

Committee:	Date:
Bridge House Estates Board	6 July 2022
Subject: Budget Monitoring: 1 April to 31 May 2022	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?	All
Does this proposal require extra revenue and/or capital spending?	No
Report of: The BHE & Charities Finance Director (representing The Chamberlain)	For Information
Report Author: Sachin Shah, BHE Transformation Project Accountant	

Summary

This report provides a financial update on Bridge House Estates (BHE) activities to 31 May 2022. The charity has generated income of £6.7m to date compared to the budget of £5.8m. Within the positive income variance we have Tower Bridge tourism visitor numbers being 38% better than target.

Expenditure to date is £7.8m, reflecting a £4.1m under spend against budget. The under spend largely relates to charitable funding, due to applications in the early part of the financial year focussing on the transition funding offer which places a cap on the maximum value of individual grants.

Recommendations

The Bridge House Estates Board is recommended to:

- i) Note the contents of this report.

Main report

1. This paper reports on the financial position of BHE up to 31 May 2022. Key information is summarised within a financial dashboard summary at **Appendix 1**, with the Statement of Financial Activities at **Appendix 2**. The financial information includes the year-to-date variances and full year budget targets.

Income

2. The budget for Tower Bridge tourism activities for 2022/23 is a break-even position, prior to inclusion of internal recharges. To date, income of £1.1m has been achieved, resulting in a positive variance of £0.4m.
3. At this early stage of the year, the revenue generated is a reflection of better-than-expected business recovery levels, with more visitors, customers and clients than originally predicted by industry bodies such as London & Partners and the Association of Leading Visitor Attractions. The events and retail strands of the operation have also contributed to the positive income variance to date.

4. Property investments income, at £5.6m as at 31 May, is £0.5m ahead of budget - purely down to the phasing of the budgets. The overall income target for the year is £24.5m, which takes account of the longer periods to re-let vacant and refurbished premises in the current climate. Quarterly reforecasts will continue to be produced throughout the year.

Expenditure

5. Budgeted expenditure on the repair and maintenance of bridges for the year includes three major projects; the continuation of the repainting and refurbishment works at Blackfriars Bridge, which is expected to conclude in 2024, the replacement of the high voltage system at Tower Bridge - now projected to be completed in April 2023, and the refurbishment of the approach spans at Southwark Bridge which is also expected to conclude this year.
6. To date, spend on the above projects is £0.6m lower than budget. This is mainly due to the long lead times for materials procured for the Tower Bridge high voltage system replacement project, which has resulted in the completion date being revised from September 2022 to April 2023.
7. Charitable funding budgeted commitments are £102.5m for this financial year. This is a significant increase on the commitments made in 2021/22, when the majority of reactive grant programmes were paused whilst an interim review of the Bridging Divides programme took place.
8. Grant commitments are £2.6m at the end of May, an under spend of £3.2m in comparison to budget. As referenced in agenda item 5 of this meeting, Bridging Divides programmes will be fully open from 1 July which will result in applications for higher values more aligned with the planned spend. In addition, new strategic initiatives were recently approved by the Grants Committee of the BHE Board and a further high value funding request is presented to the Board for approval today.
9. Expenditure in other departments is broadly on target with budget.

Funds

10. Total charity funds are budgeted to be £1,663.5m at the end of this financial year, as further commitments are made from the grants designated fund. The unaudited balance at the end of 2021/22 was £1,717.6m, although further adjustments until the conclusion of the audit may result in a change to this value.
11. Within designated funds, an increase to the 2022/23 provision for the bridge replacement is now forecast, due to the higher levels of inflation.
12. The grant-making designated fund balance has increased, compared to the original budget, as a consequence of the under spend in the previous financial year.
13. Work continues on the production of the financial statements for the annual audit, which commences in early. **Appendix 3** reflects the latest unaudited figures for 2021/22.

Conclusion

14. The annual budget was set during a period of uncertainty with the global pandemic, conflict in Ukraine and high inflation continuing to exert influence. This ongoing volatility will require regular reviews and reforecasting throughout the year to enable an understanding of the impact of changes across charity funds held. Both inflation and difficulties in obtaining materials is having a significant impact on construction costs, with energy costs also soaring. Analysis of these issues is underway, with discussions taking place within the July Board meeting.
15. It should be noted that the centrally held contingency funds were significantly increased for 2022/23, up by £2.2m to £3.3m. An update on the Contingency Fund balances held is presented at agenda Item 8 of this meeting.
16. The charity's free reserves, a part of the unrestricted funds that is freely available to spend on the charity's objectives, is projected to continue to remain above the minimum target of £90m. Considering the level of uncertainty in the external environment, it is prudent to maintain this approach.

Appendices:

- Appendix 1 – Financial Reporting Dashboard at 31 May 2022
- Appendix 2 – Statement of Financial Activities at 31 May 2022
- Appendix 3 – Financial Reporting Dashboard at 31 March 2022

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