

Charity number: 1105649

Hastings and St Leonards Foreshore Charitable Trust

Trustees' report and financial statements

for the year ended 31 March 2008

Hastings and St Leonards Foreshore Charitable Trust

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Hastings and St Leonards Foreshore Charitable Trust

Report of the trustees for the year ended 31 March 2008

Information

- 1. Trustees**
- Jerry Le Sueur
Hugh Marriage OBE (Chair of Board of Trustees)
- Councillor Anne Bird (from 18 June 2007)
Councillor Trevor Webb
Councillor Roy Tucker (until 18 June 2007)
- 2. Charity Correspondent**
- Neasa Coen
Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA
- 3. Charity number**
- 1105649
- 4. Legal adviser**
- Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA
- 5. Financial Adviser**
- BDO Stoy Hayward LLP
Emerald House
East Street
Epsom
Surrey KT17 1HS
- 6. Accountants**
- Manningtons
7-9 Wellington Square
Hastings
East Sussex TN34 1PD
- 7. Auditors**
- Buzzacott LLP
12 New Fetter Lane
London EC4A 1AG

Hastings and St Leonards Foreshore Charitable Trust

Report of the trustees for the year ended 31 March 2008

8. Structure, Governance and Management

Overview

8.1 The Hastings and St Leonards Foreshore Charitable Trust ("the Trust") was registered as a charity in 2004. Hastings Borough Council ("the Council") had acted as outright owner of the Trust land up to that point and continued to exercise full control over the Trust until a board of trustees was appointed by a Scheme of the Charity Commission on 22 March 2006 ("the Scheme"). However, for reasons which were set out in our last annual report, the trustees are still having to leave the day-to-day running of the "business" activities of the Trust to the Council whilst working with professional advisers and the Charity Commission to resolve the conflicts of interest and other issues arising from the former governance of the Trust. All monies of the Trust continue to be held by the Council within its bank accounts.

8.2 The trustees, as a board, are responsible for the governance of the Trust. There are no employees.

8.3 The trustees' annual report for the year ended 31 March 2007 was published on 23 January 2008 although, in order to give a more accurate context, it covered some issues in the year 2007/08. Similarly, in order to give an accurate and up-to-date account of the Trust's current position, this report includes a number of issues which have arisen since March 2008.

8.4. This report for the year ending 31 March 2008 contains the first set of accounts in the format specified by the Statement of Recommended Practice (SORP) for charities, prepared by Manningtons, the Trust's accountants, and independently audited by Buzzacott LLP, the Trust's auditors. The report also sets out the current position in respect of:

- the £1.35m settlement reached with the Council.
- work in ascertaining the extent of the Trust's land.
- proposals for a Jerwood Foundation art centre on Trust land.
- proposals for the future governance of the Trust.

9. Constitution

9.1 The Hastings and St Leonards Foreshore Charitable Trust was established under a conveyance from the Crown dated 8 September 1893 as amended by the Hastings Borough Council Act 1988, as supplemented by a Charity Commission Scheme on 22 March 2006. The Trust is a registered charitable trust and is unincorporated.

9.2 The objects of the Trust are to hold the Trust land for the common use, benefit and enjoyment of all Her Majesty's subjects and of the public for the time being for ever.

10. Appointment of Trustees

10.1 The Scheme which was sealed on 22 March 2006 provided for the appointment of six trustees, including two trustees appointed by the Council. Following guidance by the Charity Commission (sought by the Council), the non-Councillor trustees neither live in Hastings nor have any direct connection with the town.

10.2 The Council is the Custodian Trustee and appoints two nominated trustees, who may or may not be Councillors. If they are Councillors and are subsequently appointed to Cabinet, they may find that, because of conflicts of interest, they are unable to take part in a significant portion of the Trust's business. This was the case with Councillor Roy Tucker who resigned as a trustee in June 2007 following his appointment to Cabinet. Resignations take effect one month after notice has been given. Because of their possible conflict of interest, Councillor trustees are prevented from taking part in decisions in relation to the settlement for breach of trust with the Council. For this reason, in order to enable the settlement negotiations with the Council to continue, the trustees have amended the Scheme to reduce the quorum for trustee meetings to two.

