

Committee: Grants Committee of the Bridge House Estates Board	Date: 26 September 2022
Subject: Budget monitoring report for BHE Funding: period ended 31 July 2022.	Public
Which outcomes in the BHE Bridging London 2020 – 2045 Strategy does this proposal aim to support?	1, 2, 3
Report of: Karen Atkinson, The BHE & Charities Finance Director (representing the Chamberlain)	For Information
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Summary

This report provides the year-to-date financial position as at 31 July 2022 of BHE Funding Activity and an updated forecast for the financial year ending 31 March 2023.

The latest approved budget is £107.4m comprising of £103.2m allocated to Grant Commitments & Related Income and £4.2m (net of income) to operational costs. The updated grants forecast is £55.6m; reflecting a decrease of £46.9m below original budget. The reduced forecast spend arises due to delays in anticipated grant commitments across various strands, including the Anchor Programme, Collaborative Action for Recovery and Grants Test and Discover. Full details are provided at paragraphs 14 to 17 of this report.

Recommendation

It is recommended that the Grants Committee of the Bridge House Estates Board, in the discharge of functions for the City Corporation as Trustee of Bridge House Estates (charity no. 1035628) and solely in the charity's best interests:

- i) Note the contents of the report.

Main Report

Background

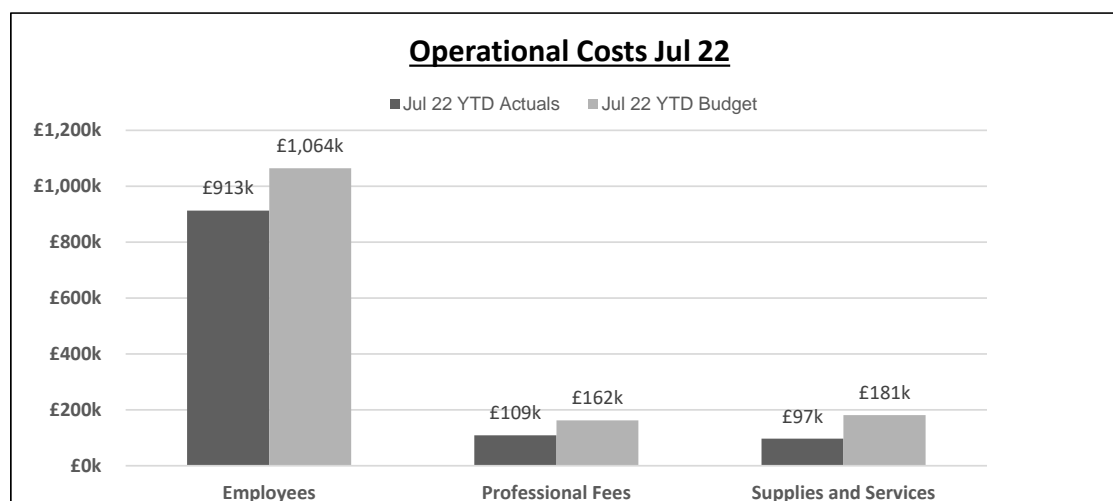
1. In support of the budget monitoring oversight responsibilities of the Grants Committee of Bridge House Estates Board (the Grants Committee), this report presents a financial update on funding activities and the most recent financial forecast for the year.
2. BHE holds a grant-making designated fund which represents surplus income set aside for funding grant-making activities in the name of City Bridge Trust (CBT). At the beginning of the year, the unaudited grant-making designated fund was £210.3m.
3. Table 1 below provides an overview of BHE Funding's financial results as at the end of July 2022 and a forecast position for the 2022/23 financial year as compared to the annual budget.

Table 1: BHE Funding's Actual Spend v Budget

	Year to Date 31 July 2022			Annual - 2022/23		
	Actual	Latest Approved Budget	Variance	Forecast Outturn	Latest Approved Budget	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Costs						
Employees	(913)	(1,064)	151	(3,213)	(3,279)	66
Professional Fees	(109)	(162)	53	(428)	(435)	7
Supplies and Services	(97)	(181)	84	(521)	(479)	(42)
Total Expenditure	(1,119)	(1,407)	289	(4,162)	(4,193)	31
Income	48	24	23	358	286	72
Total Operational Costs	(1,071)	(1,383)	313	(3,804)	(3,907)	103
Grant Commitments & Related Income						
Grants	(15,100)	(17,290)	2,189	(55,630)	(102,530)	46,900
Non-Grant expenditure	(41)	(243)	200	(559)	(940)	381
Depreciation	(6)	(6)	-	(19)	(19)	-
Social Investment Income	68	37	29	187	165	22
Grants Income	-	-	-	100	100	-
Total Grant Commitments & Related Income	(15,079)	(17,502)	2,423	(55,921)	(103,224)	47,303
Recharges	-	-	-	(340)	(340)	-
Total Net Expenditure	(16,150)	(18,886)	2,736	(60,065)	(107,471)	47,406

Operational Costs

4. The graph 'Operational Costs Jul 22' shown below, compares the year-to-date (YTD) spend and budget for Operational Costs.



Employee Costs

5. The year-to-date underspend of £151k on employee cost is due to some vacant posts, notably Capacity Building Manager and a Social Investment Associate. Funding Directors are currently reviewing overall workload and resource requirements. The Social Investment Associate role will be reviewed following the implementation of the powers granted within the Supplemental Royal Charter.
6. Employee costs is currently forecasted to be underspent due to the vacant posts mentioned in paragraph 5 not filled at the start of the financial year. An updated forecast will be available to this Committee following the Funding Directors workload and resource planning identified in paragraph 5.

