

ISLE OF ANGLESEY CHARITABLE TRUST

COMMITTEE:	ISLE OF ANGLESEY CHARITABLE TRUST
DATE:	23 APRIL 2013
TITLE OF REPORT :	DRAFT OUT-TURN 2012/13 AND BUDGET 2013/14
PURPOSE OF REPORT:	UPDATE STRATEGY AND OUTLINE BUDGET
REPORT BY:	CHARITABLE TRUST TREASURER
ACTION:	ADOPT BUDGET AND DELEGATE SUM TO BE ALLOCATED TO YEARLY GRANTS

1. Summary

- 1.1 This report is required to confirm funding allocations for 2013/14 and to delegate the funding powers for community facilities and minor grants to the General Grants Committee. The figures contained within this report are based upon projected outturn for 2012/13.
- 1.2 The projected outturn for 2012/13 means that reserves as at 31 March 2013 are estimated at £43k surplus. With the projected growth in investment income, and assuming the continuation of current grant funding levels (with the Oriel Ynys Môn funding decreasing to £200k by 2014/15), revenue reserves are projected to increase to £300k in 2014/15. Due to the current uncertainties surrounding the future administration of the Trust, it is suggested that this projected surplus is not allocated at this time.
- 1.3 The recommended grants budget for 2013/14 is:
- Oriel Ynys Môn £215k;
 - Village Halls £66k; and
 - Community Facilities & Minor Grants £50k (the General Grants Committee to have delegated authority to make these grant allocations).

2. Projected Outturn

- 2.1 The projected out-turn and revenue reserves for 2012/13 differ from the strategy and budget as follows:-
- Investment income for 2011/12 was £28k (7%) higher than projected in May 2012;
 - 'Other grants' were £6k (12%) higher than originally budgeted due to the award made to Môn FM by the full Trust (the funding of which was covered by allocations forgone in 2011/12);
 - Allocations forgone in 2011/12 were £16k (for prudence, projections for allocations forgone are not included within the annual budget setting reports); and
 - Investment income net of minor miscellaneous expenditure was £14k higher than projected at the time of the 2012/13 budget setting report.
- 2.2 The projected out-turn (which is summarised in the table below) means that revenue reserves as at 31 March 2013 are estimated at £43k surplus.
- 2.3 Grants are recognised in the revenue reserve when the commitment is made to a third party. In the case of grants which are drawn down over a period of years,

these may be funded from future years' investment income. The reserves policy implied by the financial strategy implemented in 2009/10 may allow that the revenue reserve falls into deficit, provided that cashflow projections show cash commitments can be met and revenue reserves return to surplus over the period of the drawdown.

- 2.4** During 2011/12 the reserves were in deficit for the first time, but this was stated after writing off the full value of £300k for RDP phase 2 to be drawn down over a period of years. At that time it was projected that the revenue reserves would return to surplus during 2013/14, being within the RDP timetable.

- 2.4.1** To summarise the position, the update to the strategy in April 2012 was based on these illustrative projections:-

	2012/13 £000	2013/14 £000
Investment Income*	454	468
Less standard investment management fee*	(36)	(37)
Available for spending	418	431
<i>* assumed to grow at 3% per annum</i>		

Spending on:-

Oriel Ynys Môn	(230)	(215)
Village Halls	(66)	(66)
Other grants	(50)	(50)
Total allocations	346	331
To/(from) reserves	72	100
Projected surplus / (deficit) at year end	(9)	91

- 2.5** This can now be updated for the 2011/12 actual, and 2012/13 projected, out-turns. Investment income is projected forward at 3% trend growth from a higher baseline. The Oriel Ynys Môn funding was formally confirmed as a three-year agreement in December 2009 and so the figures up to and including 2011/12 did not change. As part of the 2012/13 budget setting the proposal for Oriel Ynys Môn was to reduce funding to £200k p.a. by 2014/15 and it was resolved that the 2012/13 budget was £230k. This gives revised projections (ignoring allocations forgone) as follows:-

Investment Income	2012/13 £000	2013/14 £000	2014/15 £000
Investment Income	482	496	511
Less standard investment management fee	(35)	(36)	(37)
Available for spending	447	460	474

Grant expenditure

Oriel Ynys Môn	(230)	(215)	(200)
Village Halls	(66)	(66)	(66)
Other Grants	(56)	(50)	(50)
	352	331	316

Movements in reserves

To/(From) Reserves	95	129	158
Projected Surplus / (Deficit) at year end	43	172	330

- 2.5.1** As can be seen, the latest projections show that investment income for 2012/13 has surpassed initial projections and the revenue reserve has returned to a surplus position a year in advance of previous expectations.

2.5.2 It should be noted that within the investment portfolio there are accumulation funds. These funds pay the dividend in the form of investment units rather than cash and are being reflected in increased capital rather than revenue reserves. As reported in the 2012/13 budget setting document, and as discussed briefly at the Investments and Contracts Committee on 22 May 2012, this income could justifiably be regarded as revenue and there is the flexibility to recognise it as such. We are advised that this income is currently in the region £30k. The value of the income and the implications of amending the recognition of this income can be reviewed and reported during the year if the Trust wishes.

3. Future Considerations: Administration Costs

3.1 A separate report on the agenda of this meeting discusses the future administration of the Trust. It is too early to give accurate estimates of the cost of this change but it is likely that there will be legal fees and set up costs as well as ongoing administration costs.

3.1.1 Ongoing administration costs are estimated to be at least £60k per annum based on:

- Fees of 10% of the grants pot charged in similar circumstances to other grant awarding bodies; and
- Other costs, additional to those currently charged to the Trust will include general and financial administration, accounting, and legal and other advice.

3.2 Given the uncertainty of these costs, my advice is that the projected surplus should not be allocated at this time. It will be necessary to return to the financial strategy after the election and once the decision on future administration has been made.

4. The 2013/14 Funding Round

The advertisements for annual grants were made in early April 2013, with a deadline of 10 May 2013 for applications to be submitted. See Section 5(b) for the recommended budget.

5. Recommendations

(a) To confirm the updated strategy and the tapering of the Oriel Ynys Môn grant by £15k p.a.

(b) To adopt a budget for 2013/14 as follows:-

Oriel Ynys Môn	£215k
Village Halls	£ 66k
Community Facilities & Minor Grants	£ 50k

(c) To delegate to the General Grants Committee the sum of £50k to deal with applications.

(ch) To return to the financial strategy after the election and once the decision on future administration has been made.