

Trust Finances (continued)

to maintain the physical infrastructure of the Suburb. Neither could its limited staff develop and apply adequate policies for improvement and enforcement.

The Trust's revenue is derived from the interest on its banked and/or invested assets, the rents from its remaining leaseholders (fixed in money terms but augmented by voluntary contributions), the sale of freeholds, and fees for the variation of covenants on properties.

It was long the practice to consider all these items as income and use them to finance the expenditures of the Trust, including the subsidy of the Management Charge; the consequent effect on reserves was not considered as a critical indicator of the financial health of the Trust until 2005.

...and revival

The Trust now considers only revenue from rents and its financial assets as current income. Revenue from the sale of freeholds or from fees for covenant variations is treated as transfers to its cash reserves.

In the current year this means that the Trust, on this notional "trading account", is expected to have a deficit of about £40,000.

However reserves have risen to over £500,000 between 2006/7 and 2007/8, as a result of the continued sale of freeholds and a more rigorous approach to the recovery of estate charges and owners' obligations under covenants. The Trust is expected to return to a surplus on its notional "trading account" within the next five years.

Once the Trust's current income exceeds its current expenditure it will be able to do more to restore the infrastructure and to encourage higher standards of maintenance and the repair of planning infringements. Further, it will enable the Trust to increase its educational work and to revive the charitable activities that are part of its purpose and to which, at the moment, it can only make a token contribution.

As things stand the Trust's reserves are adequate to meet any reasonably conceivable contingency and it is expected that it will eventually be possible to invest an increasing proportion of them for the long term.

The Management Charge now

In recent years the Management Charge has seen considerable annual fluctuations. The difference each year since 2005 between the Trust's annual

estimates and the expenses actually incurred is shown in the table below. Over the last four years the billed charge has varied from £50 to £110 and the charge actually paid in any one year from £50 to £149.50. Increasingly accurate estimates and the setting and meeting of long-run expectations about the level of the charge will allow this performance to be improved.

The Trustees' estimate of the expenditures in operating the Scheme of Management for 2008/2009 gives rise to a Management Charge of £110. The calculations on which this year's charge is based have included two important items – a large provision for property litigation expenses and a lesser but still considerable provision for increased accommodation and a modest increase in staff.

Reluctant litigation

For a charity, the Trust's rights and obligation are unusually dependent on statutory law. The Leasehold Valuation Tribunal deals with estate charges and the High Court enforces obligations under the provisions of leases and the Scheme of Management.

Despite its reliance on legal judgements, the Trust litigates reluctantly. Actions are expensive and time-consuming,

THE MANAGEMENT CHARGE 2004/5 TO 2008/9

	2004/5	2005/6	2006/7	2007/8	2008/9
Billed Charge	47.00*	50.00*	110.00	99.00	110.00
Actual Expenditure	n/a	89.50	77.00	82.00	tbc
Surcharge/(Rebate)**	n/a	n/a	39.50	(33.00)	(17.00)
Actually paid	47.00	50.00	149.50	66.00	93.00

* Since 2005/6 the Trust has withdrawn its subsidy from the Management Charge

** The rebate or surcharge is the difference between the billed charge and actual expenditure in the previous year.