

<b>Committee</b>	<b>Date</b>
Bridge House Estates Board	24 November 2021
<b>Subject:</b> Budget monitoring: 1 April to 30 September 2021	<b>Public</b>
<b>Which outcomes in the <i>BHE Bridging London 2020 – 2045</i> Strategy 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>
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### Summary

This report provides a financial update of Bridge House Estates (BHE) activities from the start of the current financial year to 30 September 2021, alongside the latest forecast for the year. Year-to-date, the charity has generated income of £21.1m in comparison to the budget of £22.1m. The income shortfall is mainly attributable to voids and rent-free periods agreed with tenants within the charity's investment property portfolio.

Expenditure to date is £21.2m in comparison to the year-to-date budget of £79.4m resulting in a total under spend of £58.2m. Alongside changes to the anticipated timeline on bridges repairs, the variance is mainly driven by grant expenditure commitments being behind the original plans with most reactive grant programmes paused during the first lockdown. Whilst much of the reactive grant programme has resumed, some strands still remain on hold as they are being reviewed in the current context.

### 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. Property Investments income at £19.1m is £0.6m lower than budget to date. The revenue reductions affecting tenants during the pandemic led to agreements for rent-free periods to existing tenants and in other instances tenants exercising the break clauses in their leases. The latest forecast includes this reduction in income and incorporates the expiration of rent-free periods, where relevant, in the second half of the year.
4. Visitor numbers to the Tower Bridge visitor attraction are 4% higher than budget. At the time the budget was set during the 2020 lockdowns, the timeline for the easing of restrictions was not known. With the strictest restrictions being lifted at the beginning of this financial year, visitor numbers have continued to track above target which has had a positive impact on both ticket and retail income. The latest forecast reflects a modest increase to the full year income target, reflecting the continual changes to travel restrictions affecting visitor numbers.
5. Whilst there is a variance in financial investments income to date, the majority of the budgeted income is expected to be received in the final quarter of the year. The income profile has been updated in the forecast accordingly.

## Expenditure

6. At the halfway point of the year, expenditure on repairs and maintenance of bridges is £4.8m lower than budget. Budgeted works relating to the Millennium Bridge structural retention cables, amounting to £1.2m, are no longer required in the short to medium term following a study on movements to the cable lengths. In the Bridges 50-year Maintenance Plan these works have been rescheduled to 2026. Delays during the tendering process for the High Voltage System Replacement at Tower Bridge, as well as a change in scope, has led to slippage in the timeline of the project, with the second part of the works now expected to conclude in 2022/23.
7. Included at **Appendix 1** is a graph showing the spend by Bridge. Whilst Tower Bridge spend is significantly higher than the other bridges combined, in the next quarter refurbishment of Blackfriars Bridge will commence. A review of the 50-year Maintenance Plan took place recently and the impact of the delays noted above as well as updates to projects across the bridges are reflected in the forecast. A further report providing more details on the 50-year Maintenance Plan can be found later in the agenda.
8. Within City Bridge Trust, grant commitments spend is currently £10.9m, significantly lower than the year-to-date budget of £60.9m. Other than continuation funding, Stepping Stones, the small grants programme and access audits (all of which remained continuously open), most reactive grant programmes were paused in the first half of the year 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 conclusion of the review, the forecast for grants spend for the year has been revised down to £40.4m. With the reopening of further grant programmes in addition to further funder collaborations and transition funding, spend in the second half of the year is expected to significantly increase. 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. The unspent budget balance will be retained within the designated fund to be spent on grant commitments in future years.
10. The full year forecast for grants commitments includes £3m utilising restricted fund balances available from the end of the last financial year, previously expected to be committed in 2020/21 and a further £0.4m of associated costs of the Risk to Resilience Programme. A key element of this is the final grants that have now been awarded within the London Community Response Fund.
11. Expenditure on financial investments for the year is forecasted to increase by £1.5m in comparison to budget. With the value of BHE investments increasing significantly since the budgets were set, the management fees which are linked to the value of the assets have risen accordingly. This has been reflected within the forecast and the free reserves reduced accordingly.
12. The request to increase the BHE central contingency fund by £0.8m was recently approved by the Court of Common Council. The latest approved budget and forecast has been updated to reflect this increase and includes: the BHE allocation for investment in the Climate Action Strategy, Tower Bridge operational buildings repairs and maintenance costs for Bridgemaster's House and Horace Jones House and costs to support the ongoing implementation of the charity's Strategic Review.
13. This leaves an unallocated contingency budget of £0.6m as at 30 September 2021, with the BHE Board holding the responsibility for approving requests, for both revenue and capital spend, where costs are additional to existing budgets. A further update on contingency balances is included on today's agenda.

## **Funds**

14. The total charity funds held balance is forecast to be £1,663.5m at the end of this year. In comparison to the original budget, this reflects an increase of £172.8m. The increase is largely driven by two factors; growth in the endowment funds balance achieved increases in the value of investments held at the end of the previous year and the forecast reduction in this year's grants commitment spend. This has led to an increase to both the endowment funds and free reserves. The forecasted variance in comparison to the latest approved budget is £66.8m and this is principally due to the in-year reduction in grants spend noted above.

## **Conclusion**

15. Whilst the permanent endowment, restricted and unrestricted funds are broadly in line with budget, the consequence of the forecast reduction in grants spend will result in an increase to the designated funds balance held at year-end. However, plans to spend this increased balance through grant-making activities in the short

to medium-term are being considered within the existing Bridging Divides funding strategy.

16. The charity's free reserves, a part of the unrestricted funds that is freely available to spend on the charity's objectives, is forecast to continue at a level significantly higher than the minimum target of £35m. Members should note that the free reserves balance will also be impacted by any gains or losses achieved on investments held. As noted earlier in this paper, should the managed investments continue to remain higher than at the start of the year, the free reserves balance could further increase.

**Appendices:**

Appendix 1 – Financial Reporting Dashboard

Appendix 2 – Statement of Financial Activities

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