP's surplus funds. HP will only acquire sites which are of national importance and are under threat of destruction or deterioration over time.

Operational activities

Every HP site is open to members and other visitors. An admission charge is payable by non-members to access the sites. The amount charged varies between sites depending on what can be seen at the sites. How often sites are open also varies. Sites must sometimes be closed for a period of maintenance, and opening times can also depend on their staffing levels.

HP aims to enhance the experience of visitors to its sites by providing guides to give tours and answer questions about the sites, on-site information and exhibitions about aspects of the sites' history. It also aims to stimulate interest by, for example, encouraging children to spot features at a site or objects kept there.

HP's education objective is focused on hosting visits of groups of schoolchildren and explaining to them the significance of what they are visiting. Sites also offer special events, including performances about the sites' history aimed at children and families.

Every site has a shop. The size of the shop determines what is stocked there. Every site also has catering facilities where visitors can sit down and eat. Smaller sites only provide snacks and drinks, larger sites offer full meals.

HP's best-known sites include Mallock, Dogdene, Pemingham, Stowater and Thruworth.

Stakeholders

Details about key stakeholders of HP are given below:

Members

HP has around five million members. HP offers annual memberships only. Benefits of membership include free admission to sites and regular newsletters and emails. Members have the right to attend HP's annual general meeting. They can vote on the appointment of trustees, receive HP's annual report and financial statements and approve the appointment of the auditors. They can also submit resolutions which are not binding on the trustees, but which the trustees must take into consideration.

Employees

HP has around 4,000 full and part-time employees, including staff who work for the wholly-owned commercial subsidiary. They work at HP's head office and sites. Some have worked for HP for a long time. Generally, HP pays average salaries for jobs across the charity sector, which are lower than would be paid for equivalent jobs in a commercial organisation. Many employees are prepared to accept lower salaries than they would obtain outside the charity sector because of their commitment to HP's mission.

Volunteers

HP has around 20,000 volunteers who play a very significant role in its operations. Predominantly, volunteers act as guides, work in catering facilities and shops, and help maintain sites.

Suppliers and contractors

The choice of suppliers and the inventory policy of the catering facilities and shops is determined centrally by HP's procurement function. HP uses external contractors for regular site maintenance and major projects. Contractors for large, single projects are employed on a one-off basis.

IT systems

HP's information systems are adequate for its administration needs and are fully compliant with data protection regulations. HP's computerised information systems cover major operational functions.

HP has a website which publicises its activities and allows donations to be made and members to join. There are separate webpages for each of HP's sites, including details about the site such as its history, maps, facilities and news.

Risks

HP maintains a risk register at its head office, covering significant charity-wide risks including:

- **Threats to reputation.** Bad publicity about HP can lead to members not being willing to renew their membership, donors not being willing to donate and volunteers no longer being willing to work for HP.
- **Other threats to income.** The recession in Eardisia may limit donors' willingness to donate to HP. Visiting HP's sites is one of very many leisure activities available to individuals and families and the risk is that visits will become less popular, reducing income from admissions and commercial activities.
- **Loss of employees and volunteers.** If employees and volunteers leave and cannot be easily replaced, then the experience offered to visitors to sites may be affected and the sites may be open less frequently. Some conservation work requires specialist staff and loss of these staff members may affect HP's ability to carry out work on sites or historic objects.
- **Insufficient financial resources.** If income is less than expected or needed, HP may not have the financial resources to carry out all necessary conservation work.
- **Poor performance by suppliers and contractors.** Poor quality goods provided by suppliers can reduce visitor satisfaction. Poor performance by contractors can mean that HP does not obtain value for money and may also jeopardise the conservation of buildings.

- **Health and safety.** These can affect people working at and visiting the sites. Sites have potential hazards including slippery surfaces and steep staircases. Extreme weather may also create hazardous conditions at some sites.
- **Climate and weather.** Poor weather can affect visitor numbers at sites where visitors are wholly or mostly outdoors. Extreme weather, such as excessive heat, high winds or rain, can damage sites.
- **Cyber-security.** HP's computer systems face the risks of disruption jeopardising its administration and the services which it provides. Leakage of data held about members and donors could result in legal action, loss of reputation and unwillingness of members and donors to provide their personal details.

4. Website extract

The extract covers key actions which HP takes.

Inspire We want to inspire everyone who visits us in imaginative and authentic ways. We aim to stimulate our visitors' minds and provoke their emotions.	Access Access to our country's history enriches everyone's lives. We want our visitors to have the privilege of standing on the spot where history happened and to live our country's story.
Engage and entertain We want everyone who visits us to love the time they spend with us. We engage our visitors by bringing the fascinating true stories of our sites to life. We use creativity and imagination to delight and entertain our visitors.	Involve Millions share our belief that history is important for everyone and we want to provide opportunities for them to engage with us. We rely on the generous support of members, donors and volunteers and we want to build our relationships with them.
Conserve We protect sites and objects which urgently need our care. Looking after them for the benefit of present and future generations is central to everything which we do. We aim to preserve and develop our collections, increasing our understanding through expert research.	Sustain We protect the future of our sites by being part of the worldwide fight against climate change. We limit our impact by using greener energy, minimising waste and increasing our use of recycled resources. Our performance is measured against increasingly rigorous sustainability targets.

5. Financial and non-financial information

