

# Report – City Bridge Foundation Board

## City Bridge Foundation – 2025/26 Budget and Financial Forecasts

*To be presented on Thursday, 6<sup>th</sup> March 2025*

*To the Right Honourable The Lord Mayor, Aldermen and Commons  
of the City of London in Common Council assembled.*

### **SUMMARY**

This report presents the 2025/26 budget, together with forecast funds to 2028/29 for City Bridge Foundation (CBF), the working name for the charity Bridge House Estates.

The charity's proposed revenue budget for 2025/26 is a net expenditure of £77.6m, consisting of income of £42.3m and expenditure of £119.9m. Expenditure includes £36.8m for repair and maintenance of bridges, and charitable funding of £46.8m, of which £15m would be newly allocated, the first under the prospective Future Funding Policy, with an allocation of £28.3m being the final commitments of the March 2020 uplift of £200 million to the charity's designated grant-making fund by this Court. Charitable funding will be funded by estimated surplus once the needs of the primary object have been met.

The proposed budget reflects the CBF Board's strategic review of the delivery of the charity's primary object, shifting from a policy of bridge replacement to one aimed at perpetual repair and maintenance.

During the budget and forecast period, no drawdowns from endowment funds are anticipated as the charity continues to draw on its general income fund (reserves). CBF plans to progress a number of changes over the coming year including an enhanced bridge maintenance schedule, a new funding policy, development of the Tower Bridge Visitor Attraction, and investment reallocation. This is alongside accommodating wider City of London Corporation initiatives, and an ongoing uncertain economic and investment environment. The charity has also seen several years of expansion in overheads and high inflation. Accordingly, to ensure long term financial sustainability, this budget and forecasts aim to stabilise reserve levels.

Despite the challenges of the wider economic context, the charity continues to have sufficient funds available to meet its primary object - the support and maintenance of its five Thames bridges, and its ancillary object - charitable funding for broad charitable purposes for the general benefit of the inhabitants of Greater London, in line with the charity's *Bridging Divides* policy, until the launch of the charity's prospective Future Funding Policy. The charity's 2025/26 budget and financial forecasts have been scrutinised by the CBF Board, and the budget is now presented to the Court of Common Council for approval.

## RECOMMENDATIONS

Following the City Bridge Foundation Board's consideration of this report, it is recommended that the Members of the Court of Common Council, acting for the City Corporation as the charity trustee of City Bridge Foundation (Charity No. 1035628) and solely in the charity's best interests:

1. Approve the 2025/26 budget and note the 2026/27-2028/29 forecasts;
2. Authorise the Managing Director of City Bridge Foundation, in consultation with the Chair and Deputy Chair of the CBF Board and in conjunction with the Chamberlain, to revise the charity's expenditure budgets and forecasts in Q1 of 2025/26 to provide for revised central recharges of City Corporation costs and expenditure to the charity (**paragraph 24**) and the finalisation of capital budgets for the City Corporation for its 'cross-fund' projects which involve expenditure of CBF charitable funds (**paragraph 27**); and
3. Approve the level of free reserves to be maintained over and above the agreed minimum policy of £35m due to economic factors and uncertainty, at £90m (**paragraph 37**).

## MAIN REPORT

### Background

1. City Bridge Foundation (CBF) is an unincorporated charitable trust and a registered charity (Registered Charity Number 1035628), for which the City Corporation acting by the Court of Common Council is Trustee. Except for several matters reserved to the Court of Common Council, CBF's day-to-day management and administration is delegated to the CBF Board. Amongst the matters reserved to the Court is the approval of the budget for the charity.
2. The charity is permanently endowed, which imposes particular restrictions and legal duties, and in acting as charity Trustee the City Corporation has a legal obligation always to act solely in the best interests of CBF. Consistent with their wider duties, charity trustees are required to administer their charity with reasonable care and skill, act responsibly and honestly, and demonstrate that they are complying with the law.
3. This report presents the budget for 2025/26 for approval, and financial forecasts for the period 2026/27 to 2028/29. These have been prepared in line with the policy guidelines and assumptions as set out in **Appendix 1**.
4. The proposals set out in this report align with CBF's aims and objectives as set out in its overarching strategy, *Bridging London 2020-2045*. The vision of this strategy is '*For London and Londoners to be truly connected*'. To achieve this, CBF fulfils its primary object by supporting and maintaining its five Thames bridges and can utilise available surplus, as reassessed on an annual basis, to advance its ancillary purpose by charity funding. The charity must also always ensure that it retains sufficient free reserves to meet its required policy level.

