

Trusts & Charities Committee – 25th March 2024

Title of paper:	Bridge Estate Budget, Financial Accounts 2023/24 and Financial Management	
Director(s)/ Corporate Director(s):	Ross Brown, Corporate Director Finance & Resources, Section 151 Officer	Wards affected: All
Report author(s) and contact details:	Tom Straw, Senior Accountant (Capital Programmes) thomas.straw@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Glenn Hammons, Technical Finance Team Leader	
Date of consultation with Portfolio Holder(s) (if relevant)	N/A	
Does this report contain any information that is exempt from publication? No		
Relevant Council Plan Outcome:		
Green, 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"/>	
Living Well in our Communities	<input type="checkbox"/>	
Keeping Nottingham Moving	<input type="checkbox"/>	
Improve the City Centre	<input type="checkbox"/>	
Better Housing	<input type="checkbox"/>	
Serving People Well	<input type="checkbox"/>	
Summary of issues (including benefits to citizens/service users):		
<p>It is best practice for the Trustees to be notified of the forecasted outturn for 2023/24 approve a balanced budget for 2024/25.</p> <p>The charity is managed within its forecasted income in 2023/24 with any surplus being applied to meet its charitable objectives:</p> <ol style="list-style-type: none"> 1) To provide for the efficient maintenance and repair of Trent Bridge and the approaches to it. 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. 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. <p>This report is to provide trustees an:</p> <ul style="list-style-type: none"> • Update on the 2023/24 financial position, • Approve the budget / forecast for 2024/25, • Note the completion of the 2022/23 account, noting any changes from reported draft position, • Note Bridge Estates position in relation to the recently reported concerns regarding whether funds have been used in accordance with regulations and current practice in relation to transferring residue income to Nottingham City Council. • Approve the enclosed charities Reserve Policy for 2024/25. 		
Recommendation(s):		
1	Forecast 2023/24 Outturn (paragraph 5.1):	

	<p>a) Noting the surplus forecast for 2023/24 is £0.678m, compared to the original approved budget surplus of £0.751m (approved at Trust and Charity Committee 27 March 2023)</p> <p>b) Approve the allocation of the forecasted surplus as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Approved Budget (March 2023) £</th> <th>Current 2023/24 Forecast £</th> <th>Movement £</th> </tr> </thead> <tbody> <tr> <td>Contribution to Bridge Repair Reserve</td> <td>100,000</td> <td>100,000</td> <td>-</td> </tr> <tr> <td>Contribution to Property Repair Reserve</td> <td>100,000</td> <td>100,000</td> <td>-</td> </tr> <tr> <td>Grant payable to City Council</td> <td>571,000</td> <td>571,000</td> <td>-</td> </tr> </tbody> </table>		Approved Budget (March 2023) £	Current 2023/24 Forecast £	Movement £	Contribution to Bridge Repair Reserve	100,000	100,000	-	Contribution to Property Repair Reserve	100,000	100,000	-	Grant payable to City Council	571,000	571,000	-
	Approved Budget (March 2023) £	Current 2023/24 Forecast £	Movement £														
Contribution to Bridge Repair Reserve	100,000	100,000	-														
Contribution to Property Repair Reserve	100,000	100,000	-														
Grant payable to City Council	571,000	571,000	-														
2	<p>Bridge Estate Budget 2024/25 (paragraph 5.2):</p> <p>a) To approve the Bridge Estate budget for 2024/25, noting the forecast surplus of £0.400m for allocation to achieve its charitable objectives.</p>																
3	<p>Financial Accounts 2022/23 (paragraph 5.3):</p> <p>a) Note that the final accounts and annual return for Bridge Estate, Harvey Hadden & Highfield Leisure Park have been signed and submitted to Charity Commission.</p> <p>b) Note any movements between the draft accounts presented to the Committee and the final version.</p> <p>c) Note the enclosed external audit findings report for Bridge Estate.</p>																
4	<p>Bridge Estate Financial Management (paragraph 5.4):</p> <p>a) The Committee confirms, following a review, the Bridge Estate funds have been used in accordance with the regulations.</p> <p>b) The Committee will review the process through which it provides funds to Nottingham City Council during the next financial year with a view to implementing a new process for 2025/26 to ensure it continues to meet the following charitable objective: <i>‘To apply the residue of any income as the trustees think best for the improvement of the City of Nottingham and the public benefit of its inhabitants.’</i></p> <p>c) The Committee will consider whether external independent advice is required to review the contributions to Nottingham City Council alongside its charitable objectives and ensuring the Charity is achieving Value for Money (VfM).</p>																
5	<p>Bridge Estate Reserve Policy 2024/25 (paragraph 5.5):</p> <p>a) To approve and formally adopt the enclosed Reserve Policy for 2024/25.</p> <p>b) To note the Reserve Policy will be monitored through 2024/25 and will be subject to an annual review in March 2025.</p>																

1. Reasons for recommendations

- 1.1. Recommendation 1 – This report seeks to inform Trustees of the forecasted outturn position for 2023/24 and the impact of this forecast on the previously approved grant payable to Nottingham City Council.
- 1.2. Recommendation 2 – Trustees are required to approve the Bridge Estates proposed budget for 2024/25.
- 1.3. Recommendation 3 – Note the submission of the Financial Accounts for all Charities as detailed in the body of the report and any changes from the draft position previously reported.
- 1.4. Recommendation 4 – Trustees are required to note the charities compliance in relation to the use of Bridge Estate funds, and the recommended review of the process whereby residue income is transferred to Nottingham City Council.

