

Report to: Charity Committee

Date of Meeting: 24 September 2018

Report Title: Finance Report

Report By: Peter Grace, Assistant Director of Financial Services and Revenues (Chief Finance Officer)

Purpose of Report

To advise members of the Committee on the current year's financial position.

Recommendation(s)

- 1. To agree the current financial position for 2018/19.**
- 2. The Risk Register be agreed (Appendix 4)**
- 3. The Reserves Policy be agreed (Appendix 6)**

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.

A surplus slightly above budget expectations is anticipated for 2018/19 in respect of operating income and expenses. Once grant and project costs are taken into account a reduced deficit of £58,000 is anticipated against a budgeted deficit of £99,000.

The reserves policy is reviewed on an annual basis and is undertaken against the uncertainties that are identified within the risk register and the general economic environment.

Introduction

1. The Foreshore Trust derives its income mainly from car parking and property leases/licences, the former income stream being quite variable.
2. Appendix 1 attached provides details of the budget for 2018/19 as agreed at the March meeting of the committee. The budget annual operating surplus for 2018/19 amounting to £380,000 with a forecast year end position of £396,000,

Financial Position 2018/19

3. The budget agreed in March 2018 identified budgeted income at £1,400,000 and expenditure at £1,020,000. The budgeted surplus for the year being £380,000 after direct governance costs, but before distribution of grants, capital charges and before use of Reserves.
4. The final accounts for 2017/18 have been produced and are up for approval at tonight's meeting. As yet there are no notable variations for income and expenditure in 2018/19 other than the variations agreed at the Charity Committee meetings on the 19 March 2018 and 25 June 2018.
5. At the meeting on the 19th March a number of changes to the budget and future year budgets were agreed. Namely,
 - (i) Grants - Event grants increased to £30,000 p.a. (from £20,000 p.a.)
- General grants increased to £60,000 p.a. (from £50,000 p.a.)

At the meeting the events grants for 2018/19 were agreed at £23,362 with the remaining balance of £6,638 being made available for 2019/20 i.e. a total of £36,638 in that year. This adjustment has been made in the attached papers.

(ii) Options for Art on Foreshore Trust Land

It was agreed that £25,000 would be made available for each of the next three years of which £5,000 p.a. would be available for community consultation and engagement.

The business plan (attached) has been amended to reflect the £25,000 p.a. rather than the £20,000 previously shown as well as removal of the £20,000 figure currently in place for 2021/22. The overall impact is to increase the deficit for the year by some £5,000.

(iii) The March meeting also agreed the ice maker contribution and the Play Hut facility. Both of these items of expenditure were already included in the business plan and hence there is no impact on the surplus or deficit for the year.

The level of programmed spend continues to reduce the cash balances held by the Trust for this financial year.

6. At the meeting on the 25th June it was agreed for the Foreshore Trust to provide an additional £90,000 of funding for the White Rock fountain project.

The planned expenditure in 2017/18 of £85,000 on the White Rock Fountain did not occur so the budget has been carried forward to 2018/19. When added to the additional funding of £90,000 this takes the budget for the year to £175,000. The full cost of the project is estimated at £270,000 of which the Trust has approved £175,000 and Coastal Communities Fund 4 has approved £95,000.

Indicative Forward Plan

7. The indicative Forward plan as agreed in March 2018 has been updated as required and provided for information (Appendix 3). This identified projected cash balances for future years and hence affordability of current initiatives and commitments. Based upon projections the current business plan remains affordable and has been adjusted to take account of the items listed above. The overall deficit for the year is forecast at £58,000.

Risk Register

8. The Risk Register is included in Appendix 4. This seeks to identify the potential risks to the Foreshore Trust that could have financial implications, and which necessitate the maintenance of reserves.

Reserves

9. The revised business plan updated to take account of known changes and the 2017/18 outturn identifies the estimated cash balances for future years as follows:-

£1.46m as at 31st March 2018,
£1.39m as at 31st March 2019,
£1.60m as at 31st March 2020,
£1.81m as at 31st March 2021,
£2.03m as at 31st March 2022,
£2.23m as at 31st March 2022.

Reserves Policy

10. The reserves policy identifies £900,000 as the suitable level of Reserves to maintain – given the potential risks faced by the Trust.
11. The Reserves Policy is included in Appendix 6 and this will continue to be considered by the Trust on an annual basis in conjunction with the review of risk (more often if circumstances require).
12. Appendix 5 attached provides background information on determining a Reserves policy. This is based on extracts of the Charity Commission guidance on this issue.

Key points about charity reserves:-

- Charity law requires any income received by a charity to be spent within a reasonable period of receipt.
- Trustees should be able to justify the holding of income as reserves.

- Reserves are that part of a charity's unrestricted income funds that is freely available to spend.
- Where the trustees have a reserves policy, this policy must be set out in the trustees' annual report.
- If the trustees have not set a reserves policy, this should be stated in the trustees' annual report.
- A good reserves policy takes into account the charity's financial circumstances and other relevant factors.
- It is good practice to monitor the level of reserves held throughout the year.
- It is good practice to keep the reserves policy under review to ensure it meets a charity's changing needs and circumstances.

13. In summary the Reserves policy (Appendix 6) effectively recommends that Cash Reserves of £900,000 be retained, plus sufficient funds to meet the Repairs and Renewals programme - which remains subject to regular amendment. It is also recommended that the Reserves policy continue to be regularly reviewed.

Wards Affected

None

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	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

Additional Information

Appendix 1 - Financial Monitoring Report
 Appendix 2 - Business Plan - Financial Summary
 Appendix 3 - Indicative Forward Plan
 Appendix 4 - Risk Register - Foreshore Trust
 Appendix 5 - Reserves Policy (Charity Commission guidance)
 Appendix 6 - Reserves Policy

Officer to Contact

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