

## TRUST AND CHARITIES COMMITTEE – 27 March 2023

<b>Title of paper:</b>	Bridge Estate Financial Position, Budget Update and Reserve Policy	
<b>Director(s)/ Corporate Director(s):</b>	Ross Brown Corporate Director of Finance & Resources	<b>Wards affected:</b> All
<b>Report author(s) and contact details:</b>	Tom Straw – Senior Accountant (Capital Programmes) <a href="mailto:thomas.straw@nottinghamcity.gov.uk">thomas.straw@nottinghamcity.gov.uk</a>	
<b>Other colleagues who have provided input:</b>	Bevis Mackie – Principal Estates Surveyor Malcolm Townroe – Director of Legal and Governance	
<b>Date of consultation with Portfolio Holder(s)</b>	N/A	
<b>Does this report contain any information that is exempt from publication?</b> No		
<b>Relevant Council Plan Key Outcome:</b>		
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"/>	
<b>Summary of issues (including benefits to citizens/service users):</b>		
<p>It is best practice for the Trustees to be notified of the forecasted outturn for 2022/23 approve a balanced budget for 2023/24 while noting the indicative budget prospects for 2024/25.</p> <p>The charity is managed within its forecasted income with any surplus being applied to meet its charitable objectives:</p> <ol style="list-style-type: none"> <li>1) To provide for the efficient maintenance and repair of Trent Bridge and the approaches to it.</li> <li>2) To provide a contingency fund for the possible construction of such new bridge or bridges over the River Trent as may be found necessary or desirable.</li> <li>3) To apply the residue of any income as the trustees thinks best for the improvement of the City of Nottingham and the public benefit of its inhabitants.</li> </ol> <p>This report is to provide trustees an:</p> <ul style="list-style-type: none"> <li>• Update on the 2022/23 budget position,</li> <li>• Approve the budget / forecast for 2023/24, noting the indicative 2024/25 budget prospects, Needing to be reading in conjunction with the enclosed charities Reserve Policy for 2023/24.</li> </ul>		
<b>Recommendation(s):</b>		
<b>1</b>	<p><b>Forecast 2022/23 Outturn</b></p> <ol style="list-style-type: none"> <li>a) Noting the surplus forecast for 2022/23 is <b>£0.750m</b>, compared to the original approved budget surplus of <b>£1.015m</b> (approved at Trust and Charity committee 28th March 2022).</li> <li>b) Note the contribution to the Bridge Repair Reserve is <b>£0.082m</b> per original budget.</li> <li>c) Approve a <b>£0.265m</b> reduction in grant payable to the Council.</li> </ol>	

	d) Approve contribution to the property repair reserve of <b>£0.100m</b> , to cover works carried out at Dragon Court and inflationary increases within current programme.
<b>2</b>	<p><b>Bridge Estate Reserve Policy 2023/24</b></p> <p>a) To approve and formally adopt the enclosed Reserve Policy for 2023/24.</p> <p>b) To note the Reserve Policy will be monitored throughout 2023/24, and we be subject to an annual review March 2024.</p> <p>c) To approve the recommended contributions during 2023/24 as follows:</p> <ul style="list-style-type: none"> <li>• <b>£0.100m</b> contribution to the Bridge Repair Reserve (an annual increase of <b>£0.018m</b>),</li> <li>• <b>£0.100m</b> contribution to the Property Repair Reserve.</li> </ul>
<b>3</b>	<p><b>Bridge Estate Budget 2023/24 and forecast 2024/25</b></p> <p>a) To approve the Bridge Estate budget for 2023/24, noting the forecast surplus of (<b>£0.551m</b>) for allocation to achieve its charitable objectives.</p> <p>b) Note the indicative budget proposals for 2024/25.</p> <p>c) To approve the use of forecasted capital receipts in March 23 to make an overpayment on the Lister Gate debt, generating an annual saving of <b>£0.180m</b> plus interest (2023/24 <b>£0.046m</b>)</p>

## 1. Reasons for recommendations

- 1.1 This report seeks to inform Trustees of the forecasted outturn position for 2022/23 and the impact of this forecast on the previously approved grant payable to Nottingham City Council.
- 1.2 It also is seeking approval of the enclosed Reserve Policy for 2023/24 including the recommended reserve contributions to enable the charity to have sufficient financial resilience reserves as required by the Charity Commission guidance 'Charity reserves: building resilience (CC19)'.
- 1.3 Trustees are required to approve the Bridge Estates proposed budget for 2023/24 as per previous financial years'. This report also includes an indicative budget prospect for 2024/25.

