

Report to: Charity Committee

Date of Meeting: 23 September 2019

Report Title: Finance Report

Report By: Peter Grace
(Chief Finance Officer)

Purpose of Report

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

Recommendation(s)

- 1. To agree the current financial position for 2019/20.**
- 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.

At this stage in the year the budget is forecast to be on target with no overall variance reported. A budgeted surplus of £181,000 is anticipated for 2019/20 in respect of operating income and expenses. Once grant and project costs are taken into account a deficit of £197,000 is anticipated which is in line with the budget.

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 2019/20 as agreed at the March meeting of the committee. The budgeted annual operating surplus for 2019/20 amounting to £181,000 with a forecast year end position currently on target to achieve the budget.

Financial Position 2019/20

3. The budget agreed in March 2019 identified budgeted income at £1,477,000 and expenditure at £1,296,000. The budgeted surplus for the year being £181,000 after direct governance costs, but before distribution of grants, capital charges and before use of Reserves.
4. At this stage in the year only two variances to the budget have been identified. Based on the experience from 2018/19 it is possible that the income budget for car parking may be overly ambitious by approximately £40,000. This is however fully offset by an expected increase in rental income of (£40,000) particularly from Victoria chalets and the White Rock beach huts.
5. The final accounts for 2018/19 have been produced and are up for approval at tonight's meeting.

Indicative Forward Plan

6. The indicative Forward plan as agreed in March 2019 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. The overall deficit for the year is forecast at £197,000.

Risk Register

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

Reserves

8. The revised business plan updated to take account of known changes and the 2018/19 outturn identifies the estimated cash balances for future years as follows:-

£1.69m as at 31st March 2019,
£1.49m as at 31st March 2020,
£1.54m as at 31st March 2021,
£1.46m as at 31st March 2022,
£1.36m as at 31st March 2023,
£1.29m as at 31st March 2024.

Reserves Policy

9. The reserves policy identifies £900,000 as the suitable level of Reserves to maintain – given the potential risks faced by the Trust.
10. 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).
11. 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.
12. 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 continues to be regularly reviewed.

Timetable of Next Steps

1. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Continued quarterly monitoring	Each financial quarter	Charity Committee Meetings	Chief Accountant
Review of 2018/19 under/over spends	2020/21 budget	March 2020	Chief Finance Officer

Wards Affected

None

Implications

Relevant project tools applied? Yes

Have you checked this report for plain English and readability? Yes. This has been done as much as possible considering the complex financial issues involved. Flesch-Kincaid grade level 34.1.

Climate change implications considered? N/A

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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