

Committee: Audit and Risk Management	Dated: 23 September 2024
Subject: City Bridge Foundation Annual Report and Financial Statements 2023/24	Public
Report of: The City Bridge Foundation 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 2024 are provided for review and recommendation for approval to the CBF Board.

Crowe U.K. LLP (Crowe) has substantially completed their audit work and there is no indication that unqualified opinion would not be issued.

Crowe commenced its audit on 1 July 2024, 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 findings report.

Recommendations:

The Audit and Risk Management Committee are asked to:

- Consider the contents of the audit findings report issued by Crowe (Appendix 2).
- Recommend approval of the CBF Annual Report and Financial Statements for the year ended 31 March 2024 to the CBF Board.

Main Report

Introduction

1. The Draft 2023/24 Annual Report and Financial Statements for CBF for the year ended 31 March 2024 are presented for review. The draft Annual Report is subject to further adjustments arising from the complex nature of some transactions involving the charity's investment property portfolio and bridge maintenance projects.
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 2023/24 Annual Report and Financial Statements will be undertaken by the CBF Board under delegated authority, following review and recommendation by the Audit and Risk Management (ARM) Committee. 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. There are no indications that Crowe would not 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 £39.7m, an increase of £4.4m on the previous year (£35.3m).
6. Tower Bridge income moved beyond post-Covid business recovery and into sustained growth in 2023/24. Tower Bridge recorded approximately 1m number of visitors, the highest ever number. Income from visitor admissions, retail and events increased from £7.6m to £10.5m. The increase in visitor numbers is attributed to continued growing levels of international visitors along with focussed engagement on local audiences, encouraged by £1 Community Tickets and family activities promoted to residents in the Bridge's neighbouring boroughs of Southwark, Tower Hamlets and City of London.
7. Investment income comprising of the property portfolio and the financial investment holdings of the charity, totalled £27.7m, an increase of £0.6m compared to previous year. Within this total, property rental income reduced due to properties undergoing refurbishment. The increase in financial investments income was driven by higher private equity distributions compared to previous year.
8. The remainder of the charity's investment income is derived from interest earned from treasury deposits and social investments held, at £1.2m (2022/23: £0.1m).

Expenditure

9. Expenditure for the year totalled £117.6m, being up by £13.9m from 2022/23.
10. Bridge related expenditure was £11.1m (2022/23: £18.0m). The reduction in spend is driven by the pause of significant refurbishment work on Blackfriars Bridge due to the intensity of other work being completed in the vicinity creating access issues, with work expected to continue in October 2024. Millennium Bridge was closed for three weeks in October 2023 to carry out work on the deck. Structural maintenance projects were carried out in the year at Tower Bridge. Further increases in footfall at Tower Bridge, have led to increased expenditure levels to meet demand.

11. Grant-funding activities has reported the highest ever grant commitments in any single year. This totalled £83.2m (including linked operational spend), an increase of £17.9m on prior year. The additional £200m that was allocated by the Trustee in March 2020 to further the ancillary object as being surplus income (to that required for the bridges, the charity's primary object) continues to support these high levels of commitments.
12. Expenditure on raising funds increased to £15.1m (2022/23: £12m). This increase is largely in connection with planned refurbishments, cyclical repairs and maintenance alongside related professional fees spent on the charity's Investment Property portfolio in addition to rates on vacant properties.

Gains and Losses

13. As at 31 March 2024, the charity has reported total net losses on investments of £5.7m (2022/23: £60.9m). The charity's financial investments had a strong recovery this year, resulting in a gain of £68m compared to £1.8m last year. Opposing this was a loss on property investments of £73.7m (2022/23: £62.5m loss). The losses are attributed to the economic background of high interest rates and high, albeit reducing, inflation.

Balance Sheet

14. The Balance Sheet presents the total funds held by the charity as at 31 March 2024, which decreased by £80.9m to £1,532.7m (2023: £1,613.4m). This reduction was driven by planned additional expenditure on grant-making, alongside the investment losses noted above. Total funds held comprise:
 - a. the permanent endowment fund at £904m (2022/23: £969.2m). The charity adopted the Total Return approach to accounting for the permanent endowment fund from 01 June 2023. As a result, all income, expenditure, and gains/losses arising from the investments representing the endowment are accounted for within this fund, which is available to be spent on the charity's purposes in line with the policy adopted by the trustee. In the year no distributions were made from the permanent endowment fund to fund activities 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 14 -16 below. As at 31 March 2024, these funds totalled £628.7m (2023: £644.2m) being net of £1.5m held to cover the pension deficit (2023: £4.3m).
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 £220.6m (2022: £489m), 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 5-year cost over the 50-year plan or the next five years forecast activity. In the year £11.6m was transferred to this fund with £52.4m now set aside to cover costs planned over the next five years (2023: £50.8m)

- b. Bridges Replacement fund - the funds previously designated for bridge replacement (£242.6m) were released back to unrestricted income funds, with the unapplied total return element of the permanent endowment fund holding a notional amount for future major project costs for the bridges
 - 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 £130m (2023: £179.9m), a decrease of £49.9m as commitments are made against the £200m uplift.
 - d. Social Investment fund - under the new powers within the 2023 Royal Charter, a designation for Social Investment (SI) has been approved, with a balance of £22.1m placed from funds available for the ancillary object.
 - 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 (2023: £15.0m).
 - f. Property Dilapidations - minor balance held for repairs at end of tenancies.
16. The charity holds free reserves of £408.5m, being the balance of unrestricted income funds after deducting the designated funds. Amounts held are £318.5m above the current policy. The increase in free reserves has been driven by the provision for future bridge replacement costs now being held within the endowment fund, following the adoption of total return, with the release of the previously held designated fund for this purpose. The trustee will utilise available unrestricted income funds for the purposes of the charity prior to drawing down from the Unapplied Total Return (UTR) element of the permanent endowment fund.
17. The Trustee remains cautious of the impacts of the ongoing challenging 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

18. Crowe's audit work is substantially complete, apart from completion of central recharges, conclusion of review of the investment property valuations and 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.
19. Crowe representatives will attend the Audit and Risk Management Committee to present their findings report, update on the status of the audit and to clarify any points or issues raised.

Conclusion

20. The Audit and Risk Management Committee are requested to recommend for approval the Annual Report and Financial Statements as at 31 March 2024 to the CBF Board. The Chair and Deputy Chair of the CBF Board will sign the Annual Report under delegated authority from the Board, with the Report to be presented to the Court of Common Council.

21. Once approved the Annual Report and Financial Statements will be submitted to the Charity Commission and published online on both the charity's and City Corporation's websites.

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Appendix 1: Draft Annual Report and Financial Statements for City Bridge Foundation 2023/24

Appendix 2: Crowe's Report to the Audit & Risk Management Committee