

MAIDSTONE BOROUGH COUNCIL

COBTREE MANOR ESTATE CHARITY COMMITTEE

MINUTES OF THE MEETING HELD ON 20 JANUARY 2020

Present: Councillor McLoughlin (Chairman) and
Councillors Cox, Mrs Gooch and Mrs Hinder

50. APOLOGIES FOR ABSENCE

There were no apologies for absence.

51. NOTIFICATION OF SUBSTITUTE MEMBERS

There were no Substitute Members.

52. URGENT ITEMS

There were no urgent items.

53. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

54. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

55. DISCLOSURES OF LOBBYING

Councillor Mrs Gooch stated that she had been lobbied regarding the need to complete the lease and management agreement to the Cobtree Young Farmers' Club as soon as possible to enable the Club to secure funding through a Heritage Lottery funded project and commence conservation grazing on part of Forstal Field.

56. EXEMPT ITEMS

RESOLVED: That the items on the agenda be taken in public as proposed.

57. MINUTES OF THE MEETING HELD ON 6 NOVEMBER 2019

RESOLVED: That the Minutes of the meeting held on 6 November 2019 be approved as a correct record and signed.

58. PRESENTATION OF PETITIONS

There were no petitions.

59. QUESTION AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC

There were no questions from members of the public.

60. LAND AT COBTREE MANOR ESTATE

The Committee considered the report of the Corporate Property Manager concerning a request by Cornerstone Telecommunications Infrastructure Limited for a new agreement under the Electronic Communications Code to enable it to continue to use land adjacent to the Cobtree Golf Course for the installation and operation of telecommunications equipment.

The Corporate Property Manager advised the Committee that:

- Under the Communications Act 2003, Code Operators such as Cornerstone had rights to install and maintain electronic communications equipment. If an agreement could not be reached with the landowner of the chosen location, there were statutory powers that could be used to allow the Code Operator to acquire rights with the consent of the landowner.
- There were two options available to the Council as follows:

The first option was to grant the agreement on terms negotiated by utility agent GW Finn (an agreement for a term of ten years at an annual rent of £240, plus a £3,000 one-off payment towards the Council's fees, and a premium of £5,600). This represented a reduction in annual rent of £5,100, but with the new powers granted to operators there was nothing that could be done to protect current income.

The second option was to refuse to enter into the agreement and leave the operator to use its statutory powers to install and operate the equipment.

RESOLVED:

1. That an Electronic Communications Code Agreement be granted to Cornerstone Telecommunications Limited to continue to use land adjacent to the Cobtree Golf Course for the installation and operation of telecommunications equipment under the terms outlined in the report of the Corporate Property Manager.
2. That Mid-Kent Legal Services be requested to prepare the relevant legal documents and complete the transaction.

61. COBTREE MANOR ESTATE UPDATE REPORT

The Leisure Manager presented his report providing an update on activities at the Cobtree Manor Estate during the period November 2019 to January 2020. The report included details of:

- Maintenance works, staffing issues, including the appointment of Nigel Holman as the new Cobtree Officer with effect from 1 February 2020, visitor numbers and the progress on the preparation of a new management plan and Green Flag submission for the Manor Park.
- The progress being made by MyTime Active with regard to the Golf Course development works.
- The success of Kent Life in winning the silver award in the best large attraction category at the Visit Kent awards and in winning the silver award in Tourism South East's Awards for Excellence for the best Tourism Festival/Experience.
- The position with regard to the completion of the lease and management agreement to the Cobtree Young Farmers' Club to enable it to secure funding through a Heritage Lottery funded project and commence conservation grazing on part of Forstal Field.
- The progress of the discussions with Planning Solutions, the operators of Kent Life, regarding the proposed Cobtree Railway project.

During the discussion on this item:

The Leisure Manager undertook to circulate the new management plan for the Manor Park and an update on the Golf Course works to Members of the Committee for information.

Concern was expressed about the time being taken to finalise the lease and management agreement to the Cobtree Young Farmers' Club. Members were mindful of the need for the documentation to be completed before 1 March 2020 to enable the Club to secure funding. It was suggested and agreed that the Corporate Property Manager be given delegated authority to put in place an arrangement to enable the Club to occupy land at Forstal Field until such time that the lease and management agreement are finalised, and that an update be provided for Members of the Committee by the end of the month.

It was also suggested and agreed that Members of the Committee should meet with representatives of the Cobtree Charity Trust Limited and the operators of Kent Life to discuss the proposed Cobtree Railway project and, in particular, the funding and operational arrangements.

RESOLVED:

1. That the update on activities at the Cobtree Manor Estate during the period November 2019 to January 2020 be noted.
2. That the Corporate Property Manager be given delegated authority to put in place an arrangement to enable the Cobtree Young Farmers' Club to occupy land at Forstal Field until such time that the lease and management agreement are finalised, and that an update be provided for Members of the Committee by the end of the month.

