LEINTWARDINE CENTRE

HIGH STREET, LEINTWARDINE, CRAVEN ARMS SY7 OLB

Financial Report: March 2016

Summary – This report presents the preliminary results for the financial year, which are provisional until the Annual Report is prepared.

Income was substantially up on budget and forecast in March, due to the large number of events in the last two months of the year. Whilst event expenses were also up as a result, the Centre finished the year with its highest gross income of any month (ignoring the £7,500 capital receipt in October), and a surplus of income over expenses of £1,513 for the month. This meant the net surplus for the year is £12,710.36, or £5,210.36 ignoring the capital receipt.

Income –Income in March was £3,763.97 (£1,816.47 more than forecast). Letting income was the only income centre below forecast, at £280. Hiring income was £715, up £265 on forecast. Fundraising income was however well up on forecast at £2,768.97.

The fundraising income was generated by the several events put on in the hall in February and March. The gross takings for these are below, but not all of this income will have been banked during March:

- March First Saturday, which took £150.92
- The Murder Mystery, which took £654.25 and showed an estimated 43% profit
- Flicks in The Sticks ("45 Years", "The Lobster" and "Spartan"), which between them took gross income of £482.00 (and collectively made an estimated profit of about £150, subject to confirmation by Patrick Orton once the season is finished)
- Quiz Night, which took £797, and showed an 89% profit
- Megson, which grossed £1,248.80 (the second highest gross after "Open Gardens") and showed a 27% profit after costs

Spending – Spending in March was £2,251.43, £574.98 above budget and forecast. This reflects the event expenses incurred in generating the increased income above, with event expenses being £1,305.72. However, this means there was a surplus of event income over event expenses of £1,463.25, or roughly a 53% profit.

Other expenses were at or below forecast for the month, with the exception of the additional insurance premium approved at the last meeting. The Centre also received a £380.28 refund from nPower for money owed following the termination of their supply contract last July. The new supplier EDF is currently showing a substantial outstanding net debit balance of about £875 due to incorrect estimated starting reading on the contract. This is due to administrative failures by both the outgoing and incoming supplier at the setting up of the new contract, and is the subject of an ongoing dispute.

Cash – The Centre started the year with cash at bank of £21,736.68, split £11,721.68 (54%) current account and £10,015 (46%) deposit account. It ends the year with cash at bank up £12,510.06 (57.5% increase) at **£34,246.74.** Following the approved transfer of £5,000 to the deposit account in March, this comprises £11,627.04 (47.5%) current account and £22,619.70 (52.5%) deposit account. Cash in hand remains at £225 (£100 floats with the Treasurer, £75 with Lazy Lunches and £50 with Flicks in The Sticks).

Creditors and Debtors – As at the date of this report, there were three outstanding invoices. I've now received a cheque for the LHS invoices.

> 1 months	£0.00	
1-3 months	£307.50	LHS
>3 months	£0.00	
Total	**£307.50**	

Reserves – The Committee approved a Reserves Policy in 2014 which set out to ensure the Centre holds sufficient funds to cover for short-term shocks and mid-term foreseeable expenses (such as major maintenance). It approved a policy of holding roughly the equivalent of 6 to 9 months' expenditure in the "General Operating Fund" reserve (the current account in effect) to cover unforeseen loss of income or expenses. The current account reserves are now a little above the current lower range target of £10,833, which was based on last year's total expenses.

The "Maintenance & Refurbishment" reserve target was set at a somewhat arbitrary (but achievable) £15,000. Funds held on deposit now stand at £22,619.70, which is 7,619.70 above that target. Arguably the £7,500 received from Herefordshire Council to discharge their maintenance liability on the toilet block should be 'ring-fenced' for maintenance of that part of the building, and therefore constitute an additional reserve.

The policy requires the Committee to review its target reserves regularly, and it is now appropriate to do so again. If we believe that the level of risk has altered materially then we should consider changing the target reserves.

Whilst there are a number of recent developments which potentially affect our ability to meet our obligations whilst remaining on a sound financial footing, I don't believe these go beyond the level or types of risk which we envisaged when we set the current reserve targets. That being the case, my recommendation is ***to leave the targets unchanged at 6-9 months 'worth of general operating reserves and £15,000 of 'maintenance and refurbishment' reserves***.

As our expenses for the year as a whole are £20,521, only slightly down on last year, I propose we leave the target range as is. This means a combined target reserve in the range £25,833 - £31,250, so the current cash holdings are slightly above that range. However, given the level of maintenance and refurbishment expenditure we are likely to incur shortly, my comment about the £7,500 capital receipt, plus the potential reduction in lettings income, I don't propose that we actively seek to reduce our reserve holdings at present.

The Old School House – At the March meeting I was authorised to appoint TSR Surveyors to undertake the proposed condition survey and report once Peter Faulkner had cleared the building. He has not yet done so, and I have not yet instructed the surveyor to proceed. Whilst it would be possible to have a builder undertake some remedial works to the building without incurring the cost of a professional survey, I remain of the opinion that the Committee should obtain a survey before undertaking any work. My reasons for holding this opinion are:

a) We have an obligation to maintain the building under the terms of the lease from the Diocese. None of the Committee is qualified to say what work is required to meet that obligation, or to specify it in any detail.
b) If we intend to re-let the building, then as Trustees and landlords we have an obligation to ensure that the building is safe and in a fit condition to be let for its intended use in compliance with current legislation. None of the Committee is qualified to make that assessment. The proposed survey will tell us what elements within the building will need attention in order to achieve that, and give us an independent estimate of the cost.
c) Whilst a builder may be able to give an estimate of the cost of a list of work they could compile in response to a general request, they will not accept any responsibility for ensuring that the work achieves the objectives at a) or b) above. If they say they are willing to do so, we should be highly suspicious of their ability to back that up.
d) It is probable that the cost of work required will exceed £1,000. Whilst we don't have a 'Procurement Policy' as such (and perhaps we should) it is incumbent on us as Trustees to demonstrate we are obtaining value for money when we commission work at that level of cost. That means we should aim to obtain at least three competitive quotes. For them to be genuinely competitive and capable of proper comparison, we should issue some form of schedule of works against which they can quote. To do that, we need someone to itemise the work which needs to be done. It should not be compiled by one of the competing parties, and no-one on the Committee is qualified to compile it.
e) We may be able to negotiate an arrangement with a potential tenant whereby they undertake repairs and improvements, or fund such works, in exchange for an extended rent-free period. In order to undertake such a negotiation, we need to know the extent and likely cost of the work. The professional survey would give us that information.

Conclusion – Thanks to the hard work of the Committee and other volunteers, and the continued generosity of donors and supporters, we have ended the financial year on an even sounder financial footing than we entered it. Reserves are up again and stand a little in excess of our target levels. Costs remain under control, and fundraising income outperformed 2014-15. I will present a more detailed analysis to a future meeting and the AGM. However, as the Committee is aware there are likely to be sizeable maintenance and repair costs in coming months which will draw on reserves, and maintaining and growing our income remains a constant battle. However, overall the Committee can be rightly pleased with the sound financial position it has achieved.

Robert Cock
Treasurer, the Leintwardine Centre, 4 April 2016