10.3 Hugh Marriage continues to chair the Board of Trustees.

Hastings and St Leonards Foreshore Charitable Trust

Report of the trustees for the year ended 31 March 2008

10.4 Because of the organisational circumstances of the Trust, there are no plans to appoint any more non-Councillor trustees.

11. Risk management

11.1 As set out in the trustees' last annual report, one of the first tasks of the trustees was to identify the major risks to which the Trust is exposed, using expert legal and financial advice to supplement the trustees' experience in charities, management and government. The trustees' principal priorities continue to be to tackle issues arising over the previous governance of the Trust and to put in place a proper system of governance for the future.

11.2 Because of the difficulties of operating the Trust under the terms of the Scheme, the trustees are still not able to assume the day-to-day running of the Trust so all the Trust's day-to-day business, including the keeping of accounts for the Trust, continues to be handled by the Council. The Trust therefore remains without staff, without a bank account and without any funds which it holds on its own account. The trustees will, of course, open a bank account as soon as any money is received from the Council as part of the settlement, for instance.

Settlement for past breaches of trust reached with the Council

11.3 Our last annual report announced the £1.35m settlement for past breaches of trust. The Charity Commission sealed the necessary section 26 Order on 8 January 2008 and the settlement agreement was signed by both parties on 20 June 2008. Normally the settlement period in cases like this is 120 days but, at the request of the Council, the trustees agreed to extend the settlement period to 240 days. This means that the Council is required to pay the settlement sum in full within 240 days of the signing of the document (i.e. by 16 February 2009). The settlement agreement provides for part of the settlement to take the form of land transferred from the Council to the trustees, subject to agreement between the parties. The trustees have always made clear their willingness to accept part of the settlement sum in additional land to be held in trust and it is expected that a land transfer will form part of the final settlement.

Extent of Trust's land

11.4 However, before the trustees can accept any additional land, they need to be sure both of the Trust's current boundaries and of the ownership of any land proposed to be transferred from the Council to the trustees by way of settlement. Accordingly, in May 2008, the trustees appointed David Powell, FRICS, a distinguished expert on the definition of land and boundaries, to ascertain the extent of the Trust's land in the light of the conveyances of 1893, 1925, 1933 and 1934. David Powell mapped each of the conveyances onto the Ordnance Survey map which was current at the time. This means that the trustees now have a very accurate, high-definition, map of the extent of the Trust's current land. The trustees are very grateful to David Powell for the great skill with which he has carried out this work.

Ownership of land adjacent to the Trust's original conveyances

11.5 As anyone familiar with the foreshore at Hastings will know, over the years the beach has grown considerably to the south of its previous position - so much so that land which was originally stone beach, like Pelham Square car park, for instance, is now some distance from the sea, due to reclamation and the operation of tides and the weather. The conveyances which created the Trust conveyed fixed areas of what was, at the time, foreshore. That land is no longer wholly foreshore and there is now land, beach and foreshore to the south of it. The question then arises as to who owns this new land and whether it falls within the Trust's holding as a result of the process known legally as accretion. The trustees' legal advisors referred David Powell's report to Counsel for advice and received an Opinion which concluded that the Trust owns all the land south of the original conveyances, right down to the sea. This means that, with the exception of the strip of land which gives access to the pier and which belongs to the pier company, almost all the land from the northern boundary of the Trust land to the sea is owned by the Trust.

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Report of the trustees for the year ended 31 March 2008

11.6 As part of the same exercise, Counsel considered the position of some land which is north of Trust land but is registered in the Council's name. Counsel concluded that, in those instances where the Council cannot deduce title to this land separately from the Trust conveyances, since the Council cannot profit from its position as a trustee, that land should also be recognised as belonging to the Trust.

11.7 Accordingly, in September 2008, our legal advisors wrote to the Council enclosing the map drawn up by David Powell and setting out what the trustees believe to be the true extent of Trust land. The trustees are conscious that much of this is land which the Council had hitherto thought it owned itself. As well as requiring the Council to recognise the additional land as belonging to the Trust, the trustees, in accordance with their duties as trustees, have asked the Council for all the historic income relating to that land, for example, rents or other fees generated from the use of the land. The trustees propose to use David Powell's map as the basis for negotiations over any land transfers in connection with the settlement.

