

Committee:	Date:
Bridge House Estates Board	13 September 2022
Subject: Budget Monitoring: 1 April to 31 July 2022	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045</i> Strategy does this proposal aim to support?	All
Does this proposal require extra revenue and/or capital spending?	No
Report of: Karen Atkinson, 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 July 2022. The charity has generated income of £14.2m to date compared to the budget of £13.7m. The £0.5m positive income variance arises mainly from the improved performance within Tower Bridge tourism and a shortfall in Investment Property income as explained in paragraphs 2 to 4 of this report.

Expenditure to date is £24.5m, reflecting a £4.7m under spend against budget. The under spend largely relates to charitable funding due to delays across various strands, including the Anchor Programme, Collaborative Action for Recovery and Grants Test and Discover, detailed in paragraph 8 of this report.

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 July 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, full year budget targets and the latest forecast position for the year.

Income

2. Income for Tower Bridge tourism activities is £2.6m at the end of July 2022, £1m greater than budget. Visitor numbers are 24% up compared to budget, a trend that at present is expected to continue.
3. Given the better-than-expected Tower Bridge tourism income in the first four months of the year, the forecast is now increased to £6.2m. Whilst including an element of caution, the forecast reflects an increase to the visitor target by 42% with more visitors, customers and clients than originally predicted by industry

bodies such as London & Partners and the Association of Leading Visitor Attractions.

4. Property investments income, at £11.4m, is £0.6m behind budget. Rental income is lower than expected due to voids relating primarily to Salisbury House. This will be partly mitigated by an expected receipt of £400k for the early surrender of a lease later in the year. Following the latest reforecast, income for the year is now marginally higher than budget due to updates to the expected voids and rent-free periods. Quarterly reforecasts will continue to be produced throughout the year, with the latest rental forecast quarterly report presented at agenda item 24 in this meeting.

Expenditure

5. Charitable activity expenditure on the repair and maintenance of bridges is £4.9m to date, reflecting an under spend of £1m compared to budget. This is led by a change in the timeline for the completion of the replacement of the high voltage system at Tower Bridge, as updated at the July 2022 Board meeting. Due to the global shortage in acquiring materials, the project is now expected to conclude in April 2023.
6. As a result of the above delay, there is a knock-on impact to the start dates of other budgeted projects at Tower Bridge, particularly the CO2 fire system replacement which is now expected to commence in the new financial year. The forecast expenditure for the year has been reduced by £3.4m to reflect the updated programme.
7. Within other key projects, the Southwark Bridge Approach Spans refurbishment is due to conclude this year, with the Blackfriars Bridge refurbishment planned to complete in August 2024 - including savings of £200k anticipated due to value engineering in materials.
8. Grant commitments and associated costs are £15.1m at the end of July 2022, an under spend of £2.2m in comparison to budget. Following review, these commitments for the year are now forecast at £55.6m, a reduction of £46.9m compared to budget which is now deferred to be committed within the next three financial years. This is due to delays across various strands, including the Anchor Programme where following consultation with the sector, the start date for funding commitments has been delayed. The launch of the Collaborative Action for Recovery has been delayed due to the time taken to build funding plans and to appoint partners taking longer than anticipated. The Grants Test and Discover strand spend is delayed with further internal planning being undertaken as to how this programme is to be resourced.
9. Expenditure in other departments is broadly on target with budget. At Tower Bridge in light of the increased revenue forecast for the year, a number of projects are now being considered for approval. These include projects that were deferred during the pandemic, alongside those that will support further income generation.

Funds

10. Total charity funds are forecast to be £1,742.9m at the end of this financial year, an increase of £52.5m from the latest approved budget. The unaudited balance for total funds at the end of 2021/22 was £1,720.2m.
11. Work continues on the audit of the financial statements for 2021/22, which commenced in June. **Appendix 1** includes the latest unaudited figures for last year.
12. The revised 2022/23 forecast includes an increase to the provision for bridges replacement within the designated fund due to the continuing rising inflation levels and subsequent impact to the cost of materials.
13. As a result of the reduced in-year forecast for grant commitments, the grant-making designated fund balance increased accordingly, with the majority of this spend now deferred across 2023 to 2026.
14. An update on the Contingency Fund balances held is presented at agenda item 7 of this meeting. BHE holds a total of £2.8m in contingency for 2022/23 at this point.
15. The charity's free reserves, the part of the unrestricted funds that is freely available to spend on the charity's objects, 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.

Conclusion

16. The updated forecast reflects an increase of £2.3m to the charity's budgeted income for the year and a decrease of £50.2m in expenditure, resulting in a net change of £52.5m.
17. Included in the updated forecast is the reduction of the 2022/23 grant commitments and associated costs, deferred to the next three financial years, and delays in the sourcing of materials in the High Voltage replacement project at Tower Bridge. These are the key factors impacting the original budgeted spend for the year.
18. The ongoing war in Ukraine and its consequences on soaring global energy costs and impact to financial markets will continue to require regular reviews and reforecasting throughout the year to enable an understanding of the impact of changes across charity funds held.

Appendices:

- Appendix 1 – Financial Reporting Dashboard at 31 July 2022
- Appendix 2 – Statement of Financial Activities at 31 July 2022

Sachin Shah

BHE Transformation Project Accountant

Email: sachin.shah@cityoflondon.gov.uk