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| Committee: Bridge House Estates Board | Date: 22 February 2023 |
| Subject: Update on BHE Contingency Funds | Public |
| Report of: The BHE & Charities Finance Director | For Information |
| Report Author: Sachin Shah, BHE Transformation Project Accountant | |

Summary

This report provides an update on the Bridge House Estates (BHE) Central Contingency balances held for 2022/23. It further provides detail of new requests being made against these balances.

Since the last report to the Board in November 2023, three bids have been approved under delegated authority:

- i) £93k BHE capital element for year 1 of the new Enterprise Resource Planning (ERP) project being implemented across the City Corporation;
- ii) £12k towards increases of the market forces supplement within the Investment Property Group team; and
- iii) £40k from the Climate Action Strategy Contingency Fund to support two projects at Tower Bridge identified as contributing to BHE's net zero carbon emissions target.

A request of £195k for additional costs for the services provided by the City of London Police (CoLP) is being presented separately at this meeting.

Recommendation

It is recommended that Members, in discharge of functions for the City Corporation as Trustee of Bridge House Estates and solely in the charity's best interests:

- i) Note the BHE contingency budgets currently held for 2022/23 (para 4); and,
- ii) Note that a total of £145k has been approved under delegated authority for the three items included in the summary above (para 5-8).
- iii) Note the request of £195k, presented at Item 19 on the agenda, to sufficiently fund the services provided by the CoLP under the terms of the SLA being agreed with the charity
- iv) Note the release of £1.442m of contingency balances held following review of requirements for the remainder of this financial year (para 4)

Main Report

Background

1. The annual budgets prepared by departments for the activities of BHE that are within their responsibility do not hold any contingencies. The budgets directly overseen by the BHE Board include central contingencies to meet unforeseen and/or exceptional items that may be identified across the range of activities undertaken by the charity. Requests for allocations should demonstrate why the costs cannot, or should not, be met from existing provisions.

2. BHE's Central Contingency budget for 2022/23 is £850k.
3. In addition to the above Central Contingency, the BHE budget includes specific provisions for various activities as listed below, with further details stated in **Appendix 1**:
 - a. Joint projects with the City Corporation
 - b. Apprentice salaries
 - c. Climate Action Strategy
 - d. Investment Properties – refurbishment of void spaces
 - e. Inflationary increases on revenue expenditure

Current position

4. The uncommitted balances that are currently available for 2022/23 are set out in the table below:

| 2022/23 BHE contingency funds - uncommitted balances 22 February 2023 | | | | | | | |
|---|-------------------|------------------|--------------------------------------|--|-------------------------|------------------------|--------------|
| | Central Provision | Apprentice costs | Joint Projects with City Corporation | Investment Properties - refurbishment of void spaces | Climate Action Strategy | Inflationary increases | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Contingencies: | | | | | | | |
| 2022/23 provision approved | 850 | 142 | 50 | 500 | 500 | 1,259 | 3,301 |
| Forecast reductions | - | (142) | (50) | (500) | - | (750) | (1,442) |
| Total forecast provision | 850 | - | - | - | 500 | 509 | 1,859 |
| Previously agreed allocations @ November 2022 | (262) | - | - | - | (123) | (242) | (627) |
| Approved under delegated authority post 15 November 2022 | (105) | - | - | - | (40) | - | (145) |
| Pending request on February 2023 agenda | (195) | - | - | - | - | - | (195) |
| Total commitments | (562) | - | - | - | (163) | (242) | (967) |
| Uncommitted balances @ 23 February 2023 | 288 | - | - | - | 337 | 267 | 892 |

The table reflects forecast reductions across the various Contingency Fund balances following a review of the value of approvals made to date and in consideration of there being less than two months remaining in this financial year. Detail of amounts previously approved either by this Board or under delegated authority are provided in **Appendix 1** of this paper.

New requests

5. A review of a number of key support systems used across the City Corporation has been undertaken in recent years, particularly the core Finance, Payroll and HR systems. It was determined that operation of the existing systems were leading to many inefficiencies in the completion of tasks. During 2019/20, approval was given by Finance and P&R Committees for a project to implement a new ERP (Enterprise, Resource, Planning) system, the total capital budget for which was confirmed in 2022 to be £9.8m. The allocation to BHE has been reported at £441k, being 4.5% of the total. The basis of recharges to the charity are due for review during 2023/24.
6. For the current financial year, £93k was approved under delegated authority in January 2023 from the Central Contingency Fund with the remaining £348k included in future years budgets. Note that capital projects that are outside of the

permanent endowment, such as the ERP project, can be requested and approved from the contingency funds that are part of the unrestricted income funds of the charity.

7. Consideration of remuneration within the Investment Property Group (IPG) team has resulted in a review of market forces supplements for various roles, with £12k allocated to BHE relating to the final quarter of this financial year, approved by delegated authority in January 2023. Future years costs, amounting to £47k annually for the charity are built into budgets/forecasts.
8. Two projects across Tower Bridge have been identified as suitable for funding from the Climate Action Strategy Contingency Fund. The first includes a replacement of the internal attraction and events lighting areas, in which the lighting system has begun to fail recently. The second project is a feasibility study on cooling methods on the Walkways amounting to £7k. Both of these projects will focus on energy efficiency and aid the charity's progress towards net zero emissions with a total of £40k approved via delegated authority.
9. Within the agenda for this meeting, a request is being made to meet the costs relating to policing services provided by the City of London Police (CoLP), set out within the service level agreement negotiated by BHE and the CoLP, and awaiting approval. As previously advised to the Board, any increase from the original budget would require a request from the BHE Central Contingency Fund. £195k is requested for 2022/23.
10. Reference to the 'BHE Head of People' and the 'Project Manager: Bridges' roles were noted in the November update paper as requiring funding from contingency funds, however these are now being met from underspends held within existing budgets.
11. At the time of Board papers submission, there are no further requests for allocations from the BHE Contingency Funds that have been discussed.

Corporate & Strategic Implications

12. Strategic implications: The provision of a suitable contingency budget held by the BHE Board as outlined in this paper support the aims and objectives of BHE's overarching strategy, *Bridging London 2020 – 2045*.
13. Resource implications: nil.
14. Legal implications: nil.
15. Equalities implications: nil.
16. Financial implications: The contingency funds noted within this report are an approved element of the 2022/23 budget held by BHE. Applications to utilise these funds do not therefore create additional demand from the reserves held.
17. Climate implications: nil

18. Security implications: nil

Conclusion

19. The BHE Board are asked to note the current contingency budgets held by BHE, the amounts approved under delegated authority, referenced in paragraphs 5 to 8 of this report and to note the request at Item 19 for £195k from contingency funds held.

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