11.8 It is important to appreciate that, in carrying out this exercise, the trustees have done no more than ascertain, as carefully as we can, what the legal position is - and, as far as we are aware, always has been - in relation to Trust land on the foreshore.

Proposals by the Jerwood Foundation to establish an art centre on the foreshore

11.9 Our last annual report happened to coincide with the announcement of the Jerwood Foundation's interest in establishing a gallery for its permanent collection in Hastings on foreshore land which is owned by the Trust. We had obviously been aware of this proposal for some time and we have welcomed it warmly from the start. The trustees are anxious to do everything in their power to facilitate this development.

11.10 Whilst the Jerwood Foundation would finance the building of the gallery and meet its running costs, they were seeking a site which would be free of charge. The site they selected, following public consultation, was on the coach and lorry park on the Stade. Much, if not all, of this site is owned by the Trust and making it available to the Jerwood Foundation would cost the Trust at least £98,000 a year in lost parking revenue. Nevertheless, at their meeting on 25 June 2008, the trustees unanimously agreed in principle, subject to legal advice, to lease the Jerwood Foundation the Trust's land on the coach and lorry park site for a peppercorn rent.

11.11 For all kinds of charity law reasons, there are legal complications in making such an offer. Not least because that part of the Jerwood group which would be the tenant under the lease is not a registered charity, the Charity Commission's involvement and agreement would be required before the Trust could make over this land to the Foundation. The trustees believe that the Jerwood's proposal is very much in accord with the objects of the charity and will be a significant benefit for the people of Hastings (the main beneficiary group of the charity). We propose to approach the Charity Commission accordingly.

Future governance of the Trust

11.12 In our last annual report, we outlined our long-term aim of settling the outstanding breaches of trust by the Council, working up new governance proposals and handing back the trusteeship to the Council under new, modern, governance arrangements. As a matter of law, the trusteeship cannot be transferred to the Council in advance of the settlement or if the settlement fails for any reason.

11.13 We have made considerable progress with this work. On 21 January 2008, the trustees' legal advisors sent the Council our detailed proposals for the governance of the Trust. The main elements of these proposals are that:

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Report of the trustees for the year ended 31 March 2008

- there will be a publicly-available Governance document setting out the obligations on the Council and on Councillors of taking on the trusteeship. This is mainly a statement of the existing law.
- the Trust should have a Protector whose fiduciary duty would be to ensure the integrity of the administration of the Trust and if necessary report matters of serious concern to the Charity Commission. The Protector would be a fully qualified accountant who would have certain duties and rights of access and be independent of the Council.
- there will be a new "Scheme" for the charity to take account of the new governance arrangements and to replace the current Scheme.

11.14 The Council is considering these proposals and has responded on some issues, in particular the rather complicated interaction between local government legislation and charity law, and the Charity Commission is now preparing a draft Scheme for the charity. The trustees anticipate agreeing the governance documents with the Council before transferring the trusteeship.

11.15 The trustees are well aware that there are a number people in Hastings who are not yet persuaded that the best course for the charity is for the trusteeship to revert to the Council. We have considered their views carefully but, partly for reasons we set out in our last annual report and partly for the purely practical reason that the charity is difficult if not impossible to run as an independent entity and the trustees do not wish to see it broken up, we are convinced that it is in the best interests of the charity and the beneficiaries of the charity for the trusteeship to revert to the Council. However this will be under new, much stricter, governance arrangements.

