

The Trust's Resources

It should first be explained that the Trust, although a single legal entity, should be thought of as having two independent financial structures within it.

1. The Trust, as a legal entity and a limited company, still owns the freehold of some leased properties and a number of open spaces within the Suburb which it manages and maintains. Estate management is not the largest part of the Trust's activities but it encompasses limited charitable giving and the maintenance and improvement of open spaces and built infrastructure, although these are currently a drain on resources. Nonetheless the Trust has an asset base and, subject to the rules of the Charity Commission, it is free to manage its assets so as to meet expenses and accumulate reserves which are not directly associated with its primary function as a planning regulator.

2. The second financial framework, (and this is where most of the cash flows are to be found), arises from the consideration of the Trust as the body that decides how the Suburb's character and amenities are to be maintained. Under the Scheme of Management (p2) the Trust is empowered to levy a charge on freeholders, this year £50, to meet the expenses of its operations. Until recently these costs have been relatively stable and predictable. The increased number of threats to

the Suburb that require legal defence have produced increases in expenses which make the financial position of the Trust more difficult to handle. The regulations governing the management charge enable the Trust to set the charge in the light of its expected expenses for the year and also to recover, retrospectively, unbudgeted costs. Nonetheless, the Trust has a duty to manage the call on freeholders as evenly and predictably as possible and it resorts to special, retrospective, levies with reluctance.

In short, the Trust is not financially weak. Moreover, it is empowered to recover from freeholders the costs of its Scheme of Management. In principle, this means that the Trust can never be bankrupted.

Nonetheless, over the last decade or so, the Trust has effectively subsidised from its own reserves the work involved in administering its planning function. Many residents have been surprised, and no doubt gratified, by the low level of the management charge and the way in which it has been kept down for many years. This has involved economies in accommodation, systems and staff that are no longer sustainable. It has also brought about a decline in reserves to the level beyond which prudential financial management suggests that they should not be allowed to fall. In any case, such a policy cannot be sustained for ever; reserves are finite.

All this means that the Trust's finances are being thoroughly reviewed. Although this review is by no means complete it can be said now that increases in the management charge larger than those experienced in the past are certain.

Such increases will need more explanation and as the analyses now being undertaken are completed the Trust will be in a position to give a more precise account of what is contemplated. Meanwhile it is inviting comment from its