

<b>Committee</b>	<b>Date</b>
Bridge House Estates Board	15 September 2021
<b>Subject:</b> Budget monitoring: 1 April to 31 July 2021	<b>Public</b>
<b>Which outcomes in the <i>BHE Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?</b>	<b>All</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>Report of:</b> Charities Finance Team, Chamberlains	<b>For information</b>
<b>Report Author:</b> Sachin Shah, BHE Transformation Project Accountant	

### Summary

This report provides a financial update of Bridge House Estates (BHE) activities from the start of the current financial year to 31 July 2021 to enable the Board to have an overview of the charity's financial position and performance, alongside updating on forecast changes made. Year-to-date, the charity has generated income of £14.3m in comparison to the budget of £15.1m. The income shortfall is mainly attributable to lower property rental income being a reflection of rent-free periods to existing tenants and voids as the charity continues to recover from the impact of the pandemic. This reduction is partly mitigated by revenue from Tower Bridge tourism activities exceeding budget targets as visitor numbers continue to rise.

Expenditure to date is £14.0m in comparison to the year-to-date budget of £50.8m resulting in a total under spend of £36.8m. The variance is driven by grant expenditure commitments being behind original plans with most reactive grant programmes paused over the year so far due to the impact of Covid-19 together with the decision to undertake an interim review of the funding strategy, Bridging Divides, to ensure that the strategy remained appropriate and able to meet the needs of London's Civil Society in the changed context. The BHE Grants Committee will consider spending plans in more detail at its meeting on 30<sup>th</sup> September and an increase in the grant-spend rate is anticipated in both Q3 and Q4.

### Recommendations

Members are asked to note this report and provide feedback on the content/presentation.

### Main report

1. This paper reports on the range of activities across BHE and includes the current financial position of the charity and the latest projection of year end income, expenditure and overall funds held. Key information is summarised within a financial dashboard summary. The financial information includes the year to date variances and full year budget and forecast targets.

2. This report should be viewed with **Appendix 1: Financial Dashboard** and **Appendix 2: Statement of Financial Activities**, which includes the consolidated financial update across all BHE activities. Key variances are noted below.

### **Income**

3. The year to date rental income shortfall is a reflection of the impact that the pandemic has had on tenants' revenues. In order to both assist through this period and to retain tenants in the long term, rent free periods or in some cases reduced rental rates were agreed to. The full year forecast has been reduced accordingly.
4. The year to date variance in financial investments income is due to the profiling of dividend income. The majority of the annual target is expected to be realised in the final quarter of the year. The phasing will be adjusted for future reports.
5. Tower Bridge tourism activities have generated twice the budgeted revenue to date. The budget was set with uncertainties on knowing when maximum capacity levels could be raised and expectations on visitor numbers, given both local and international travel restrictions. However, with these restrictions easing in recent months performance has exceeded plan, with a reforecast to be produced.
6. A small forecast reduction on Social Investment Fund interest income is as a consequence of the early repayment of one investment.

### **Expenditure**

7. The phasing of the Bridges expenditure has been allocated periodically throughout the year however project spend has not followed the profiled budget. Included at **Appendix 1** is the graph showing the spend by bridge. Tower Bridge spend by far outweighs that on the other bridges to date, with the major project spend being the HV System Replacement. Reassurances have been given that the £17m forecast remains expected to be spent by the end of the year.
8. Grant commitments spend at £6.8m is significantly lower than the year-to-date budget of £40.7m. Other than continuation funding, Stepping Stones, the small grants programme and access audits (which remained continuously open), most reactive grant programmes were paused to date due to the impact of Covid-19 and the decision to undertake an interim review of Bridging Divides to ensure that the strategy remained appropriate and able to meet the needs of London's Civil Society in the changed context.
9. Following the review, the CBT Management Team undertook a prioritisation exercise which is still ongoing, and which has been complex given the external situation with Covid-19 and the multifaceted nature of the needs of the communities served by CBT's funding. However, funding for access audits, place-based giving schemes, food poverty and advice and support has now resumed, and further interim programmatic un-pausing is also expected which will result in an acceleration of expenditure towards the end of the financial year. It is likely that applications will take some time to filter through, and so the majority of this increase is not expected to be represented in commitment figures until the final quarter. Modelling is currently underway to forecast the expected spend in Q3 and Q4 and this will be reflected in the next financial update.

10. The full year forecast for grants commitments has increased by £3.2m as this includes expenditure utilising restricted fund balances available from the end of the last financial year, previously expected to be committed in 2020/21. A key element of this is the final grants awarded within the London Community Response Fund against funds provided by the National Lottery Community Fund.
11. The year to date underspend in financial investments is primarily due to phasing as the majority of the investment management fees are expected to be recognised towards the end of the financial year.

### **Funds**

12. The total charity funds held balance is forecast to be £1,594.1m at the end of this year. In comparison to the original budget, this reflects an increase of £103.4m. This variance is primarily driven by the significant increases to the gains achieved at the end of the previous year which had not been the expectation when this year's budget was set. This has led to a positive impact to both the endowment funds and free reserves.

### **Conclusion**

13. The net full year forecast remains broadly on target with budget, with the majority of the investment income reduction offset by operational savings and a boost in tourism visitor numbers. The forecast increase in grant commitments will be met through existing restricted funds held. However, it should be noted that grants spend to date is significantly lower than budget and the forthcoming update to this key area of spend, funded by the designated grant-making fund, will enable an improved estimate of the year end position.
14. Based on the latest forecast, free reserves are expected to remain far higher than the minimum target of £35m, although it should be noted that movements on free reserves are significantly impacted by gains or losses made on investments, which are reflected at year-end.

### **Appendices:**

- Appendix 1 – Financial Reporting Dashboard
- Appendix 2 – Statement of Financial Activities

### **Sachin Shah**

BHE Transformation Project Accountant  
Email: [sachin.shah@cityoflondon.gov.uk](mailto:sachin.shah@cityoflondon.gov.uk)