

TRUST AND CHARITIES COMMITTEE – 20 DECEMBER 2021

Title of paper:	Bridge Estate Financial Position and Budget Update	
Corporate Director:	Clive Heaphy Corporate Director of Finance & Resources	Wards affected: All
Report author and contact details:	Tom Straw – Senior Accountant (Capital Programmes) thomas.straw@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Bevis Mackie	
Does this report contain any information that is exempt from publication? No		
Relevant Council Plan Key Outcome:		
Clean and Connected Communities	<input type="checkbox"/>	
Keeping Nottingham Working	<input type="checkbox"/>	
Carbon Neutral by 2028	<input type="checkbox"/>	
Safer Nottingham	<input type="checkbox"/>	
Child-Friendly Nottingham	<input type="checkbox"/>	
Healthy and Inclusive	<input type="checkbox"/>	
Keeping Nottingham Moving	<input type="checkbox"/>	
Improve the City Centre	<input type="checkbox"/>	
Better Housing	<input type="checkbox"/>	
Financial Stability	<input checked="" type="checkbox"/>	
Serving People Well	<input type="checkbox"/>	
Summary of issues (including benefits to citizens/service users):		
Update on the Bridge Estate budget position as presented at March 2021 and the current reserve forecast.		
Recommendation:		
1	That the Committee notes the financial forecast, including the reduced forecast of grant payable to the Council.	

1. Reasons for recommendations

- 1.1 A review of the Bridge Estates financial position has been carried out and as detailed in **Table 1** and **Table 2**, the current year forecast surplus for the Trust has reduced by **£0.1m**. This in year reduction has meant that the forecast grant paid to Nottingham City Council (NCC) has reduced accordingly. As detailed in section 3 the grant payable to NCC could reduce by a further **£0.2m** if the Lister Gate Debt / Capital Receipt Risk occurs.

2. Other options considered in making recommendations

2.1 Bridge Estate use capital receipts or reserves to repay the current years Lister Gate debt and / or cover 2021/22 shortfall. This option was rejected as it is viewed to be not in the best interests of the Trust due to the following:

- The Bridge Repair reserve having a £nil balance at 31st March 2021,
- The property repair reserve fully allocated on current schemes / projects,
- Capital Receipts have not been replenished as forecast, as receipts have slipped into future financial years.
- Financial decisions are required to be made in the best interests of the Trust and as such it is not financially prudent to use reserves for any shortfall at this time.

Further details regarding the reserve balances is detailed in **Table 2**.

2.2 Reduce the grant to the Council further in 2021/22 (i.e. below **£1.2m**) and replenish Bridge reserves. This option was rejected as the grant to the Council is one of the Charitable objectives of the Trust if there is any residue in income as the Trustee thinks best for the improvement of the City and a further reduction in-year would generate a pressure within the Council and would impact such improvement within the City. Further consideration is to be given regarding replenishment of reserves during 2022/23. Decisions and options regarding NCC Grant and replenishment of reserves to be made for the next financial year will be made at the March 2022 Committee.

3. Consideration of Risk

3.1 Bridge Estate has significant debt in relation to the Lister Gate properties, outstanding debt at 31st March 2021 is **£2.2m**. The budget set at March 2021 was predicated on sufficient capital receipts being received in year to cover the majority of the annual debt repayment. These forecast capital receipts have since slipped into 2022/23.

The actual debt repayment in 2021/22 is **£0.2m**, if sufficient receipts are not secured during 2021/22 it reduces the potential grant payable to the Council as indicated in **Table 1**.

4. Background (including outcomes of consultation)

4.1 This report is an integral part of the Bridge Estates financial monitoring and financial reporting. While enabling the Committee to be aware of the Bridge estates financial position and therefore allows any appropriate decisions or actions to be taken in their role as trustee.

5. Finance colleague comments (including implications and value for money)

5.1 The Bridge Estate revenue forecast has been refreshed from the reported position at March 2021. **Table 1** below details the cumulative decrease in the 2021/22 potential NCC of **£0.1m** between the current forecast and the forecast at March 2021.