## 2. Other options considered in making recommendations

- 2.1 None. As declared above it is best practice for the trustees to have a clear understanding of the charities financial position, while the charity commission require the charity to have a Reserve Policy which has been approved by the Trustees.

## 3. Consideration of Risk

- 3.1 The Reserve Policy enclosed for 2023/24 is to enable the charity to have sufficient resources and to ensure the charity meets its going concern requirement and reducing the risk in relation to any unforeseen adverse financial requirements.

## 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, with regards to forecast outturn 2022/23 and proposed budget 2023/24.
- 4.2 The trustees are required by the Charity Commission to approve a reserve policy on an annual basis. This policy will be presented to the trustee annually at the March committee

meeting for the following year's policy. The approved policy document will be submitted to the charity commission alongside its annual accounts.

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

### 5.1 2022/23 Forecast Outturn

5.2 The Bridge Estate revenue forecast has been updated from the approved budget to latest estimate. **Table 1** below details the movements:

	<b>Original Approved Budget £m</b>	<b>Outturn Forecast £m</b>	<b>Movement £m</b>
Rental Income	(1.590)	(1.802)	(0.212)
Property Costs	0.146	0.490	0.344
Operating Costs	0.167	0.200	0.033
Contribution to Bridge Repair Reserve	0.082	0.082	0.000
Additional contribution to Property Repair Reserve	0.000	0.100	0.100
Lister Gate Repayment of Principal	0.180	0.180	0.000
<b>Surplus (Contribution to the Council)</b>	<b>(1.015)</b>	<b>(0.750)</b>	<b>0.265</b>

5.3 For 2022/23, the Bridge Estate originally budgeted a grant payable to the Council a grant of **£1.015m** as indicated in **Table 1**. This is recommended to be reduced by **£0.265m** to **£0.750m**

5.4 The key financial movements that have contributed to this recommended position are summarised in the following paragraphs below:

- Rental Income (movement **£0.212m**), due to rental breaks assumed within the original budget not being realised and unbudgeted rental uplifts.
- Property Costs (movement **£0.344m**), due to increased void cost (e.g. business rates) and increase in forecasted energy costs.
- Contribution to Property Repair Reserve (movement **£0.100m**), additional allocation to the Property Repair Reserve to cover works carried out at Dragon Court and inflationary increases within current programme. See **Table 3** for further details. **Table 2** below details the amount spent on capital improvements or maintenance repairs over the last 3 financial years:

	<b>Capital Improvements £</b>	<b>Maintenance Repairs £</b>	<b>Total £</b>
2021/22 (*)	49,670	6,884	<b>56,554</b>
2020/21	177,136	1,095	<b>178,231</b>
2019/20	15,367	7,029	<b>22,396</b>
<b>3 year average</b>	<b>80,724</b>	<b>5,003</b>	<b>85,727</b>

(\*) 2021/22 per the accounts was a credit of (**£1,291**) was due to an over accrual in relation to the Bridge maintenance, actual 2021/22 property maintenance was **£6,884**

The forecasted position as detailed in **Table 1** is deemed to be on a prudent basis, if the financial surplus is greater than **£0.750m** any additional will be transferred into the Trusts un-earmarked reserve.

## 5.5 Reserve Policy

5.6 The Bridge Estate Reserve Policy for 2023/24 is enclosed for approval by the Trustees. As defined in the policy the committee has to be satisfied that the Bridge Estate has set aside sufficient receipts to manage its financial risks and liabilities.