## Overview

5. The City Corporation as Trustee has an obligation to ensure the long-term financial sustainability of the charity. CBF plans to implement large-scale changes over the coming years, including an enhanced bridge maintenance schedule, a new funding policy, development of the Tower Bridge Visitor Attraction, and investment reallocation, alongside accommodating wider City of London Corporation initiatives such as Ambition 25 and the Transformation Programme, all in the context of an ongoing uncertain economic and investment environment.
6. The £200m funding uplift allocated to the *Bridging Divides* strategy agreed in 2020, before the establishment of the charity's Board, whilst providing exceptional support for the charitable sector against the backdrop of a pandemic and a cost-of-living crisis, has reduced available reserves. The charity has also seen construction inflation above anticipated levels, increasing the cost of delivering the primary object, as well as expansion in general overheads over recent years.
7. Alongside this, valuation losses have been recorded against investment property, and it should not be expected that future investment returns will be able to accommodate ever-increasing expenditure.
8. Accordingly, to ensure long-term financial sustainability, this budget aims to stabilise reserves levels. It is intended that thereafter reserves are maintained at a level that will generate sufficient returns to allow CBF to continue its desired volume of operations.
9. The budget and associated detailed commentary for 2025/26 and financial forecasts for the period 2026/27 to 2028/29 are set out in Appendix 2. Budget figures reflect long-term investment performance and inflation assumptions are set out in Appendix 1. The charity must ensure it retains sufficient free reserves to meet its required policy level.
10. The CBF Board, in scrutinising the proposals, noted the intention of the proposed budget to be sufficiently prudent and allow time for further modelling, both of the required bridge expenditure and scenario planning for investment returns, to facilitate the Board's strategic direction over the longer-term. It is aimed to achieve this whilst also balancing the charity's priorities and giving due regard to the needs of the charity's beneficiaries, plus the wider context in which the charity was operating.
11. The Board agreed that medium-term financial planning must sufficiently prioritise the protection of the charity's overall asset base, which would in turn keep higher levels of income available for future activities. The Board also agreed that the inevitable reduction in charitable funding following the commitment of the £200 million uplift should be managed appropriately, whilst also being clear that the primary object is the charity's foremost priority. It was noted that as well as the reduction of funding and bridge maintenance commitments, the budget provided caution by assuming a nil return assumed on property as a safeguard, and frontloading the planned bridge maintenance expenditure, which is aimed at increasing cost efficiency in the longer term.

12. In agreeing and recommending the 2025/26 budget for approval by this Court, the Board also recommends that the financial forecasts should be noted at this stage, pending further review in conjunction with officers to consider options for how the charity can best deliver on its commitments, whilst incorporating the Board's concerns regarding protection of the overall asset base. The CBF Board will revisit the longer-term picture over the next 12 months, taking account of expectation management with the charitable funding sector, detailed modelling work in respect of the primary object and investments, and continued observation of the wider economic environment.

