

## TRUSTS AND CHARITIES COMMITTEE – 31 January 2014

<b>Title of paper:</b>	<b>Bridge Estate Trust - Quarter 3 Budget Monitoring 2013/14 and Budget 2014/15</b>	
<b>Director(s)/ Corporate Director(s):</b>	Carole Mills Deputy Chief Executive & Corporate Director for Resources	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Georgina Lewis, Finance Analyst <a href="mailto:georgina.lewis@nottinghamcity.gov.uk">georgina.lewis@nottinghamcity.gov.uk</a> 0115 8764227	
<b>Other colleagues who have provided input:</b>	Barry Dryden, Senior Finance Manager, Financial Reporting	
<b>Date of consultation with Portfolio Holder(s) (if relevant)</b>		
<b>Relevant Council Plan Strategic Priority:</b>		
Cutting unemployment by a quarter		<input type="checkbox"/>
Cut crime and anti-social behaviour		<input type="checkbox"/>
Ensure more school leavers get a job, training or further education than any other City		<input type="checkbox"/>
Your neighbourhood as clean as the City Centre		<input type="checkbox"/>
Help keep your energy bills down		<input type="checkbox"/>
Good access to public transport		<input type="checkbox"/>
Nottingham has a good mix of housing		<input type="checkbox"/>
Nottingham is a good place to do business, invest and create jobs		<input type="checkbox"/>
Nottingham offers a wide range of leisure activities, parks and sporting events		<input type="checkbox"/>
Support early intervention activities		<input type="checkbox"/>
Deliver effective, value for money services to our citizens		<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>		
This report details the forecast outturn for the 2013/14 Bridge Estate, based on the third quarter's budget monitoring, and the Budget for 2014/15 for approval		
<b>Recommendation(s):</b>		
<b>1</b>	That the forecast outturn for 2013/14 be noted.	
<b>2</b>	That the 2014/15 Budget be approved	

### **1. REASONS FOR RECOMMENDATIONS**

The Trustees have responsibility for making recommendations on the management of the Charity. The budget is a key part of the framework for the financial management of the Trust and the recommendations set out the budget targets against which the performance of the Trust will be monitored.

### **2. BACKGROUND**

This report is an integral part of the Council's regular monitoring, forecasting and reporting system. The report enables the Trusts and Charities Committee to be aware of the financial position of the Charity and therefore allows any appropriate decisions or actions to be taken in their role as Trustee.

### **3. OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

None

#### 4. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

##### 4.1 QUARTER 3 BUDGET MONITORING/FORECAST 2013/14

The forecast outturn for 2013/14 is detailed in **Table 1**. The forecast is based on the expenditure to December together with anticipated future expenditure to the year end.

**Table 1: Bridge Estate 2013/14 Forecast: December (Period 9)**

	<b>Updated Budget 2013/14 £</b>	<b>Forecast 2013/14 £</b>	<b>(Under)/Over spend 2013/14 £</b>
<b>External Income</b>	<b>(2,363,300)</b>	<b>(1,969,902)</b>	<b>393,398</b>
Premises Costs	302,440	279,520	(22,920)
Supplies & Services	47,570	41,575	(5,995)
Support Services	90,860	111,120	20,260
Interest on Borrowing	103,270	103,270	-
<b>Expenditure</b>	<b>544,140</b>	<b>535,485</b>	<b>(8,655)</b>
<b>Surplus before NCC Grant</b>	<b>(1,819,160)</b>	<b>(1,434,417)</b>	<b>384,743</b>
Less Grant to NCC	1,609,900	1,225,157	(384,743)
<b>Net (Surplus) / Deficit</b>	<b>(209,260)</b>	<b>209,260</b>	<b>-</b>
<b>Contribution to Funds/Reserves:</b>			
Repairs and Renewal Funds	13,110	13,110	-
Un-earmarked Reserve	196,150	196,150	-
<b>Unallocated (Surplus) / Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>

As a result of an overall shortfall in the net surplus, the grant to Nottingham City Council (NCC) is expected to be reduced by £0.385m; an increase of £30k since Quarter 2 which is mainly due to increased repairs costs at Century House. Projected variances against budget are explained below.

- a. **Income (£393,398 shortfall)** – This is primarily due to lost rental income following the bankruptcy of a tenant at Listergate. Rent income has also fallen due to the timing difference between the sale of various properties and subsequent reinvestments in new properties. The major variances are shown in **Table 2**.