11.16 Five particular features of the proposed governance arrangements are especially important to the trustees:

1. that, probably for the first time, Councillors, Officers and the general public will have to hand and will understand the legal basis for the Trust, the constraints on the Trust as a result of charity law and implications of the Trust's status as a charity.
2. that the Council will be under a legal obligation to produce proper charity ("SORP compliant") accounts, independently audited. This is a major change and a major safeguard for the Trust. To start off the process, in spite of the difficulties of doing so and the fact that the accounts are qualified, the trustees have produced a SORP set of accounts for the first time this year and had them independently audited. They are attached to this report.
3. there will be a Protector who will be independent of the Council and who may, if he or she sees fit, bring matters to the attention of the Charity Commission. Since the past breaches of trust have been over use of the Trust's funds, it is important that the Protector is a qualified accountant. The current trustees propose appointing the first Protector.
4. there will be an obligation for the Trust to have an annual public meeting, at which (amongst other things) the Trust's accounts will be discussed. It is intended that the Protector will attend the annual public meeting.
5. there will be a provision for the trustees to make charitable grants (unlike the current Scheme which contains no grant-making powers).

11.17 In the opinion of the trustees, these provisions provide a very robust basis for the future governance of the Trust which will be more open and more accountable, and under the eye of the Protector.

11.18 The trustees have undertaken to work with the Council to bring about a smooth transition to the new arrangements (after the settlement has been completed) and the Council has agreed to make public their proposals for the detailed operation of the Trust, for instance, how the Trust's surpluses will be allocated towards charitable activity in Hastings.

Administrative support

11.19 The trustees continue to make do without administrative support.

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Report of the trustees for the year ended 31 March 2008

Liability of trustees

11.20 The trustees have again taken out public liability and personal indemnity insurance policies at a cost of £1,900 a year.

Meetings held by trustees

11.21 The trustees have met in Hastings or in London on the following dates

- 19 April 2007
- 19 November 2007
- 12 June 2008
- 25 June 2008

11.22 Trustees have had additional meetings or correspondence with legal and financial advisers; with the Trust's surveyor; with the Charity Commission; with HM Revenue and Customs; with the Leader of the Council and his advisers; with the Member of Parliament for Hastings; and with a number of residents of Hastings who have been in touch with the trustees.

11.23 The trustees this year made regulations under clause 21 of the Scheme to allow the trustees to do business by telephone and email. Much of the Trust's day-to-day business is handled in this way.

Approvals for activities on Trust land

11.24 We have again received and considered a number of requests for activities to take place on Trust land. This year the trustees renewed approval for events such as the annual bonfire; classic car rally; cricket; lifeguard station; the Old Town Carnival; rugby; the Stade Education Project; the farmers' market; and the Seafood and Wine Festival. The trustees have also agreed that the Council's dog control orders should extend over the Trust's land.

11.25 The trustees continue to support the proposals for a multi-use games area, including volleyball, on Trust land next to the trampolines on Pelham Beach, and the community sculpture Umoja, which is awaiting planning permission.

11.26 One application which did cause the trustees some concern was for a new Twister ride on Stade Amusement park. Earlier in the year the trustees had entered into correspondence with the tenants, following which some enclosing fencing was removed. The proposed ride would be slightly taller than the existing ride but would take fewer people at any one time, so in practice should be quieter. The trustees agreed the application for the new ride, subject to it being quieter in operation than the current ride and that it is a replacement and not in addition to the current equipment.

11.27 The trustees have agreed to the establishment of a café on the platform near Grosvenor Gardens, subject to planning permission. We are also considering the position of the Azur Bistro open-air chairs on Trust land outside the Marina Pavilion.

11.28 The former White Rock baths, which are owned by the Trust, are once again attracting attention after years of neglect. These baths were built in 1874 in the heyday of swimming baths and so are quite famous for that reason. They were later used as a cinema and an ice rink but, sadly, the building has been derelict for about ten years and is now dangerous. The trustees would very much like to see it restored and brought back into use. From time to time we receive offers to lease the building but these are generally too underfunded to be viable, in the view of the trustees, although we are currently considering one proposal for the top of the building. However, in order to try to get a better idea of just how much it might cost to repair and restore the building, the trustees expect soon to commission a condition survey which could then be used by potential tenants in constructing their business case for restoring and redeveloping the site.

Hastings and St Leonards Foreshore Charitable Trust

Report of the trustees for the year ended 31 March 2008

Car parking charges

11.29 Following a meeting with the Chief Executive and subsequent correspondence, the trustees have agreed new car parking charges to come into effect on 1 November 2008.

