

Report to: Charity Committee

Date of Meeting: 20 July 2015

Report Title: Finance Report

Report By: Peter Grace
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Purpose of Report

To advise members of the Committee on the draft financial position for 2014/15 and the current year's financial position, agree revisions to the Trust's business plan and review the Risk Register and Reserves Policy.

Recommendation(s)

1. To agree the current financial position for 2015/16.
2. The Risk Register be agreed (Appendix 4)
3. The Reserves Policy be agreed (Appendix 5)

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 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 a summarised financial position for 2014/15 and 2015/16. The figures identify the annual operating surplus, and thereafter a deficit /surplus for the year once the distribution of grants and other programmed expenditure (financed from reserves) is taken into account.

Final Accounts 2014/15

3. The draft accounts (unaudited) identify that in 2014/15 the operating surplus was £251,000, thus exceeding the £226,000 revised estimate by £25,000. The final accounts are due to be considered by the Committee at its meeting on 28th September 2015.

Financial Position 2015/16

4. The budget agreed in March 2015 identified budgeted income at £1,136K and expenditure at £888K. The estimated surplus for the year being £248K, after direct governance costs, but before distribution of grants, capital charges and before use of Reserves.
5. Income and expenditure projections are currently in line with the budget.

Business Plan 2015/16

6. The Charity Committee on 23 March 2015, approved certain rescheduling and new schemes (i) Resurfacing from Robertson Street to the Pier, and (ii) Landscaping/ fountain works. Further funds are being sought for this and a separate report is being considered elsewhere on the agenda.
7. This level of programmed spend continues to reduce the cash balances held by the Trust for this financial year. Whilst it is the case that the level of reserves will decrease, the Trust will still retain reserves above the minimum level identified within the Reserves Policy (£690,000) – subject to no unexpected calls on the reserves and no reduction in the expected levels of car parking and fee income.
8. The current programme of works is identified in Appendix 2. The Committee has approved expenditure on all these schemes (subject to further reports in respect of asterisked items).

Reserves

9. The total cash balances of the Trust at the 31 March 2015 amounted to £1.38m (unaudited).

10. With the current business plan, the revised cash balances for future years are estimated as follows :-

£1,06m as at 31st March 2016,

£1.22m as at 31st March 2017,

£1.40m as at 31st March 2018.

Risk Register

11. 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. A new risk, that of the White Rock Baths project (at an estimated total cost of £972k) has been added to the register. Members are asked to agree the risk register.

Reserves Policy

12. The reserves policy identifies £690,000 as the suitable level of Reserves to maintain – given the potential risks faced by the Trust.

13. The Reserves Policy is included in Appendix 5 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).

14. Appendix 3 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.

15. In summary the Reserves policy (Appendix 5) effectively recommends that Cash Reserves of £690,000 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 - Reserves Policy (Charity Commission guidance)
Appendix 4 - Risk Register - Foreshore Trust
Appendix 5 - Reserves

Officer to Contact

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