5.7 The current reserve position for the Bridge Estate Trust is detailed within **Table 3**:

<b>Table 3: Bridge Estate Unrestricted Reserve Position</b>					
	<b>Bridge Repair Reserve £</b>	<b>Property Repair Reserve £</b>	<b>Un-Earmarked Reserve £</b>	<b>Capital Receipt Reserve (*) £</b>	<b>Total £</b>
<b>Balance at 31 March 2022</b>	104,537	354,963	135,285	105,711	<b>700,496</b>
Budgeted contribution 22/23	82,400	-	-	-	82,400
Additional contribution 22/23 (per Table 1)	-	100,000	-	-	100,000
Dilapidations received 22/23	-	21,000	-	-	21,000
<b>Expenditure Commitments</b>					
Governors House	-	(152,875)	-	-	(152,875)
Century House	-	(102,088)	-	(60,625)	(162,713)
Wheeler Gate	-	(31,917)	-	(28,083)	(60,000)
Dragon Court	-	(68,000)	-	-	(68,000)
Castle Bridge	-	(121,000)	-	-	(100,000)
<b>Uncommitted Balance</b>	<b>186,937</b>	<b>83</b>	<b>135,285</b>	<b>17,003</b>	<b>339,225</b>

(\*) The Capital Receipt Reserve is not managed from unrestricted income generated by the charity. But is resources available from disposal of fixed assets and allocated for investment in the charities fixed assets.

5.8 It is recommended that the following contributions are made to reserves as part of the 2023/24 budget to ensure that financial risks are managed appropriately in accordance with the reserve policy.

- Increase in the contribution to Bridge Repair Reserve to **£0.100m p/a** (previously **£0.082m**), due to potential future inflation pressures. The **£0.082m** annual contribution was based on the previous actual cost of the works carried out maintaining Trent Bridge annualised over a 15 year period using an assumed average inflation of **3.5%**. However, with current rate of inflation it is prudent to increase the contribution per recommendations.
- Contribution to the Property Repair Reserve of **£0.100m**, due to current £nil balance, meaning any unforeseen repairs is funded by a reduction to the amount awarded to meet its public benefit charitable objective in 2023/24. This will also help mitigate against any inflationary risk within the already committed elements. Future years contribution will be based on following assessment of the property portfolio (e.g. condition surveys).

## 5.9 Budget 2023/24 and future year forecast

5.10 The proposed 2023/24 budget below as detailed in **Table 4** is based on the assumption that the reserve movements proposed within section 5.8 are approved by the Trustees.

<b>Table 4: 2023/24 Budget and 2024/25 Forecast</b>		
	<b>2023/24 Budget £m</b>	<b>2024/25 Forecast £m</b>
Rental Income	(1.675)	(1.675)
Property Costs	0.509	0.527
Operating Costs	0.215	0.223
Contribution to Bridge Repair Reserve	0.100	0.100
Contribution to Property Repair Reserve (*)	0.100	0.100
Lister Gate Repayment of Principle	0.180	0.180
<b>Surplus</b>	<b>(0.571)</b>	<b>(0.545)</b>

(\*) Assumption that a similar level of repairs is required in 2024/25

5.11 The surplus forecast within **Table 4** will be earmarked by the charity to meet the following charitable objective:

‘To apply the residue of any income as the trustees thinks best for the improvement of the City of Nottingham and the public benefit of its inhabitants.’

5.12 The revenue position as stated in **Table 4** is based on the following a prudent basis:

- Rental Income – Prudent assumption in relation to lease breakages and rental increase.
- Property and Operating Costs – Uplifted based inflation assumptions.
- The Lister Gate Loan repayment, the budget forecasts annual repayments as defined in the repayment schedule. As discussed with Trustees previously forecasted capital receipts could be used to repay the entire outstanding debt with no early repayment penalty, if that is action it will generate a saving to the Trust of over **£0.180m** p/a.

Bridge Estate Trust will be monitoring its Revenue Position throughout the financial year, updating the budget as required following detailed reports from Property Services.

## 6. **Legal colleague comments**

6.1 Surplus income raised by the Trust has to be applied in accordance with its Charitable Objectives. In all other respects the report raises no significant legal issues.

**Malcolm R. Townroe – Director of Legal and Governance – 16 March 2023**

## 7. **Other relevant comments**

7.1 None

## 8. **Equality Impact Assessment (EIA)**

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

## 9. **Data Protection Impact Assessment (DPIA)**

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

**10. Carbon Impact Assessment (CIA)**

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

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

11.1 None

**12. Published documents referred to in this report**

12.1 Charity Commission guidance 'Charity reserves: building resilience (CC19)'

12.2 Minutes and reports from following Trust and Charity Committee meetings:

- 28 March 2022 (Original approved budget 2022/23)
- 3 October 2022 (Reserve position)