

**Agenda Item No:**

**Report to:** Charity Committee

**Date of Meeting:** 29 March 2011

**Report Title:** Foreshore Trust - Financial Report (2010/11 Position and 2011/12 Budget)

**Report By:** Head of Financial Services

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### **Purpose of Report**

To advise members of the Committee on the current year's financial position (2010/11), and agree a budget for 2011/12.

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### **Recommendation(s)**

1. The current financial position be noted (2010/11)
2. The draft budget for 2011/12 be agreed
3. The total level of grants to be given in 2011/12 be considered at the June meeting of the Committee.
4. Monitoring reports be presented to each meeting of the Charity Committee
5. Reserves to be retained until such time as a full business plan for the Trust is agreed.

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### **Reasons for Recommendations**

The Council has the responsibility for the proper management of the financial affairs of the Trust. In doing so it complies with Accounting Codes of Practice and the high standards required for the accounting of Public money.

The transfer of responsibility for the Trust to the Council provides the opportunity to properly plan for the future of the Foreshore. The use of any potential surpluses generated by the Trust must be determined in the light of affordability. To do so the future plans of the Trust and long term maintenance liabilities need to be fully determined.

Given the financial position of the Trust, a surplus expected in 2011/12, the current level of reserves, but longer term planning still to be completed, the establishment of a prudent level of grants allocations be determined.

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## Introduction

1. The Foreshore Trust derives its income mainly from Car Parking and property leases/licences. In the last few years significant costs have been incurred in legal fees in determining Trust boundaries and the respective liabilities of the Council and the Trust. These costs have impacted significantly upon the accounts of the Trust and particularly the Council.
2. Appendix 1 attached provides a summarised financial position for 2009/10 (for comparative purposes), the 2010/11 position – including budget and position at 31 January 2010, and an initial draft budget for 2011/12.
3. For the purposes of clarity it should be noted that the Foreshore Trust has its own bank account and investment account.

## Financial Position 2010/11

4. Income streams for the Trust are currently slightly above the Council's original budget predictions. The car parking income of the Trust has been enhanced by the land swap with the Council in respect of the Jerwood gallery – previously reported to Council. In addition there have been a number of "one off" adjustments between the Foreshore Trust and the Council following the determination of land boundaries.
5. Appendix 1 identifies the financial position at 31 January 2011. It should be noted that the expenditure incurred in the year is not evenly profiled at present. The estimated surplus on the Trust activities for the year amounts to £212,200.
6. At the time of writing this figure is very much an estimate as the exact details of expenditure incurred, and income received directly by the Trust during the year are awaited.

## Budget 2011/12

7. Appendix 1 identifies a draft budget for 2011/12. The budget figures included at this stage directly match with the costs identified in the Council's own budget
8. Total income is budgeted at £1,050,250 and expenditure at £844,350. The estimated surplus for the year is £205,900.
9. There are however a number of additional items of expenditure in respect of external fees and charges that will be incurred in respect of the Trust e.g. auditor fees, costs of protector and there will be some offsetting income e.g. interest on balances etc.

## Reserves

10. The total balances on the Trust accounts at the 31 March 2010 amounted to £1,767,161. With an estimated surplus of £212,200 in 2010/11 the estimated balance at 31 March 2011 is £1,979,361.

11. Given that the budget has yet to be linked to a business plan for the Trust and that future repairs and maintenance/ development works have not been programmed into the budget or a medium term financial strategy, it is considered imprudent to consider any significant use of reserves at this stage.
12. In the longer term, the Trust needs to identify future risks and opportunities that it faces in order to determine the appropriate level of Reserves for unforeseen and unexpected events.

### **Use of Surpluses**

13. The Trust has a duty to maintain its assets and only thereafter to consider the use of any surpluses for the benefits of the community.
14. Given that a longer term strategy has not been determined it would be considered premature to determine the level of expenditure/ grants that could be allocated for community use at anything other than a prudent level at this stage.
15. Given the level of surpluses expected in 2010/11 and 2011/12 it would not be unreasonable to allocate a percentage of the surpluses for community purposes. Thus, for example, the total level of grants given in any one year could initially be set at a maximum of 25% of any surplus actually achieved. A 25% allocation of the surplus, once achieved, would provide funding of some £50,000 p.a.

However, given that the Trust has yet to determine its future plans and has yet to fully establish all of its maintenance liabilities, it may be considered premature to determine a set percentage rate, or fixed amount, to distribute at this stage. As such it is recommended that any decision on the use of the surplus be deferred until the June meeting of the Committee.

16. The Committee will no doubt wish to determine guidelines for grant applications and appropriate award criteria.

### **Financial Monitoring and Accounting Arrangements**

17. It is the intention to provide the Committee with updates on the financial position of the Trust at each regular meeting of the Charity Committee. These reports will be in addition to the normal reporting requirements such as budget determination, Final accounts and the receipt of any Auditor reports.
18. The Council has been managing the activities on the Foreshore for many years. Income generated and expenditure incurred in respect of activities concerning Foreshore Trust assets have been separately accounted for by the Council. Draft accounts are prepared annually by the Council before being formalised by a Private Accountancy Firm (Manningtons). An auditing company (Buzzacott LLP), independent of the Council, has been appointed over the last few years to audit the accounts.
19. The Foreshore Trust resolved last year to re-appoint Manningtons and Buzzacotts again in respect of the 2010/11 accounts. In future years, quotes will be sought for external services provided e.g. the auditing of the accounts.

20. Future financial reports, for the purposes of transparency, will include reviews on financial management and costing arrangements within the Council. Wherever possible costs incurred and time spent on Foreshore Trust linked activities will be charged directly to a Foreshore Trust budget centre.

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**Wards Affected**

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

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**Area(s) Affected**

Central Hastings, East Hastings, North St. Leonards, South St. Leonards

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**Policy Implications**

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No

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**Background Information**

Statement of Financial Activities - Appendix 1.

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**Officer to Contact**

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Appendix 1 cannot be published on the Council's website. A copy may be obtained from Elaine Wood, Principal Committee Administrator, email [ewood@hastings.gov.uk](mailto:ewood@hastings.gov.uk) or tel. 01424 451717.