

<b>Committee:</b> Grants Committee of the Bridge House Estates Board	<b>Date:</b> 5 December 2022
<b>Subject:</b> Budget Monitoring Report for BHE Funding: Period Ended 31 October 2022	<b>Public</b>
<b>Which outcomes in the <i>BHE Bridging London 2020 – 2045</i> Strategy does this proposal aim to support?</b>	2
<b>Report of:</b> The BHE & Charities Finance Director (representing the Chamberlain)	<b>For Information</b>
<b>Authors:</b> Helen Martins, Finance Business Partner and Dinah Cox, Associate Director, City Bridge Trust (CBT)	

### Summary

This report provides a financial update on Bridge House Estates (BHE) Funding activities to 31 October 2022 and an updated forecast for the financial year ending 31 March 2023.

BHE Funding's latest approved budget is £107.7m comprising of £103.2m allocated to Grant Commitments & Related Income and £4.1m (net of income) to operational costs and £0.34m to recharges. The updated grants forecast is £56.29m; reflecting a decrease of £46.23m from 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 16 to 18 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

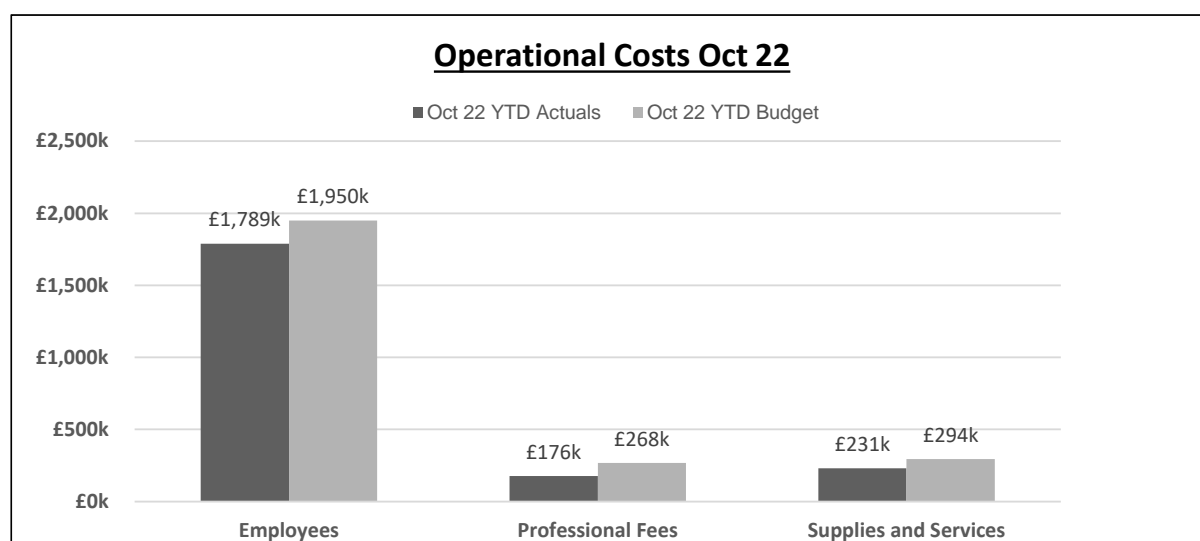
1. In support of the budget monitoring oversight responsibilities of the Grants Committee of the BHE Board, this report presents a financial update on funding activities and the most recent financial forecast for the year.
2. BHE holds a grant-making designated fund which represents surplus income set 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 October 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 Oct 2022			Annual - 2022/23		
	Actual £'000	Latest Approved Budget £'000	Variance £'000	Forecast Outturn £'000	Latest Approved Budget £'000	Variance £'000
<b>Operational Costs</b>						
Employees	(1,789)	(1,950)	161	(3,269)	(3,417)	147
Professional Fees	(176)	(268)	92	(327)	(435)	108
Supplies and Services	(231)	(294)	63	(541)	(579)	38
Depreciation	(11)	(11)	-	(19)	(19)	-
<b>Total Expenditure</b>	<b>(2,207)</b>	<b>(2,524)</b>	<b>316</b>	<b>(4,156)</b>	<b>(4,450)</b>	<b>294</b>
<b>Income</b>	<b>151</b>	<b>43</b>	<b>108</b>	<b>359</b>	<b>286</b>	<b>73</b>
<b>Total Operational Costs</b>	<b>(2,056)</b>	<b>(2,481)</b>	<b>425</b>	<b>(3,797)</b>	<b>(4,164)</b>	<b>366</b>
<b>Grant Commitments &amp; Related Income</b>						
Grants	(25,999)	(38,990)	12,991	(56,295)	(102,530)	46,235
Non-Grant expenditure	(115)	(470)	355	(562)	(940)	378
Social Investment Income	104	75	29	194	165	29
Grants Income	-	-	-	100	100	-
<b>Total Grant Commitments &amp; Related Income</b>	<b>(26,010)</b>	<b>(39,385)</b>	<b>13,375</b>	<b>(56,563)</b>	<b>(103,205)</b>	<b>46,642</b>
<b>Recharges</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(340)</b>	<b>(340)</b>	<b>-</b>
<b>Total Net Expenditure</b>	<b>(28,066)</b>	<b>(41,866)</b>	<b>13,800</b>	<b>(60,700)</b>	<b>(107,709)</b>	<b>47,009</b>