3. That Members of the Committee should meet with representatives of the Cobtree Charity Trust Limited and the operators of Kent Life to discuss the proposed Cobtree Railway project and, in particular, the funding and operational arrangements.

62. POND CREATION AT FORSTAL FIELD

The Leisure Manager introduced his report setting out details of a proposal for Natural England to fund and create a new pond of approximately 200 square metres on the Forstal Field. It was noted that the new pond would improve the habitat and biodiversity of the Cobtree Manor Park. It would also be used as a receptor site for Great Crested Newts displaced by development in the Borough and surrounding areas and this would provide additional income for the Charity.

RESOLVED:

1. That agreement be given to the creation of a new pond on Forstal Field.
2. That delegated authority be given to the Head of Regeneration and Economic Development in consultation with the Chairman of the Committee to confirm the precise location of the pond when scale maps are available.

63. COBTREE MANOR ESTATE FINANCIAL POSITION

The Senior Finance Manager (Client) introduced his report summarising the financial position of the Cobtree Manor Estate as at 30 November 2019. The report covered the Golf Course, Kent Life, the Manor Park and residential properties. The report also included details of the proposed budgets for 2020/21 and an update on the Service Level Agreement.

Financial Position

The Senior Finance Manager (Client) advised the Committee that:

- The summary totals showed a positive variance of £13,854 for the Charity at the end of November 2019. The forecast for the year was for an operational surplus of £55,920, compared to a provisional surplus of £35,596 for 2018/19.
- There were no issues to report at this stage in respect of the Cobtree Golf Course. Mytime had been invoiced for the first three quarters of 2019/20 and the first two invoices had been paid.
- In overall terms, the budget for the Manor Park was showing an underspend but there were some underlying issues:

The new Apprentice post was still vacant, and would not be filled during this financial year, resulting in an underspend on employee costs.

There were some overspends on controlled running costs relating mainly to electricity, equipment purchases and security costs, but these additional costs had been partially offset by underspends on repairs and maintenance and employee costs.

Car park income continued to be high and the profit share element of the café contract had generated more income than was forecast. These two income streams together with the underspends on repairs and maintenance and employee costs meant that the issues outlined above were covered.

- There were no issues to report at this stage in respect of Kent Life and residential properties.

In response to questions, the Senior Finance Manager (Client) explained that expenditure on electricity had been investigated. It appeared that a meter reading was taken resulting in previous bills being amended to reflect actual usage. With regard to the Cobtree Golf Course, the 2/9^{ths} share payable to the Borough Council was the total share of net income payable and did include recharges.

Budgets 2020/21

The Senior Finance Manager (Client) advised the Committee that:

- The proposed budgets for 2020/21 included a revised budget for the current year. The revised budget for 2019/20 should show the sum of £69,950 in respect of the repayment of car park construction costs, leaving a net surplus after repayment of £30,970.
- In overall terms the projected surplus from operational and investment activities for 2020/21 was £55,440 compared to £55,920 for the current year. After allowing for investment income and the repayment of the car park construction costs the overall net surplus reduced to £30,790 which was broadly in line with the cashflow projections previously reported to the Committee.
- Issues to highlight included the reduction in income received from the siting of telecommunications equipment on land adjacent to the Cobtree Golf Course and the disaggregation of the Manor Park repair and maintenance budget to provide new budgets for tree work, vehicle leasing and running costs, consultancy and gate locking. It had been the intention to deal with gate locking as part of the recent staff restructure, but following a review it had been decided that using a security company would be the most appropriate course of action. Consideration was being given to introducing alternative mowing arrangements to reduce costs.

Service Level Agreement

The Senior Finance Manager (Client) advised the Committee that Mid-Kent Legal Services had been asked to redraft the Service Level Agreement (SLA) to ensure that it accurately reflects the complex nature of the relationship between the Charity and the various Council departments. This was to ensure that the roles of the various Officers are clarified sufficiently to ensure that no conflicts of interest arise in their dealings with Charity matters. It was the aim to report the SLA back to the Committee in March 2020.

During the discussion on the SLA, the Chairman reiterated that a condensed version of the document was required.

RESOLVED:

1. That the financial position of the Cobtree Manor Estate as at 30 November 2019 be noted.
2. That the proposed budgets for 2020/21 be agreed.
3. That the progress to date with the Service Level Agreement between the Borough Council and the Charity be noted.

64. ACCOUNTS 2018/19

The Senior Finance Manager (Client) introduced his report setting out the audited Report and Financial Statements for the year ended 31 March 2019 for approval prior to submission to the Charity Commission by 31 January 2020.