**Table 2: Reasons for underachievement in rental income 2013/14**

		£
Listergate	Changes in terms following the bankruptcy of the original tenant	192,000
Bull Close	Lost rent due to delay in acquisition	16,000
110 Mansfield Road	Reduced rent due to sale	50,000
Various	Reduced rent due to sale to Confetti	28,000
Whitemoor Court	Voids periods for units 21 and 24	44,000
Century House	Void period and bad debt write off	85,000
Other Items	Increase rent following rent reviews	(22,000)
<b>Income Shortfall</b>		<b>393,000</b>

**b. Premises (£22,920 underspend)** – This is mainly due to a net underspend on empty rates following rates appeals at Mansfield Road, plus additional repairs costs of £30k at Century House.

**c. Support Services (£20,260 overspend)** – £15k of this relates to the actual cost of financial services being charged rather than an historical sum. A further £5k is due to an increase in the cost of Estates services, reflecting actual activity.

#### 4.2 BUDGET 2014/15

The preparation of the Bridge Estate budget for 2014/15 is set out in **Table 3** and shows an anticipated surplus of £1.678m before the grant awarded to NCC:

**Table 3: Bridge Estate 2014/15 Budget**

	Budget 2013/14	Changes	Budget 2014/15
	£	£	£
<b>External Income</b>	<b>(2,363,300)</b>	<b>203,480</b>	<b>(2,159,820)</b>
Premises Costs	302,440	(93,490)	208,950
Supplies & Services	47,570	(6,240)	41,330
Support Services	90,860	42,950	133,810
Interest on Borrowing	103,270	(5,300)	97,970
<b>Expenditure</b>	<b>544,140</b>	<b>(62,080)</b>	<b>482,060</b>
<b>Surplus before NCC Grant</b>	<b>(1,819,160)</b>	<b>141,400</b>	<b>(1,677,760)</b>
Less Grant to NCC	1,609,900	(64,900)	1,545,000
<b>Net Surplus</b>	<b>(209,260)</b>	<b>76,500</b>	<b>(132,760)</b>
<b>Contribution to Reserves:</b>			
Repairs and Renewal Funds	13,110	58,890	72,000
Un-earmarked Reserve	196,150	(135,390)	60,760
<b>Unallocated Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>

The overall movements between the 2013/14 and 2014/15 budgets relate to:

- Inflation, which has been applied, where appropriate, in line with the inflation rates used by NCC which reflect the actual/expected position.
- A change to a more accurate method of calculating the support service costs charged to Bridge Estate by NCC.
- Other budget changes affecting individual budget headings are primarily the result of the full year effect of changes to Bridge Estate's property portfolio. This includes the acquisition of Bull Close, the sale of various properties to Confetti and the sale of 110-138 Mansfield Road. It also includes revised rental income for 34-38 Listergate.

#### Grant to Nottingham City Council

In recent years the Bridge Estate has awarded the following grants to NCC:

Year	Contribution £m
2008/09	1.590
2009/10	1.294
2010/11	1.237
2011/12	1.275
2012/13	1.484

It is proposed to determine the grant awarded in future years after talking account of the following factors:

- The Bridge Estate is currently forecasting that the grant for 2013/14 is expected to fall to £1.225m
- The grant for 2012/13 represented an increase of 16.4% on the previous year
- The effect of the Government's measure of inflation
- The budgeted level of surplus before the grant to NCC

Given the expected grant reduction in 2013/14, the most appropriate baseline for future grants would be 2012/13. After applying inflation for 2012/13 and 2013/14 of 4.1% the grant to NCC would rise to £1.545m, reducing the Bridge Estate's surplus to £0.133m.

#### Contributions to Reserves

It is proposed that this surplus is used as follows:

- **Contribution to Repairs and Renewals Fund (£72,000)** – The maintenance of Trent Bridge can involve large sums at periodic intervals. The bridge was last repainted in 2002 and this was expected to last 15–20 years. Estates have assessed that the repainting cost will have risen to around £600k by 2017/18. The balance on the reserve is expected to be c £312k by the end of 2013/14. To ensure the fund is at the level of £600k in 2017/18, an annual contribution of £72k is required.
- **Contribution to Un-earmarked Reserve (£60,760)** – An un-earmarked reserve was established for 2013/14 to allow the Trust some flexibility in responding to variability in future surpluses or other unforeseen events and take advantage of other opportunities that may arise. It is proposed to transfer the balance of the surplus to this reserve, increasing the reserve to £256,910.

5. **RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)**

None

6. **EQUALITY IMPACT ASSESSMENT**

Has the equality impact been assessed?

Not needed (report does not contain proposals or financial decisions)

No

Yes – Equality Impact Assessment attached

Due regard should be given to the equality implications identified in the EIA.

7. **LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

Budget and final account working papers.

8. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

None