Professional Fees

7. The Professional Fees underspend as at 31 July 2022 was £53k. Fees earmarked for the Philanthropy House proposal and the Social Investment Fund are yet to be incurred due to reasons as outlined in paragraphs 8 and 9 below.
8. The Philanthropy House project is currently on hold whilst the co-location rental market settles down post covid. At present there are no concrete plans around the budget allocated for research, but these are likely to take shape this autumn. Any impact of inflation will need to be considered in future business modelling.
9. The Social Investment Fund remains closed to new proposals pending the development and presentation of future plans to the BHE Board for approval. This is dependent upon the development of the new BHE Investment Strategy Statement, being led by the BHE Investment Working Group. The portfolio balance has required minimal cost to manage, hence the limited spend shown in the year to date.

Supplies and Services

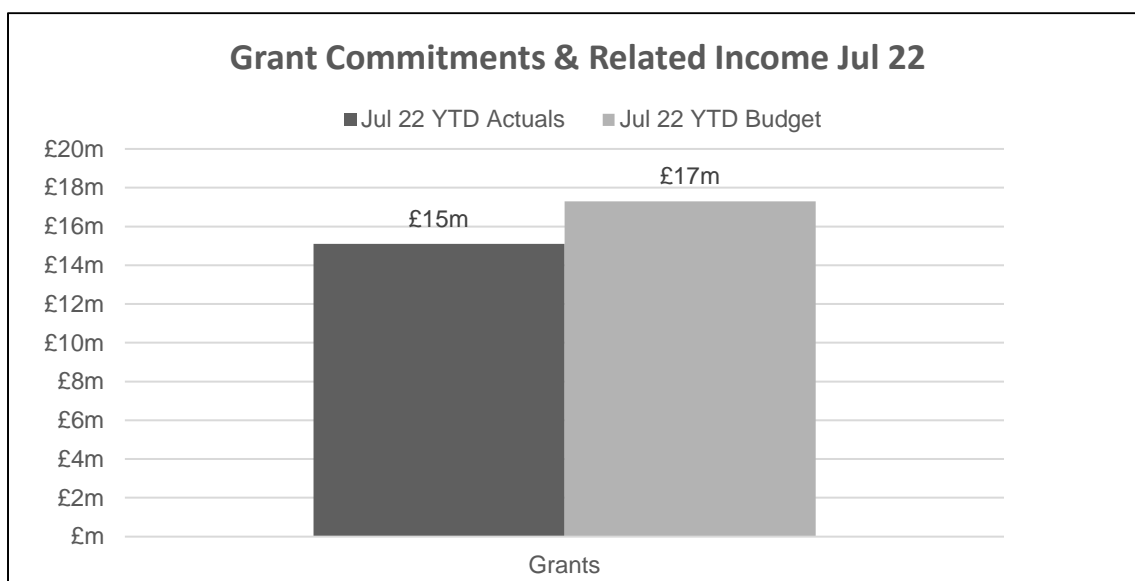
10. The £84k underspend in Supplies and Services is partly due to delays in events taking place. Events are now scheduled to take place later in the year. Website costs are billed in stages and are £50k adrift from budgets for the first four months of the year. With the website expected to go live in November 2022, officers would see an increase in spend as reflected in the forecast.

Income

11. As we recover from the pandemic, activity at Wembley National Stadium has returned to full capacity. This has seen actual income higher than budgeted as the contract in place reverts to its previous basis of level of time being incurred and recharged.
12. Full year income of £358k includes the expected recharge due to CBT for the support provided to the Central Grants Unit.

Grant Commitments & Related Income

13. The graph 'Grant Commitments & Related Income Jul 22' shown below compares the year-to-date (YTD) commitment and latest approved budget for Grants.



Grants

14. Grant commitments and associated costs are £15.1m at the end of July 2022, an under spend of £2.2m in comparison to budget.
15. Following review, these commitments for the year are now forecasted at £55.6m, a reduction of £46.9m compared to budget, with these now deferred to be committed across 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 pushed back.
16. The launch of the Collaborative Action for Recovery has fallen behind due to the time taken to build funding plans and to appoint partners taking longer than anticipated.
17. The Grants Test and Discover strand spend is deferred with further internal planning being undertaken as to how this programme is to be resourced.
18. Detailed analysis of the grants budget can be found within Appendix 1 of the Grant Funding Activity Report (Item 16 on the agenda).

Social Investment Fund

19. Income on Social Investments year to date as at 31 July 2022 was £68k against a budget of £37k due to ongoing residual income received from one of its investment which had not been previously anticipated.

20. The forecast increase is due to the interest rate increasing on two investments with rates linked to the Local Housing Allowance (LHA) rate which increased in the year, giving a favourable variance of £22k.

Grants Income

21. Grants income of £100k is the final instalment expected from Trust for London as their contribution towards the Cornerstone programme.

Depreciation and recharges

22. The charge for depreciation represents a general allocation to CBT of depreciation on the Guildhall facility.

23. Recharges include activities undertaken by the City Corporation on behalf of CBT, including recharges for human resources, digital services, committee administration and premises costs. These are accounted for at year-end.

Conclusion

24. Grant Funding commitments are significantly behind year to date against budget due to delays in a number of programme strands, as noted earlier within this report. This has resulted in a full year forecast reduction in expenditure of £46.9m, with the majority of the postponed spend now earmarked for the next three financial years.

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