1.5. Recommendation 5 – Approval of the enclosed Reserve Policy for 2024/25 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)’.

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, and
- Approve the Reserve Policy on an annual basis.

3. Consideration of Risk

3.1. The Reserve Policy enclosed for 2024/25 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 the:

- Final outturn position for 2022/23,
- Forecast outturn 2023/24, and
- Proposed budget 2024/25.

4.2. Concerns have been raised during 2023/24 in relation to the use of Bridge Estate funds and the transparency of how residue income is transferred to Nottingham City Council. This report confirms that Bridge Estate funds have been used in accordance with regulations and recommends a review the transfer of funds to Nottingham City Council.

4.3. 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. Forecast 2023/24 Outturn

5.1.1. The Bridge Estate revenue forecast has been updated from the approved position at March 2023 budget to the latest estimate. Table 1 below details the movements:

Table 1: 2023/24 Forecast Outturn compared to Original Approved Budget			
	Original Approved Budget £m	Outturn Forecast £m	Movement £m
Income	(1.675)	(1.629)	0.046
Expenditure	0.724	0.751	0.027
Operating Surplus	(0.951)	(0.878)	0.073
Contribution to Bridge Repair Reserve	0.100	0.100	0.000
Contribution to Property Repair Reserve	0.100	0.100	0.000

Budgeted Surplus Available for Charitable Activities	(0.751)	(0.678)	0.073
Approved amount allocated for Charitable Activities	(0.571)	(0.571)	0.000
Surplus Retained by Bridge Estate	(0.180)	(0.107)	0.073

5.1.2. Bridge Estate Trust has little movement between the original budget and the forecast outturn for 2023/24.

5.2. Bridge Estate Budget 2024/25

5.2.1. The proposed 2024/25 budget below as detailed in **Table 2** is based on the assumption that the reserve movements are as set out in section 5.5 (i.e. Bridge Estate Reserve policy) and with prudent assumptions in relation to tenant breaks and current void properties.

	2023/24 Approved Budget £m	2024/25 Proposed Budget £m	Movement £m
Income	(1.675)	(1.417)	0.258
Expenditure	0.724	0.730	0.006
Operating Surplus	(0.951)	(0.687)	0.264
Contribution to Bridge Repair Reserve	0.100	0.100	0.000
Contribution to Property Repair Reserve	0.100	0.100	0.000
Budgeted Surplus Available for Charitable Activities	(0.751)	(0.487)	0.264
Approved amount allocated for Charitable Activities	(0.571)	(0.400)	0.171
Surplus Retained by Bridge Estate	(0.180)	(0.087)	0.093

5.2.2. The Approved amount allocated for Charitable Activities (£0.400m) within Table 2 will be earmarked by the charity to meet the following charitable objective:

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

5.2.3. The revenue position as stated in **Table 2** is based on the following a prudent basis:

- Rental Income – Prudent assumption in relation to lease breakages and rental increase.
- Property and Operating Costs – Reviewed and uplifted where necessary.
- 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 significant amounts / all of the outstanding debt with no early repayment penalty, if that is action it will generate a revenue interest saving of c£0.040m plus a further cash saving of over £0.180m in relation to repayment of principle.

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

5.3. Financial Accounts 2022/23

5.3.1. The financial statements and annual returns were submitted to the Charity Commission on the following dates:

- Harvey Hadden Stadium and Highfields Leisure Park Trusts were submitted on the 14th February 2024,
- Bridge Estate annual return was submitted on the 20th February 2024, see paragraph 5.3.4 for details of financial movements within the Financial Statements.

5.3.2. Per Charity Commission guidelines the accounts for 2022/23 and annual return were required to be submitted by the 31st January 2024. This deadline was missed due to availability of resources within the Council, final copies of the accounts can be located on the following website:

<https://www.gov.uk/find-charity-information>

5.3.3. Following the internal review Harvey Hadden Stadium Trust and Highfields Leisure Park Trust financial statements only required narrative corrections and figures have not changed from the draft accounts presented at the October Committee.

5.3.4. The Bridge Estate Trust's draft financial statements were reported to the Committee on the 26th June 2023, the below table compares the final accounts with the draft version previously presented.