12. Objects

12.1 The 1893 conveyance states that the foreshore is to be held "upon trust for the common use benefit and enjoyment of all Her Majesty's subjects and of the public for the time being for ever". Following guidance from the Charity Commission, the principal beneficiaries of the Trust can be regarded as users of the foreshore and the people of Hastings more generally.

13. Activities

13.1 The principal concern of the trustees is to enable the Trust to deliver local benefit whilst safeguarding the Trust's assets and putting the Trust on a proper footing for the future. The current governance arrangements are deeply unsatisfactory as the Council is undertaking functions which are not appropriate for a Custodian Trustee. Unfortunately resolving the difficulties which the trustees inherited and putting in place new governance arrangements in line with modern charity law is taking a considerable time and, in spite of the trustees' efforts to limit costs, is expensive.

13.2 Nevertheless, it is fair to say that significant progress has been made with the Council and the Charity Commission. The trustees believe that, with the co-operation of the Council, it should be possible to finalise the £1.35m settlement, resolve any outstanding land issues and get the new governance arrangements in place in time for the start of the 2009/2010 financial year.

14. Achievements and performance

14.1 Day-to-day activity of the Trust on Trust property, has been delivered by the Council.

15. Financial review

15.1 One of the difficulties about preparing the first set of accounts is deciding the opening balance. Last year the trustees were unable to prepare a set of financial statements for the year ended 31 March 2007 with the information which was available at the time. Instead we relied on the Council's accounts to 31 March 2007 which were published on www.hastings.gov.uk/finance/accounts2006.aspx and which were audited by the District Auditor, who signed his unqualified opinion on 28 September 2007. These accounts identified net income for the Trust of £254,584 for the year ended 31 March 2007 and a provision in favour of the Trust of £1.35m for the settlement. The accounts for the year ended 31 March 2008 therefore take as their opening balance the outstanding settlement plus last year's revenue.

15.2 However, the accounts prepared last year by the Council did not include the Trust's expenditure on professional fees, with the result that all the fees for both 2006/07 and 2007/08 fall into the 2007/08 accounts. It is for this reason that the Trust, which would normally return a substantial surplus, shows a small operating loss in 2007/08. We comment on the level of professional fees later in this report: it is the trustees' hope and expectation that the level of fees will reduce substantially as soon as the Trust's affairs have been put in order and the trusteeship has been returned to the Council.

15.3 The preparation of these accounts has allowed the trustees to know for the first time the level of management charges which the Trust pays to the Council for operating the Trust. In 2007/08 these charges came to £287,000.

15.4 For reasons which have been explained, the Council has continued to manage and maintain car parks on the trustees' behalf and the Council has also provided street and beach cleaning. The associated income and expenditure has been processed through the Council's systems and statutory returns and is shown in the accounts attached to this report.

Hastings and St Leonards Foreshore Charitable Trust

Report of the trustees for the year ended 31 March 2008

15.5 As the trustees have not been involved in the day-to-day management of these activities, they have not been in a position to manage contracts or services so are not able to ensure value for money. The Council, by agreement with the trustees, has processed all transactions of the Trust, integrated within its general ledgers. The trustees have not been responsible for entering into contracts nor the detailed collation of income and expenditure for the period and so have had no control over expenditure on Trust business.

15.6 The Trust's accounts show that the Trust has been accumulating significant operating surpluses, so the Trust will have considerable cash reserves following the settlement. Under the current Scheme the Trust has no powers to make charitable grants, but it is proposed that this will be rectified by the new Scheme.

Cost of professional advice

15.7 The trustees continue to be advised by Berwin Leighton Paisner LLP as the trustees' legal adviser and BDO Stoy Hayward LLP as the trustees' financial adviser. These two firms work closely together on Trust business.

15.8 The total cost of professional advice to the trustees between April 2006 and the end of August 2008 is £511,000 (including VAT). The cost of professional advice in the financial year 2007/08 was £254,090 (the comparable figure for 2006/07 was £174,826). Under the settlement, about 50% of these costs will fall to the Council rather than the Trust. After the settlement and the transfer of the trusteeship to the Council, these professional fees will reduce substantially. Keeping costs down is one of the reasons why the trustees are keen to see the settlement concluded as quickly as possible since the longer the process goes on the more expensive it becomes.