13. A summary budget for 2025/26 and financial forecasts to 2028/29 is provided below:

Summary Budget and Forecasts	2024/25 Budget	2024/25 Forecast	2025/26 Budget	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
	£m	£m	£m	£m	£m	£m
Income	39.0	39.2	42.3	46.3	47.2	46.5
Expenditure	(143.7)	(145.4)	(119.9)	(102.1)	(96.6)	(96.8)
Net income/(expenditure)	(104.7)	(106.2)	(77.6)	(55.9)	(49.5)	(50.3)
Net gains/(losses) on investments and pension schemes	52.0	3.8	54.9	49.9	48.0	54.0
Net movement in funds	(52.7)	(102.4)	(22.7)	(5.9)	(1.5)	3.7
Funds brought forward at 01 April	1,531.7	1,531.7	1,429.4	1,406.7	1,400.8	1,399.3
Total funds carried forward	<b>1,479.0</b>	<b>1,429.4</b>	<b>1,406.7</b>	<b>1,400.8</b>	<b>1,399.3</b>	<b>1,403.0</b>
<b>Funds of the charity:</b>						
Endowment funds	927.3	879.5	896.2	916.6	937.5	958.5
Restricted funds	-	-	-	-	-	-
Designated funds	171.0	145.5	223.7	211.5	202.2	202.2
Free reserves	380.7	404.4	286.7	272.5	259.6	242.3
<b>Total charity funds</b>	<b>1,479.0</b>	<b>1,429.4</b>	<b>1,406.7</b>	<b>1,400.8</b>	<b>1,399.3</b>	<b>1,403.0</b>

Table 1: Summary Budget and Forecasts

### Income

14. The charity's total income budget for 2025/26 is £42.3m, projected to increase to £46.5m in 2028/29.

15. Investment income accounts for £30.9m in 2025/26 and assumptions reflect the current investment allocation with the majority of investments in the portfolio held for growth rather than income generation. This will be revisited in 2025 through an investment reallocation exercise.

16. Tower Bridge tourism income is assumed to increase gradually and does not yet reflect any impact of the outcomes of the proposed development of the visitor attraction through the *Tower Bridge in Motion* programme.

## Expenditure

17. The charity's total expenditure budget for 2025/26 is £119.9m and is projected to reduce to £96.8m in 2028/29. While spend on bridge maintenance is planned to rise, this is outweighed by lower charitable funding, reflecting the end of £200m uplift allocated to the *Bridging Divides* strategy agreed in 2020.
18. Bridges maintenance spend of £36.8m is included for 2025/26 and £33.9m in 2026/27 with an annual target of c.£30m from 2027/28 onwards. This reflects a move towards an enhanced bridges repair and maintenance schedule, rather than a policy of anticipating replacement, as formally agreed by the CBF Board in November 2024. However, the profiling of increased expenditure takes account of capacity restraints. Planned maintenance projects include the introduction of permanent Hostile Vehicle Mitigation (HVM) schemes on three bridges, the repainting of Millenium Bridge, completion of the Blackfriars Bridge Refurbishment Project and Mud Tanks, Fire Suppression, Hydraulic and Power Pack Replacement Projects at Tower Bridge.
19. Charitable funding for 2025/26 is proposed at £46.8m, including grant commitments of £42.2m and Social Investment of £4.6m. This includes both the £200m uplift (of which £28.3m is expected to be committed in 2025/26) and the prospective Future Funding Policy allocation, currently expected to be £15m in 2025/26, the first year of five for which funding has been allocated, and thereafter £26.25m plus grant administration costs (which also reflect the implementation of the new policy).
20. Future surplus returns available for wider funding, philanthropic activity and social investments will be considered through a 2025 modelling and investment allocation exercise, using a forward-looking methodology that takes account of future obligations in relation to the primary object.
21. The Tower Bridge tourism expenditure budget for 2025/26 is £8.3m and forecast to increase over the period to 2028/29, matching anticipated increased retail income and regular required spend on the visitor attraction. However, it is currently too early to fully reflect the impact of development of the visitor attraction on future operational costs, or income.
22. Property and financial investments management costs for 2025/26 are proposed at £14.8m for 2025/26, increasing to an average of £15.1m over the forecast period to 2028/29. Property management costs include significant spend on the property portfolio cyclical repairs programme and on energy costs. Fees for financial investment management remain broadly in line with previous years including an average management fee of 0.46% on average net asset value held.
23. Enabling services costs including contingency are budgeted to be £10.2m. This covers communications, finance, governance and strategy and the people function. CBF will seek to manage these costs over the coming years, including through the use of centrally held contingency. Excluding contingency, enabling services costs are £5.9m.