	Current Forecast			March 2021 Forecast		
	2021/22 £m	2022/23 £m	2023/24 £m	2021/22 £m	2022/23 £m	2023/24 £m

Rental Income	(1.715)	(1.590)	(1.544)	(1.806)	(1.464)	(1.453)
Property Costs	0.287	0.146	0.195	0.279	0.163	0.202
Net Income	(1.428)	(1.444)	(1.349)	(1.527)	(1.301)	(1.251)
Operating Costs	0.167	0.167	0.167	0.167	0.167	0.167
Contribution to Bridge Repair Reserve	0.082	0.082	0.082	0.082	0.082	0.082
Potential Council Grant (*)	(1.179)	(1.195)	(1.100)	(1.278)	(1.052)	(1.002)
Lister Gate Debt Costs (Capital Receipt Risk)	0.180	0.180	0.180	-	-	-
Potential Grant with Capital Receipt risk (*)	(0.999)	(1.015)	(0.920)	-	-	-

(*) Historically the grant paid to the Council has been £1.5m

5.2 The above short and medium term forecast could change significantly if the tenant break / lease expiry assumptions differ to actual activity. The forecast rental decrease between 2021/22 and future years is due to current situation regarding Lister Gate.

5.3 As indicated in section 3 and **Table 1**, Bridge Estate is at risk of having to reduce the potential grant to NCC by a further **£0.2m**. Further information about this risk and its likelihood will be updated at March's committee prior to any further decision being taken.

5.4 **Table 2** below details the current position with regards to the Bridge Estate reserves.

	Bridge Repair Fund £	Asset Repair Fund £	Un-Earmarked Reserve £	Capital Receipt Reserve £	TOTAL £
Balance 31st March 2021	-	284,633	88,831	105,711	479,175
Commitments					
Governors House	-	(202,545)	-	-	(202,545)
Century House	-	(82,088)	(80,625)	-	(162,713)
Wheeler Gate - ventilation	-	-	-	(25,100)	(25,100)
Repayment of Debt (*)	-	-	-	-	-
21/22 Reserve Contribution	82,400	-	-	-	82,400
Available / Uncommitted Balance	82,400	-	8,206	80,611	171,217

(*) Repayment of debt is forecast as £nil as any repayment of Lister Gate debt from the Capital receipt Reserve must to meet from secured capital receipts.

6. Legal colleague comments

6.1 As the Charitable Objectives of the Bridge Estate focus primarily on the effective maintenance and repair of Trent Bridge, the budget is a key part of the framework for the financial management of the Trust. It is paramount for the finances to be monitored and reported upon so that the Trust is able to ensure compliance with its Charitable Objectives and to ensure appropriate financial contingencies are provided for.

6.2 This report notes that the proposed forecast is lower than anticipated and accordingly, it is prudent for the Trust to consider that the financial contribution it provides to the Council is also reduced. "Applying the residue of any income as the Trustee thinks best for the improvement of the City of Nottingham and public benefit of its inhabitants" is one the of three objectives of the Trust. The Trust must balance this with the other two objectives alongside the actual financial position of the Trust in determining the most appropriate use of the income, in the best interest of the Trust.

Dionne Screaton, Senior Solicitor, Commercial Employment and Education 8th December 2021

7. Other relevant comments

7.1 The property portfolio currently remains subject to a comprehensive review in order to reposition the portfolio including identifying options for realising capital receipts through strategic disposals and opportunities for providing improved revenue growth sustainable for the long-term. Bevis Mackie (Principal Surveyor) 07/12/2021

8. Equality Impact Assessment (EIA) & Data Protection Impact Assessment (DPIA)

8.1 An EIA is not required because the report does not relate to new or changing policies or services.

8.2 A DPIA is not required because this decision does not include any sensitive data.

9. Carbon Impact Assessment (CIA)

9.1 A CIA is not required because this decision is financial information only and has no CIA impact

10. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

10.1 None.

11. Published documents referred to in this report

11.1 Trust & Charities Committee Report (22nd March 2021) – Bridge Estate 2021/22 budget and Financial Outlook.