15.9 The trustees are greatly indebted to their professional advisers for the support and help which they have given to us. The Trust's affairs had become very complex and would not have been resolved without the high quality advice which we have received and our advisors' help with issues like the settlement, obtaining tax relief, assessing the true extent of Trust land, getting independent accounts and an independent audit, and developing future governance arrangements, all of which have greatly strengthened the Trust.

15.10 This year we have appointed Manningtons as the Trust's accountants and Buzzacott LLP as the Trust's auditors. It is not an easy task putting together the first set of accounts for a charity as complicated as this, particularly when they have to be compiled from local authority ledgers; and auditing these accounts is not a simple matter either. The trustees are therefore very grateful to Manningtons for their work on the accounts, and to Buzzacott LLP for their work on the audit.

Trustees' expenses

15.11 In common with the trustees of other charities, the trustees are volunteers who give their time and effort to the Trust without charge. Trustees are, however, allowed to reclaim their reasonable expenses, which is mainly for travel to meetings: in 2007/08 these amounted to £171.

15.12 During 2007/08 the cost for room hire for meetings has been nil. When trustees' meetings are held in the offices of Berwin Leighton Paisner LLP in London or in the Town Hall in Hastings, no charge is made for room hire.

16. Achievements and Performance

16.1 There have been no activities of the Trust other than those already described.

17. Plans for the future

17.1 It will already be clear that we are absolutely certain that the best future for the Trust lies in new governance arrangements which will safeguard the Trust's land for the people of Hastings for the future without giving rise to excessive overhead costs associated with operating a stand-alone enterprise. This should provide a substantial and valuable charitable endowment for the town.

Hastings and St Leonards Foreshore Charitable Trust

Report of the trustees for the year ended 31 March 2008

18. Responsibilities of the trustees

18.1 The trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law, and United Kingdom Generally Accepted Accounting Practice. Law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of charity's financial activities during the year and of its financial position at the end of the year. In preparing financial statements giving a true and fair view, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

18.2 The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the charity and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

18.3 Since assuming office in March 2006, the trustees have taken professional advice on their duties as charity trustees and have done all in their power to try to get the Trust onto a proper footing so that it can move forward and benefit the people of Hastings. The trustees are anxious that, in future, as much of the Trust's operating surplus as possible is disbursed as charitable grants for the benefit of the people of Hastings.

19. Accountants and Auditors

19.1 In August 2008 the trustees appointed a local firm, Manningtons, as the Trust's accountants.

19.2 Buzzacott LLP were appointed auditors to the charity in August 2008.

19.3 The trustees have passed resolutions to re-appoint Manningtons as the Trust's accountants and Buzzacott LLP as the Trust's auditors.

20. Concluding remarks

20.1 Although it is not a year since our last annual report, much has happened. We have thoroughly mapped the Trust's land for the first time; we have obtained the Charity Commission's Section 26 Order and signed the settlement agreement with the Council to start the clock ticking towards final settlement in February 2009; we have done what we can to clear the way for the Jerwood Foundation's art gallery on Trust land; we have started off the process of the Trust having proper charity accounts and we had them independently audited for the first time; and we have produced very detailed proposals for the future governance of the Trust.

20.2 We knew from the start that sorting out the affairs of this Trust was never going to be an easy business and was unlikely to satisfy everybody. But we are confident that (providing always that the settlement with the Council is completed satisfactorily) the essential foundations are now in place to safeguard and secure the Trust so that it can become Hastings' own charity, providing the town with a generous and permanent charitable endowment for all time.

Approved by the board of trustees and signed on its behalf by:


Hugh Marriage OBE
Chair

Date: 13
20 November 2008

Hastings and St Leonards Foreshore Charitable Trust

Report of the independent auditors to the trustees of Hastings and St Leonards Foreshore Charitable Trust

We have audited the accounts on pages 12 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 14.

