

Committee: Audit and Risk Management	Dated: 6 November 2023
Subject: City Bridge Foundation Annual Report and Financial Statements 2022/23	Public
Which outcomes in the <i>CBF Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?	1, 2, 3
Does this proposal require extra revenue and/or capital spending?	No
Report of: The City Bridge Foundation & Charities Finance Director (representing The Chamberlain) and the Managing Director, City Bridge Foundation	For Decision
Report author: Nicole Monteiro, Reporting Accountant, City Bridge Foundation	

Summary

The draft Annual Report and Financial Statements for City Bridge Foundation (CBF) for the year ended 31 March 2023 are provided for review and recommendation for approval to the CBF Board. In September 2023 a new brand and working name was launched, representing all aspects of the charity's work. The new name, City Bridge Foundation, was submitted to, and approved by the Court of Common Council. The charity continues to be registered with the Charity Commission under its legal name Bridge House Estates.

Crowe U.K. LLP (Crowe) has substantially completed their audit work and intend to issue an unqualified opinion.

Crowe commenced its audit on 3 July 2023, with work carried out in person from Guildhall as well as remotely. Representatives from Crowe will attend the Audit and Risk Management Committee meeting to present their audit completion report.

Recommendations:

The Audit and Risk Management Committee are asked to:

- Consider the contents of the audit completion report issued by Crowe (Appendix 2).
- Recommend approval of the CBF Annual Report and Financial Statements for the year ended 31 March 2023 to the CBF Board; and
- Authorise to the Managing Director of CBF and the CBF and Charities Finance Director (representing the Chamberlain), in consultation with the Chair and Deputy Chair of the CBF Board, for approval of any material change to the financial statements required before the signing of the audit opinion by Crowe.

Main Report

Introduction

1. The 2022/23 Annual Report and Financial Statements for CBF for the year ended 31 March 2023 are presented for review.
2. The Charity Commission require charities to submit their Annual Report within 10 months of their financial year-end. As a significant charity within the sector, CBF looks to demonstrate good governance in making available its annual report on a timely basis well ahead of the final submission deadline.
3. Approval of the 2022/23 Annual Report and Financial Statements will be undertaken by the CBF Board, following review and recommendation by the Audit and Risk Management (ARM) Committee, as per the reference made to ARM Committee by the CBF Board. This is in line with the Terms of Reference of the CBF Board. The approved Report will be presented to the Court of Common Council.

Audit Opinion

4. Crowe intend to issue an unqualified audit opinion. Their report will reference the work undertaken to provide assurance that the financial statements, taken as a whole, are free from material misstatements whether caused by fraud or error.

Statement of Financial Activities

Income

5. Total income for the year was £35.3m, an increase of £1.2m on the previous year (£34.1m).
6. Tower Bridge tourism continued its post-pandemic recovery in 2022/23, progressing much faster than predicted. The income derived from visitor admissions, retail and events at Tower Bridge increased to £7.6m from the previous year's £3.1m. The cost-of-living crisis had been expected to impact visitor numbers and overall income; however, this has not yet materialised possibly because, compared to many other tourist attractions in London, Tower Bridge has a more accessible price point.
7. Investment income, from the property portfolio and the financial investment holdings of the charity, totalled £27.2m, a reduction of £3.2m compared to previous year. Within this total, property rental income reduced due to voids and properties undergoing refurbishment. The reduction in financial investments income was driven by lower private equity distributions compared to previous year.
8. The remainder of the charity's investment income comes from interest earned from treasury deposits and social investments held, at £0.1m (2021/22: £0.3m).
9. Other income of £0.4m includes fees receivable by the charity for undertaking

administrative duties on behalf of other organisations and film and licences income for granting access to third parties to the bridges.

Expenditure

10. Total expenditure for 2022/23 was £103.7m, an increase of £37.1m on the previous year.
11. Expenditure on supporting and maintaining the bridges increased in the year by £8.2m to £18.0m. The refurbishment of Blackfriars Bridge continued alongside a project on the Southwark Bridge Approach Spans as well as other cyclical improvement works taking place for all five bridges. At Tower Bridge, in light of the additional income, a range of activity-related spend proposals were approved including projects that were deferred during the pandemic. The increase in expenditure is also due to the increased cost of goods sold by the gift shop following higher demand. The overall increase in charitable activities expenditure was attributable to the increase in funding activities with a record high in grant commitments made in the year, totalling £65.3m (including linked operational spend), an increase of £30.8m. This increase reflects the commitments that are being made from the additional £200m that was approved from surplus income in March 2020.
12. Expenditure on raising funds decreased to £12m (2021/22: £15.3m). This was driven by fees relating to the management of the charity's financial investments being based on the market value of assets under management, which decreased over the year. Property investment expenditure reduced due to lower than anticipated business rates costs as properties were let faster than expected. There was also a reduction in staff costs following the previous disposal of a property that required onsite management.