It was noted that:

- The audit had been undertaken by UHY Hacker Young, the Charity's External Auditors, who intended to issue an unmodified audit opinion.
- No major issues had arisen regarding the accounts during the audit. A number of adjustments were made to the draft accounts submitted for audit and there was a small number of unadjusted misstatements none of which had had any impact upon the financial resources available to the Charity.
- The total funds of the Charity as shown on the Balance Sheet had increased from £4.26m to £5.17m, with the Statement of Financial Activities (SOFA) showing a net funds increase of £906,633 for the year. The increase in the funds included gains on the revaluations of both the fixed assets of the Charity and the investments held.
- There had been a significant increase in the value of the investment properties held following a review of the valuation approach by the External Auditors who had recommended that the most appropriate approach would be to use fair value rather than existing use value.

Fair value broadly reflected the open market value of the properties if they were to be sold whereas existing use value reflected their worth in their current form.

- The External Auditors had indicated that in their opinion this would increase the value of the investment properties by £770,000 and this had led to the increase in funds held. Formal valuations would be done on this basis going forward. This had no operational or financial impact on the resources of the Charity but ensured that the balance sheet more accurately reflects the value of the assets held.
- The accounts now included a figure for the repayment of the money loaned by the Borough Council towards the cost of the car park works. This was shown under creditors on the balance sheet.
- The accounts also included the write-off of a debt of £9,266 for a sum that was due from Mytime. This debt dated back a number of years and related to an agreement that was made at the time that MyTime would reimburse the Charity for new ovens installed in the Golf Course Clubhouse. The agreement was not followed up and recovery of the debt was now considered unlikely.
- The majority of the significant reductions in the comparator figures in the notes to the accounts were due to the operation of the café/visitor centre passing to an external contractor in April 2018.
- The purpose of the Letter of Representation for 2018/19 was to ask the Committee to confirm a number of statements relating to the audit and the information supplied to the External Auditors during the course of their audit.
- The purpose of the Management Letter was to draw the attention of the Committee to matters of interest that had arisen during the external audit process including the recommendation relating to the basis of investment property valuations.

During the discussion on the accounts, it was suggested and agreed that the Officers be requested to circulate to all Members of the Committee details of the multiplier of rental income used for the valuations of investment property and to discuss with the External Auditors the change in the valuation approach and the link between rental income and asset values. It was also suggested and agreed that the Officers seek clarification regarding the involvement of Kent County Council in the governance arrangements of the Charity.

RESOLVED:

1. That the audited Report and Financial Statements for 2018/19 be approved and submitted to the Charity Commission.
2. That the change in the valuation approach for investment properties be noted.

3. That the Letter of Representation be approved.
4. That the contents of the Management Letter and the proposed course of actions by the Officers be noted.
5. That the Officers be requested to circulate to all Members of the Committee details of the multiplier of rental income used for the valuations of investment property and to discuss with the External Auditors the change in the valuation approach and the link between rental income and asset values.
6. That the Officers seek clarification regarding the involvement of Kent County Council in the governance arrangements of the Charity.

65. APPOINTMENT OF EXTERNAL AUDITORS

The Senior Finance Manager (Client) reminded Members that at the last meeting of the Committee consideration of the appointment of External Auditors had been deferred pending the receipt of further information to include a breakdown of the quote submitted by UHY Hacker Young (UHY) (the previous External Auditors) to provide external audit services for 2019/20 and 2020/21; clarification from the Procurement Team as to whether three written quotes in advance are required; and the current statutory audit thresholds for Charities and whether an independent examination would be appropriate for the Charity.

The Senior Finance Manager (Client) then introduced his report addressing these issues. It was noted that:

- UHY had previously quoted fees of £5,410 plus Vat for 2019/20 and £5,545 plus VAT for 2020/21. UHY had provided an indicative breakdown of the estimated costs for the various phases of the audit and whilst the total costs shown were more than the fees quoted, UHY had advised that they do not generally recharge the full cost of the audit to the Charity.
- The Borough Council's Contract Procedure Rules, which the Charity follows, require three written quotes in advance where the cost of the works/service is greater than £10K. In this case, as the total of the fees cumulatively is in excess of 10K, three quotes should be sought but the Director of Finance and Business Improvement had indicated that he would be prepared to sign a contract waiver form as the total sum was not significantly in excess of 10k. This would enable UHY to be reappointed for a further period if considered appropriate by the Committee.
- As the Charity had gross income of £0.462m and gross assets of £5.47m on the 2018/19 balance sheet, then the thresholds for independent examination had been exceeded and an external audit was required.

The Committee felt that UHY should be reappointed as External Auditors to the Charity for 2019/20 and 2020/21 and that quotes be sought in line with the Borough Council's procurement rules for the provision of External Audit services in subsequent years in due course.

RESOLVED: That UHY Hacker Young be reappointed as External Auditors to the Charity for 2019/20 and 2020/21 and that quotes be sought in line with the Borough Council's procurement rules for the provision of External Audit services in subsequent years in due course.

66. DURATION OF MEETING

2.30 p.m. to 4.15 p.m.