This report is made solely to the charity's trustees, as a body, in accordance with Section 43 of the Charities Act 1993 and with regulations made under Section 44 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity's trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

As described on page 9 you are responsible as trustees for the preparation of the trustees' report and accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

We have been appointed as auditors under Section 43 of the Charities Act 1993 and report in accordance with the regulations under Section 44 of that Act. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the trustees' report is not consistent with the accounts, if the charity has not kept proper accounting records, or if we have not received all of the information and explanations we require for our audit.

We read other information contained in the trustees' report, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Hastings and St Leonards Foreshore Charitable Trust

Report of the independent auditors to the trustees of Hastings and St Leonards Foreshore Charitable Trust

Qualified opinion arising from the exclusion of prior year comparatives

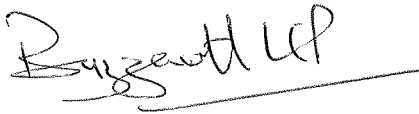
Except for the exclusion of prior year comparatives from the accounts, as explained in note 10, in our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the charity's state of affairs as at 31 March 2008 and of its incoming resources and resources expended in the year then ended;
- the accounts have been properly prepared in accordance with the Charities Act 1993.

Emphasis of matter - possible outcome of a claim

In forming our opinion on the accounts, which is not further qualified in this regard, we have considered the adequacy of the disclosures made in note 11 to the accounts concerning the possible outcome of a claim made by the charity against Hastings Borough Council. The Council has disputed the claim. The ultimate outcome of the matter cannot presently be determined, and no debtor for any potential income that may result has been made in the accounts.

Buzzacott LLP
Chartered Accountants and
Registered Auditors



12 New Fetter Lane
London
EC4A 1AG

13 November 2008

Hastings and St Leonards Foreshore Charitable Trust

Statement of financial activities

For the year ended 31 March 2008

	Notes	2008 £
Incoming resources		
Incoming resources from generating funds:		
Investment income	2	12,729
Incoming resources from charitable activities	3	1,018,085
Total incoming resources		<u>1,030,814</u>
Resources expended		
Charitable activities	4	814,324
Governance costs	5	229,146
Total resources expended		<u>1,043,470</u>
Net movement in funds		(12,656)
Total funds brought forward	10	<u>1,605,614</u>
Total funds carried forward		<u>1,592,958</u>

The statement of financial activities includes all gains and losses in the year and therefore a separate statement of total recognised gains and losses has not been prepared.

All of the above amounts relate to continuing activities.

All funds are unrestricted.

The notes on pages 14 to 17 form an integral part of these financial statements.

Hastings and St Leonards Foreshore Charitable Trust

Balance sheet as at 31 March 2008

	Notes	£	2008 £
Fixed assets			
Tangible assets	1		1,030
Current assets			
Debtors	8	1,821,074	
		<u>1,821,074</u>	
Creditors: amounts falling due within one year	9	(229,146)	
Net current assets			<u>1,591,928</u>
Net assets			<u>1,592,958</u>
Funds			
Unrestricted income funds			<u>1,592,958</u>
Total funds			<u>1,592,958</u>

The financial statements were approved by the trustees on *13 November 2008* and signed on their behalf by

Hugh Marriage
Hugh Marriage OBE
Trustee

13 November 2008

The notes on pages 14 to 17 form an integral part of these financial statements.

Hastings and St Leonards Foreshore Charitable Trust

Notes to financial statements for the year ended 31 March 2008

1. Accounting policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year.

1.1. Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities: Statement of Recommended Practice' issued in March 2005 (SORP 2005) and the Charities Act 1993.

1.2. Cashflow

The charity has taken advantage of the exemption in FRS1 from the requirement to produce a cashflow statement because it is a small charity.

1.3. Incoming resources

All incoming resources are included in the statement of financial activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

Income from investments is included in the year in which it is receivable.

1.4. Resources expended

Expenditure is recognised on an accrual basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with financing and with constitutional and statutory requirements.

1.5. Tangible fixed assets and depreciation

The land comprising the foreshore of Hastings and St Leonards was sold to the Trust by the Crown in September 1893 for £400 and subsequent purchases between 1925 and 1934 for a further £630. No valuation of this land has ever been carried out and it is recorded at cost. The trustees are of the opinion that the open market value is materially in excess of this figure.