**Analysis – Operational Costs**

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



### Employee Costs

5. The year-to-date underspend of £161k on employee cost is due to the Bridge Programme & Total Assets Manager post recruited to much later than budgeted and the vacant Social Investment Associate post. There is an appointment to the Chief Funding Director post with a much later start date than anticipated. The Social Investment Associate role will be reviewed as part of the implementation of the powers granted within the Supplemental Royal Charter.
6. Employee costs are currently forecasted to be underspent by £147k due to the vacant post not filled at the start of the financial year and the delay in recruitment mentioned in paragraph 5.

### Professional Fees

7. The Professional Fees underspend as at 31 Oct 2022 was £92k. 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 adjusts to a post covid/increased inflation reality. BHE is also awaiting signature on the Supplemental Royal Charter which will increase flexibility in terms of return from any property with the BHE portfolio which might be recommended for use for this purpose.
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 Investment Strategy Statement, being led by the Investments 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 £63k underspend in Supplies and Services is due to delay caused by late procurement of services for the new software maintenance and support provider. With agreements now in place, the forecast reflects the expected spend.

### Depreciation

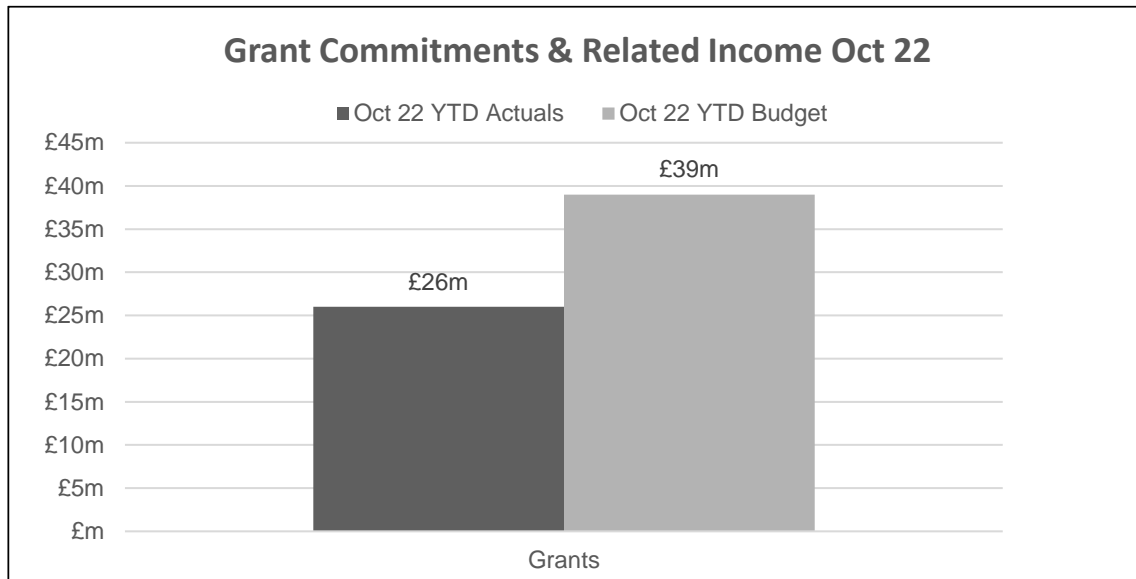
11. The charge for depreciation represents a general allocation to CBT of depreciation on the Guildhall facility.

### Income

12. 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 incurred and recharged.
13. Full year forecast income of £359k also includes the expected recharge due to CBT for the support provided to the Central Grants Unit.

## Analysis - Grant Commitments & Related Income

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



### Grants

15. Grant commitments and associated costs are £25.9m at the end of Oct 2022, an under spend of £12.9m in comparison to budget.

16. Following review, grant commitments for the year are now forecasted at £56.29m, a reduction of £46.2m 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.

17. 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.

18. The Grants Test and Discover strand spend is deferred with further internal planning being undertaken as to how this programme is to be resourced.

19. Detailed analysis of the grants budget can be found within Appendix 1 of the Grant Funding Activity Report (Item 14 on the agenda).

### Social Investment Fund

20. Income on Social Investments year to date as at 31 Oct 2022 was £104k against a budget of £75k. This is due to residual income received from one of its investments which had not been previously anticipated.

21. The full year forecast outperforms budget by £29k due to reason mentioned in paragraph 20.

### Grants Income

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

### Recharges

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. This has resulted in a full year forecast reduction in expenditure of £46.23m, with the majority of the deferred spend now earmarked for the next three financial years.

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