Gains and Losses

13. Total losses of £60.9m were reported as at 31 March 2023, compared to gains of £104.5m for the previous year which is split between gains on financial investments (£1.8m) and net losses on property investments (£62.5m) and on social investments (£0.2m).

Balance Sheet

14. The Balance Sheet depicts the total funds held by the charity as at 31 March 2023, which decreased by £109.0m to £1,613.4m (2022: £1,722.4m). This reduction was driven by the investment losses noted above, alongside planned additional expenditure on grant-making. Total funds held comprise:
 - a. the permanent endowment fund at £969.2m (2021/22: £1,030.1m), held in perpetuity to generate sufficient income to enable the charity to meet its primary object of maintaining and supporting the five river bridges across the Thames, with the remaining surplus income available to undertake the ancillary object of the charity:

- b. The unrestricted income funds of the charity include both the general fund (free reserves) and a number of designated funds as noted in paragraphs 15 -16 below. As at 31 March 2023, these funds totalled £644.2m (2022: £691.8m) being net of £4.3m held to cover the pension deficit (2022: £22.8m).
- c. Restricted funds held as at the year-end was nil (2022: £0.5m).

15. Designated funds consist of unrestricted income funds which the Trustee has decided to set aside for specific purposes over the short to medium term. These totalled £489.0m (2022: £494.8m), with key funds being:

- a. Bridges Repair Fund - representing the funds required to maintain the five bridges for the next five years, being the higher of the average annual cost over the 50-year plan or the next five years forecast activity. In the year £11.6m was transferred to this fund with £50.8m now set aside to cover costs planned over the next five years (2022: £56.2m);
- b. Bridges Replacement fund - this represents funds set aside to fund the future rebuild of the bridges. This is based on the annually calculated present value of estimated future costs, adjusted for increases in construction costs. The balance held within the bridges replacement fund has increased by £51.4m to £242.6m (2022: £191.2m);
- c. Grant-making fund - represents surplus income which has been designated for future grant-making activities. The balance on the grant-making fund at year-end is £179.9m (2022: £210.3m), a decrease of £30.4m.
- d. Social Investment fund - the Trustee approved the release of this designated fund (£21.7m) to the general fund during 2022/23, bringing the social investment designated fund balance to nil: under the new Investment Strategy Statement and powers for Social Investment (SI) a revised approach for recording SIs is being considered.
- e. Climate Action fund - represents funds set aside to further progress and potentially accelerate delivery of the Charity's Climate Action Strategy, with a balance of £15.0m (2022: £15.0m).
- f. Property Dilapidations - represents funds not yet utilised as received from tenants at the end of a lease to enable the property to be brought back to the required condition. As at year-end the balance on property dilapidations is £0.7m (2022: £0.4m)

16. The charity holds free reserves of £155.2m, which is the balance after deducting the designated funds from the total unrestricted income funds. Amounts held are £65.2m above the current revised policy. The Trustee remains cautious of the impacts of the ongoing uncertain economic climate on its investment portfolio. Noting the potential risk of future realised losses and increases in property construction costs, it continues to review the level of reserves held.

Audit Progress

17. Crowe's audit work is substantially complete, apart from final reviews prior to sign-off. It is anticipated that the audit will be concluded satisfactorily to enable Crowe to issue an unqualified opinion as stated within paragraph 4 of this report.
18. Crowe representatives will attend the Audit and Risk Management Committee to present their completion report, update on the status of the audit and to clarify any points or issues raised.

Conclusion

19. The Audit and Risk Management Committee are requested to recommend for approval the Annual Report and Financial Statements as at 31 March 2023 to the CBF Board. The Chair and Deputy Chair of the CBF Board will sign the Annual Report, with the Report to be presented to the Court of Common Council.
20. The Annual Report and Financial Statements will be submitted to the Charity Commission and published online.

Contact:

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Appendix 1: Annual Report and Financial Statements for City Bridge Foundation 2022/23
Appendix 2: Crowe's Report to the Audit & Risk Management Committee