

Committee: Bridge House Estates Board	Date: 15 November 2022
Subject: Budget Monitoring: 1 April to 30 September 2022	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?	All
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 30 September 2022. The charity has generated income of £21.6m to date compared to the budget of £20.7m. The £0.9m positive income variance is driven by the improved performance within Tower Bridge tourism of £1.3m, although this is reduced by a £0.4m shortfall in Investment Property income as explained in paragraphs 2 to 4 of this report.

Expenditure to date is £38.2m, in comparison to the budget of £56.2m. £16.1m of the underspend relates to charitable funding and is a result of delays across various programme strands, including the Anchor Programme, Propel and Grants Test and Discover, detailed in paragraph 8 of this report. Global supply chain issues in materials have led to the HV Replacement project taking longer than anticipated and caused a £0.8m underspend in bridges repairs and maintenance.

Recommendations

It is recommended that 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 this report.

Main report

1. This paper reports on the financial position of BHE up to 30 September 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 £3.7m up to September 2022, £1.3m (27%) greater than budget. Visitor numbers are 17% up compared to budget and the forecast now reflects this year's annual visitor numbers target to reach 601k, an increase of 93k above budget.

3. Given the better-than-expected Tower Bridge tourism income in the first six months of the year, the forecast is now increased to £6.2m compared to the budgeted £4.1m. This includes an increase of £1m of retail sales revenue, incorporating the increase in Jubilee memorabilia sold following the death of Her Majesty Queen Elizabeth. In addition, visitor spend per head increased to £3 per person which is 32% better than prior to the pandemic government restrictions.
4. Property investments income, at £17.6m, is £0.4m behind budget. Rental income is lower than expected due to voids relating primarily to Salisbury House. This will be mitigated by an expected receipt of £0.4m for the early surrender of a lease at Chiswell Street later in the year. Following the latest reforecast, income for the year is now £0.3m lower than budget on account of an initial rent-free period as part of a five-year lease. The latest rental forecast quarterly report is presented at agenda item 26 in this meeting.

Expenditure

5. Charitable activity expenditure on the repair and maintenance of bridges is £8.1m to date, reflecting an under spend of £0.8m 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, although late information received now suggests that this delay has now been addressed to enable completion by the end of the calendar year. The impacts of this upon the forecast will require consideration.
6. As a result of the expected above delay, there was 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 2023/24. The forecast expenditure for the year has been reduced by £3.4m to reflect the updated programme. These impacts will now be reconsidered as a result of the positive news on the HV system project.
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 £24.8m to date, an underspend of £16.9m in comparison to budget. Following reviews, grant commitments for the year are now forecast at £56.3m, a reduction of £46.2m compared to budget which is 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 delayed. The launch of Propel has been delayed due to the time taken to build funding plans, with appointing 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 teams is broadly on target with budget. At Tower Bridge in light of the increased revenue forecast, a number of projects have recently been

approved. These include projects that were deferred during the pandemic, alongside those that will support further income generation. In order to meet the expected increase in retail sales revenue, as noted in paragraph 3 of this report, the cost of sales forecast for stock purchases has increased by £0.5m.

Funds

10. Total charity funds are forecast to be £1,693.6m at the end of this financial year, an increase of £51.6m from the latest approved budget. The unaudited balance for total funds at the end of 2021/22 was £1,720.2m. This forecast assumes nil gains/losses on our financial investments in the year, a position which is being closely monitored.
11. 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.
12. 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.
13. An update on the Contingency Fund balances held is presented at agenda item 8 of this meeting. BHE holds a remaining balance of £2.7m in contingency for 2022/23 at this point.
14. 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

15. The updated forecast reflects an increase of £1.9m to the charity's budgeted income for the year and a decrease of £49.7m in expenditure, resulting in a net increase of £51.6m to total funds held.
16. 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.
17. Soaring global energy costs, its impact to financial markets and increased costs of living 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 30 September 2022
- Appendix 2 – Statement of Financial Activities at 30 September 2022

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