Table 3: Bridge Estate Movements between Draft and Final Financial Statements			
	2022/23 Final £	2022/23 Draft £	Movement £
Income			
Rent (net of movement in Loss Allowance)	(1,497,411)	(1,497,197)	(214)
Interest Received	(39,600)	(39,600)	0
Service Charges / Other	(52,355)	(52,355)	0
Total Income	(1,589,366)	(1,589,152)	(214)
EXPENDITURE			
Raising Funds			
Business Rates	250,128	250,128	0
Supplies and Services	44,859	46,556	(1,697)
Energy	46,122	56,011	(9,889)
Other	47,242	47,242	0
Charitable Activities			
Management and Administration	131,805	131,805	0
Surplus transferred to NCC General Fund	750,000	750,000	0
Other			
Interest Payable	51,110	51,110	0
Total Expenditure	1,321,266	1,332,852	(11,586)
SURPLUS POSITION BEFORE MOVEMENTS TO RESERVES	(268,100)	(256,300)	(11,800)
Movement to Funds			
Contribution to / (from) Bridge Repairs Fund	67,293	67,293	0
Contribution to / (from) Unrestricted Fund	200,807	189,007	11,800
NET position	0	0	0

5.3.5. The external audit identified a net misstatement of £0.013m within debtors and the bad debt provision. These were not corrected within the 2022/23 financial accountants due to being deemed immaterial.

5.3.6. Enclosed in Annex 1 is a copy of the external auditors management report for noting. This report brings the following findings to the attention of the Trustees:

- In some instances, external auditors were unable to use lease agreements to verify the rent received,
- An Estate Rent report previously used as part of audit testing is not available following an update of systems,
- There are some aged invoices raised by the Council to Bridge, it was identified that amounts have been accrued but an invoice identified was paid 14 months after its due date.

5.4. Confirmation of Bridge Estate use of funds

5.4.1. During 2023/24 concerns were raised regarding the financial management of the Bridge Estate funds **Table 4** below confirms the Trust has used its funds in accordance with the regulations. Information regarding historic financial years is enclosed within Annex 2.

Table 4: Finance and Transfer Summary 2022/23			
	2022/23		
	Unrestricted Fund £	Endowment Funds £	Total £
Income	(1,850,245)	0	(1,850,245)
Expenditure	301,927	530,218	832,145
Operating Surplus	(1,548,318)	530,218	(1,018,100)
Grant Paid to Council	750,000	0	750,000
Surplus after grant	(798,318)	530,218	(268,100)
Transfer to Endowment	631,198	(631,198)	0
Net Position	(167,120)	(100,980)	(268,100)

5.4.2. The above table confirms that Bridge Estate:

- The statement of accounts is compiled in accordance with the relevant accounting standards, with transfers between the Unrestricted to Endowment funds is in accordance with the regulation not as reported.
- The charity has made a surplus of £268,100 after paying grant to Council of £750,000, this is split between £167,120 in the Unrestricted Fund and £100,980 in the Endowment Fund. Therefore, the Charity has not transferred to the Council more than the surplus generated.

5.4.3. As detailed in recommendation 4 b) and 4 c) the Committee should review the process where residue income is transferred to the Council. As part of this review consideration should be given as to whether the charity should engage with an independent external advisor due to perceived or actual conflicts of interest between officers acting on behalf of the Council and the Charity.

5.5. Bridge Estate Reserve Policy 2024/25

5.5.1. The Bridge Estate Reserve Policy for 2024/25 is enclosed with Annex 3 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.

5.5.2. The current reserve position for the Bridge Estate Trust is detailed within **Table 5**:

Table 5: Reserve Forecast and Proposed Contributions					
	Bridge Repair Reserve £	Property Repair Reserve £	Un-Earmarked Reserve £	Capital Receipt Reserve £	Total £
Balance @ 31 March 2023	(171,830)	(353,457)	(292,601)	(105,711)	(923,599)
Contribution 2023/24	(100,000)	(100,000)	(107,000)	0	(307,000)
Proposed Contribution 2024/25	(100,000)	(100,000)	(87,000)	0	(287,000)
Forecast Balance	(371,830)	(553,457)	(486,601)	(105,711)	(1,517,599)
Expenditure Commitments					
Governors House	0	15,262	0	105,711	120,973
Century House	0	147,903	0	0	147,903
Wheeler Gate	0	15,979	0	0	15,979
Dragon Court	0	68,000	0	0	68,000
Castle Bridge	0	110,227	0	0	110,227
Uncommitted Balance	(371,830)	(196,086)	(486,601)	0	(1,054,517)

5.5.3. It is recommended that contributions are made to reserves as detailed in above as part of the 2024/25 budget to ensure that financial risks are managed appropriately in accordance with the reserve policy.

6. Legal colleague comments

6.1. **TBC**

7. Equality Impact Assessment (EIA)

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

8. Data Protection Impact Assessment (DPIA)

8.1. 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. Bridge Estate Financial Accounts 2022/23

11.2. Harvey Hadden Stadium Trust Financial Accounts 2022/23

11.3. Highfields Leisure Park Trust Financial Accounts 2022/23

