

Report to: Charity Committee

Date of Meeting: 18 March 2019

Report Title: Foreshore Trust 2019/20 Budget and 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 (2018/19) and to determine the budget for 2019/20.

Recommendation(s)

- 1. To agree the current financial position for 2018/19.**
- 2. The allocation of general grants for 2019/20 be set at £60,000 and event grants £37,000.**
- 3. Approve the proposed expenditure funded from Reserve – albeit further approval to proceed is required for a few schemes.**
- 4. Approve the budget for 2019/20.**
- 5. Financial monitoring reports continue to be presented to each meeting of the Charity Committee.**
- 6. Approve the car parking charges for 2019/20 (Appendix 4).**

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 surplus of £110,000 is anticipated against a budgeted deficit of £99,000.

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 2018 meeting of the committee. The budgeted annual operating surplus for 2018/19 amounting to £380,000 with a forecast year end deficit of £99,000
3. The budget for 2019/20 is presented at the March meeting of the Committee prior to the start of the new financial year which runs 1 April to 31 March.

Financial Position 2018/19

4. 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.
5. Income is currently projected to exceed the budget by a small amount. The amount of rental income anticipated is now £12,000 more than budgeted for due to new lets at better terms. Investment income and car parking income remain on budget.
6. Expenditure is expected to be £28,000 above budget. This is due to an anticipated overspend of £49,000 on charitable activities, offset by £9,000 lower than budgeted governance costs in respect of legal and professional fees and reduced maintenance expenditure as the £12,000 put aside for maintaining and operating a water play feature for the White Rock Fountain is unlikely to be incurred this financial year.
7. The combination of the expected additional income and increased expenditure will give rise to a net £16,000 decrease in the anticipated operating surplus at the year end. This is now forecast to be £364,000.
8. At the meeting on the 19th March 2018 it was agreed to increase the event grants budget to £30,000 p.a. (from £20,000) and the general grants budget to £60,000 p.a. (from £50,000). At the same meeting the event 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. These adjustments can be seen in the attached papers. There is therefore no variance forecast on grant expenditure.
9. Project expenditure is forecast to be £225,000 underspent at the year end. This is due to the £175,000 budget for the White Rock Fountain and £25,000 budget for Public Art Project being carried forward into the 2019/20 budget and the £25,000 budget for resurfacing work not being spent.
10. The combination of the above underspends results in a reduction to the deficit of £209,000 reducing the forecast deficit from £99,000 to a surplus of £110,000.

Budget 2019/20

11. The budget for 2019/20 has been set and is shown on the right hand side of Appendix 1 and repeated in the indicative forward plan on Appendix 3. The

business plan changes made in Appendix 2 have been incorporated into the 2019/20 budget.

12. The budget has been reviewed line by line to allow for increases in expected income and expenditure.
13. The budget figures include increases in car park charges which are detailed in Appendix 4. These require the approval of the Charity Committee.

Business Plan

14. Appendix 2 details the planned expenditure on projects over a 6 year period. This is split between cyclical repairs and redecorations and the main programme projects.
15. A comprehensive review of future cyclical repairs and redecorations has been undertaken identifying the pattern and timing of planned expenditure in the future. This has enabled us to identify our future spending requirements with more clarity and will allow the Trust to run budget deficits in future years to spend the funds held in reserves that are above the minimum required level of £900,000 identified as necessary.
16. To date much of the expenditure on maintenance projects and main programme projects is yet to occur.
17. As stated above within the maintenance projects budget it is now unlikely the £12,000 put aside for water play, essentially now operating and maintaining the White Rock Fountain this financial year, will be spent.
18. Within the main projects programme several projects are delayed increasing the chances of the project slipping from this financial year into 2019/20. The White Rock Fountain and Public Art Project budgets have already been carried forward into 2019/20 as we know now that expenditure will not happen this year. The Marine Litter Project faces potential project slippage into 2019/20.

Indicative Forward Plan

19. The indicative forward plan has been provided for information (Appendix 3). This identifies projected cash balances for future years and hence affordability of current initiatives and commitments. Based upon projections the current business plan remains affordable. The overall surplus for the year is forecast at £110,000.

Reserves

20. The total effective cash balances of the Trust at the 31 March 2018 amounted to £1.45m after providing for the outstanding settlement to Hastings Borough Council for amounts owed for 2017/18.
21. With the current business plan, the revised cash balances for future years are estimated as follows :-

£1,56m as at 31st March 2019,
£1.36m as at 31st March 2020,
£1.41m as at 31st March 2021,
£1.33m as at 31st March 2022,
£1.23m as at 31st March 2023.

22. The reserves policy agreed on 24th September 2018 identifies £900,000 as the suitable level to maintain given the potential risks to the Trust.
 23. Work has been undertaken to identify the areas where the Trust will incur significant maintenance and replacement costs in future years e.g. toilet refurbishments, resurfacing of car parks. The update of the Repairs and Renewals programme was necessary to identify the ongoing levels of reserves required to ensure the assets of the Trust can be maintained at the appropriate level within the financial constraints of the Trust.
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Additional Information

Appendix 1 - Financial Monitoring Report
Appendix 2 - Business Plan - Financial Summary
Appendix 3 - Indicative Forward Plan
Appendix 4 – Car Parking Charges

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