

Bury FC Companies Disclosure of Government Grants Executive Summary

The accounting treatment of the Government Grant has been changed for the reasons explained below. This is purely a presentational accounting issue, resulting in the Government Grant being disclosed as a Contingent Liability in a Note to the Accounts in one Company rather than as Deferred Revenue on the Balance Sheet of another Company. There is no impact on the cash position or the Companies' underlying financial health.

Background

Companies' accounts are the responsibility of the companies' directors. They are a matter of opinion to be agreed with the companies' auditors.

Government Grant in Accounts Year Ended 30 June 2023

The Bury Football Club Company Limited (BFCCL) was incorporated on 10 February 2022, with the intention that BFCCL would be a vehicle for acquiring Bury Community Football Stadium through the generosity of the Benefactors and matched funding from the Secretary of State for Levelling Up, Housing and Communities (DLUHC).

BFCCL received the UK Community Ownership Fund Grant ('Grant') for Bury Community Football Stadium from DLUHC on 11 February 2022.

Financial Reporting Standards, specifically FRS102.24 – Government Grants allows for two types of grant recognition: the Performance Model or the Accrual Model (see below).

In the accounts of BFCCL for the year ended 30 June 2023, the Grant was originally accounted for under the Accrual Model, as deferred income to be released to the annual income statement on a systematic basis over the useful life of Bury Community Football Stadium. This was a reasonable position following the relevant accounting standard FRS102.24.5F which states that Grants relating to assets shall be recognised in income on a systematic basis over the expected useful life of the asset.

This accounting treatment implied that the contractual relationship had been between BFCCL and DLUHC when the original agreement had been signed.

Detailed preparation work on the 2024 financial statements clarified that the original agreement was between DLUHC and The Bury Football Club Supporters' Society Limited (BFCSS), which, after the amalgamation with Shakers Community Society Limited on 21 June 2023, was renamed as Football Supporters' Society of Bury (FSSB). As such it is deemed that the funds were immediately passed down from BFCSS to BFCCL in February 2022 given it had always been understood that BFCCL had been specifically incorporated for the purpose of acquiring Bury Community Football Stadium.

Given this clarification in the agreement, it is deemed that the Performance Model is a more appropriate accounting treatment. Under the Performance Model, the conditions of the Grant were deemed to be satisfied when FSSB passed the money to BFCCL in February 2022.

This change in accounting treatment requires some amendments to the financial statements. The Grant is treated as revenue, and there is no liability as the stadium was not sold by BFCSS to BFCCL, so the Creditors balance in BFCCL disappears (both short term and due over one year) and is replaced by a Capital Contribution.

Action taken

As this had not been previously been done, Minutes have now formally been produced by FSSB confirming that the funds were to be passed down to BFCCL. These Minutes include confirmation of the subsequent passing down of the remaining Grant to Bury Football Club (2019) Limited (BFC). They also confirm that the treatment be disclosed as an Investment in FSSB and as Capital Contributions in BFCCL and BFC (rather than as a donation between the entities) as the funds were intended to be used for capital expenditure.

Council Grant to Bury Football Club (2019) Limited

As the council grant was specifically for the new pitch, under FRS 102 we are using the accrual method and recognising the income over its useful life of 10 years. The grant will be amortised over the same period as the pitch is being depreciated.

Prior Year Adjustment

With the reclassification of the Grant from being a long term liability to being a Capital Contribution, for the reasons stated above ('performance' rather than 'accrual'), a prior year adjustment has had to be made in the accounts of BFCCL to reduce the Grant disclosed as long term liabilities from £776,984 to nil and increase capital reserves by £776,984 from £689,950 up to £1,466,534 at the start of the year.

Mortgage Disclosure

As part of the agreement with DLUHC there must be a contingent liability disclosed for the government grant should the stadium be sold at some point in the future. This has been disclosed as a note in the FSSB accounts.

Technical Considerations

Details on the options for accounting for Grants under FRS102.24 are seen below.

FRS 102.24: Government Grants

FRS 102 deals with government grants in Section 24. A government grant is defined as assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with specified conditions. The key points are:

- **Recognition and Measurement:** Grants are recognised when there is reasonable assurance that the entity will comply with the conditions attached to the grant and that the grants will be received.
- **Performance Model:** Grants can be recognised using the performance model, where grant income is recognised when the grant's performance-related conditions are met.
- **Accrual Model:** Alternatively, grants can be recognised using the accrual model, where revenue-based grants are recognised in income on a systematic basis over the periods in which the related costs are recognised.