1.6. Staff and pension schemes

The charity has no employees but is charged the relevant portion of those undertaking work in pursuance of the charities objectives. These are employed by Hastings Borough Council and have the choice of being in the relevant defined benefit local government pension scheme. No adjustment has been made based on the application of FRS 17, as no effect of this adjustment will be borne by the charity.

Hastings and St Leonards Foreshore Charitable Trust

Notes to financial statements for the year ended 31 March 2008

2. Investment income

	2008
	£
Other interest receivable	12,729
	<u>12,729</u>

An allocation of interest receivable from Hastings Borough Council has been made to reflect what should have been earned by the trustees on their surplus funds if they had not been retained by the Council. The Council has been advised of the Trust's claim for this interest.

3. Incoming resources from charitable activities

	2008
	£
Car parking	880,184
Rents	133,497
Deck chairs	1,521
Other income	2,883
	<u>1,018,085</u>

4. Costs of charitable activities - by activity

	2008
	£
Car parking	228,496
Deck chairs	3,894
Foreshore management	342,245
Street cleansing	87,386
Public conveniences	152,303
	<u>814,324</u>

Hastings and St Leonards Foreshore Charitable Trust

Notes to financial statements for the year ended 31 March 2008

5. Governance costs

	2008
	£
Accountancy fees	2,938
Auditor remuneration	11,750
Legal and professional fees	214,458
	<u>229,146</u>

Professional fees have been incurred over the last two years but no allocation was made by Hastings Borough Council in reaching the surplus of £254,584 in the accounts that they prepared for the Trust to 31 March 2007. Agreement has been reached, as part of the overall settlement, signed on 20 June 2008, for the Trust to meet 50% of the professional fees incurred to date and this amount has been taken through these accounts.

	£
The Trust's part of the professional fees were: 2006/07	87,413
2007/08	127,045
	<u>214,458</u>

6. Employees

There are no direct employees and there are no apportioned costs of employees who received emoluments of more than £60,000 (2007 : None).

7. Trustees' emoluments

No remuneration was paid to trustees during the year. Expenses of £171 were paid to one trustee for travel costs.

8. Debtors

	2008
	£
Amounts owed by Hastings Borough Council	1,821,074
	<u>1,821,074</u>

Hastings and St Leonards Foreshore Charitable Trust

Notes to financial statements for the year ended 31 March 2008

9. Creditors: amounts falling due within one year

	2008
	£
Amounts owed to Hastings Borough Council	214,458
Accruals and deferred income	14,688
	<u>229,146</u>

10. Comparative balances

The trustees were unable to prepare a set of financial statements for the year ended 31 March 2007 with the information that was available to them at the time.

The trustees did present some information about the financial position of the Trust as at 31 March 2007 within their annual report. The information was presented on the basis of the Council's accounts to 31 March 2007 which are available on www.hastings.gov.uk/finance/accounts2006.aspx and which were audited by the District Auditor, who signed his unqualified opinion on 28 September 2007. Extracts from these accounts identified a net income position for the Trust of £254,584 for the year ended 31 March 2007, a provision in favour of the Trust of £1.35m and identified that the fixed assets of the Trust were disclosed within the Council's balance sheet as at 31 March 2007.

	£
Land purchases	1,030
Settlement for breach of trust	1,350,000
Surplus in the year ending 31 March 2007	254,584
	<u>1,605,614</u>

In reaching the surplus of £254,584 in 2006/07, the Council did not account for professional fees accruing to the Trust of £87,413 (note 5). These fees have been treated as expenditure in the current period.

11. Contingent asset

The Trust has written to Hastings Borough Council in relation to ownership of land adjacent to the Trust's original conveyances. The Trust considers, supported by Counsel's opinion, that the Trust owns all the land south of the original conveyances and some land to the north of Trust land, in those instances where the Council cannot deduce title separately from the Trust conveyances. The Trust will look to the Council to account to the Trust for historic revenues generated from the use of the land.

The Council is disputing ownership and has not made available the historic revenues. As such it is not currently practicable to estimate the extent of the monetary claim. The trustees consider that the value of the land and monetary claim are material and expect a future transfer of resources from the Council to the Trust.