

**COBTREE MANOR ESTATE
CHARITY COMMITTEE**

20 July 2017

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Contingency & Reserves Report

Final Decision-Maker	Cobtree Manor Estate Charity Committee
Lead Head of Service	Director of Finance & Business Improvement
Lead Officer and Report Author	Paul Holland, Senior Finance Manager – Client Accountancy
Classification	Public
Wards affected	Boxley

This report makes the following recommendations to this Committee:

1. It is recommended that the Committee approves the allocation of future surpluses as outlined in the report.

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all – Ensuring that there are good leisure and cultural attractions.

Timetable

Meeting	Date
Cobtree Manor Estate Charity Committee	20 July 2017

Contingency & Reserves Report

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To establish the level of reserves the Trust will have available to use going forward now contracts are in place for the management of the golf course and the Kent Life attraction, and to approve an indicative allocation of these reserves for specific purposes.
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2. INTRODUCTION AND BACKGROUND

- 2.1 A report was brought to the meeting of the Committee in March 2017 which outlined the background to the current financial position, and set out a future projection of resources that were likely to be available. It also summarised the Charity Commission guidance on levels of reserves and their purposes.
- 2.2 This report updates the financial projections from the last report and sets out an indicative allocation of future surpluses for three specific purposes.
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3. FINANCIAL PROJECTION

- 3.1 **Appendix A** is an updated indicative financial projection over the next ten years for the operational activities of the Trust. It shows that in broad terms the operations of the Trust can expect to show an annual surplus of around £100,000 per annum from 2018/19 onwards. However, within this projection there are a number of areas that are more sensitive to external factors. These are primarily the trading areas – the car park and the visitor centre/café, and the investment income, both areas being vulnerable to external factors that might be beyond the control of the Trust.
- 3.2 For 2017/18 there will only be a small surplus generated due to the reduction in golf course income to take into account the £50,000 payment to operate the course from September 2016 to March 2017, plus the forecast deficit for the café/visitor centre.
- 3.3 The golf course and Kent Life contract payments are more certain as they are contractually guaranteed, and the running costs of the Manor Park should remain at a similar level unless the current operational model changes significantly.
- 3.4 Council staff recharges are the subject of a separate report elsewhere on this agenda and may be subject to further amendment.
- 3.5 The projection makes a number of assumptions that may also be subject to external factors:
- An inflation increase of 3% per annum for running costs
 - An increase of 1.5% per annum for staff recharges to allow for salary increases

- No increase to the current car park charges or rents for domestic dwellings
 - That the café/visitor centre will operate at a break-even position from 2019 onwards. Clearly if it could operate at a surplus or was externally operated by a contractor for a management fee this would increase available resources.
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4. ALLOCATION OF RESERVES

- 4.1 As was outlined in the last report reserves need to be held for three specific reasons:
- i. To establish sufficient funds for ongoing equipment replacement and capital expenditure.
 - ii. To have sufficient funds in place to meet the costs of unexpected events.
 - iii. To re-invest in the permanent endowment investment to replace the funds withdrawn to fund the master plan.
- 4.2 Over the course of the next 10 years the projection at **Appendix A** shows that surpluses totalling just under £1.0m could be generated, which can be set-aside to cover the three areas identified above. It is recommended that priority be given to allocation in the order set out above.
- 4.3 Capital expenditure (as set out at **Appendix B**) is prioritised first as it is important that the assets of the Estate are maintained to a high standard to continue to attract visitors.
- 4.4 The projection sets aside £421,000 in the first five years to meet the costs of the proposed capital programme. Beyond that an allowance of £25,000 per annum has been made, although by that time it is inevitable that additional works will be required and that the projection will change to reflect that.
- 4.5 Meeting the costs of unexpected events is prioritised second as there may be unforeseen events that occur that may require the Trust to step in and provide financial assistance, for example the failure of a contractor or the closure of the café/visitor centre.
- 4.6 As reported in the March the Trust currently has unrestricted reserves of approximately £150,000. This is sufficient at present but the level will continue to be monitored, and the projection does assume it will be increased in 5 years to ensure there continue to be sufficient resources.
- 4.7 Members will recall that the Master Plan works were funded by a withdrawal from the permanent endowment investment with Charifund. There was a commitment given to repay the sum withdrawn (£841,000) when the Charity Commission approved the withdrawal.
- 4.8 To date there have been no repayments, and the Charity Commission have not made any further contact on the matter. There should still be a

commitment to repay this sum at some point, but the future of the Estate assets and ongoing operations should be prioritised. There is still a significant sum of £0.9m invested in the permanent endowment fund, which continues to generate investment income of around £45,000 per annum.

5. AVAILABLE OPTIONS

5.1 Members could accept the recommendation at 6.1, or they could propose alternative prioritisation or uses for the surpluses generated by the operational activities of the Estate.

6. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

6.1 It is considered to be good financial practice for any organisation, particularly a charity to have a sufficient level of reserves, so it is recommended that any surpluses generated are set-aside as outlined in section 4 of this report to establish these reserves.

7. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

7.1 The Committee had previously requested that this report be brought before them.

8. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

8.1 Reserves will be established in accordance with the decision of the Committee. There will be regular updates to the Committee on the financial position and this will include the position of the reserves.

9. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	None	
Risk Management	Not having sufficient reserves potentially exposes the Trust to the risk of not being able to meet its financial obligations.	Senior Finance Manager - Client
Financial	Establishing a sufficient level of reserves will provide sufficient resources to mitigate against unforeseen or unexpected	Senior Finance Manager - Client

	events.	
Staffing	None	
Legal	As the committee making decisions about the management of the Cobtree Manor Estate Trust, which is a charity, the committee must act in the best interests of the charity. This report sets out sound financial principles as to the need to hold adequate reserves and the priorities for the charity going forward.	Interim Deputy Head of Legal Partnership
Equality Impact Needs Assessment	None	
Environmental/Sustainable Development	None	
Community Safety	None	
Human Rights Act	None	
Procurement	None	
Asset Management	None	

10. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- **Appendix A:** 10 Year Financial Projection
- **Appendix B:** 5 year Capital Programme

11. BACKGROUND PAPERS

None.