24. Recharges from the City Corporation from shared corporate functions are budgeted as £7.1m (including Climate Action Strategy revenue costs of £0.1m). A review of the basis of corporate recharges to the charity was undertaken in 2024/25, resulting in a £0.8m reduction in costs chargeable to CBF. However, as the 2025/26 corporate recharges have not yet been finalised, delegated authority is requested to the Managing Director of CBF, in consultation with the Chair and Deputy Chair of the CBF Board and in conjunction with the Chamberlain, to revise the charity's expenditure budgets and forecasts in Q1 of 2025/26, to provide for revised central recharges of City Corporation costs and expenditure to the charity.
25. The charity holds contingency budgets across the budget and forecasts period. These include a £850k central provision, £1.2m revenue expenditure provision for the Tower Bridge long term strategic plan, and £1m for new posts not yet approved.

### **Capital Expenditure**

26. Capital expenditure for 2025/26 is proposed at £8.2m. This includes refurbishments to three of the charity's investment properties of £3.6m and £2.5m capital contribution to CAS.
27. Also included is £0.9m contribution to the City Corporation's 'cross-fund' capital projects. Amounts allocated to CBF for other cross-fund projects are indicative and subject to revisions. Consequently, delegated authority is also requested for the Managing Director of CBF to make such revisions to the 2025/26 capital budget as are required, following the finalisation of the City Corporation's 'cross-fund' capital projects budget.

### **Investment Movements**

28. The budget currently reflects existing investment allocations and annual drawdown to cover expenditure and minimum cash requirements, however an investment allocation review exercise is expected in 2025, which is likely to result in significant changes in allocations over the coming years. Investment allocations and returns will therefore need to be re-budgeted for 2026/27.
29. Property Investment values at the end of 2023/24 were £793.0m, and the forecast 2024/25 value is £754.1m. Net losses are forecast in 2024/25, based on advice from the City Surveyor's valuer with a flat budget in 2025/26, but cannot be accurately predicted.
30. Financial Investment values at the end of 2023/24 were £802.7m. During 2024/25, £29.6m drawdowns from investments have been made to date. Future drawdowns will be required for operations in the years to 2028/29 and beyond however the exact values will be impacted by the investment allocation exercise planned for 2025.

### **Funds**

#### Total Funds

31. Total funds are expected to decrease by £125.1m from £1,531.7m as at 31 March 2024 to £1,406.7m as at 31 March 2025. The in-year deficit is mainly driven by

£64.5m of grant commitments out of the £200m uplift, and a downward revaluation on investment property. Investment returns will affect this figure but will only be known once year-end procedures are complete. Anticipated fund movements are shown in Appendix 2.

#### Endowment Funds

32. The charity adopted a Total Return Accounting approach in June 2023. Income, expenditure, and gains/losses on endowment investments held are recognised within the Unapplied Total Return (UTR) element of the endowment fund. No withdrawals from the UTR are anticipated in 2025/26 or within the period to 2028/29.

#### Designated Funds

33. The charity has several designated funds for specified purposes.

Bridges Repairs <sup>1</sup>	funds required to maintain the bridges for the next 5 years.
Grant-making	surplus income for future grant-making activities.
Climate Action	funds set aside to further progress and potentially accelerate delivery of the charity's Climate Action Strategy.
Social Investments	surplus income set aside for social investments.
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.

34. The CBF Board has agreed the following transfers to designated funds:

- a. Bridge repairs: based on anticipated costs of maintaining the bridges for the next 5 years as forecast within the 50-year bridges maintenance plan, which is being reviewed following the agreed move towards an enhanced maintenance approach. Pending finalisation of this, assuming £30m annual spend from 2027/28, a £137m transfer to the designated fund would be needed in 2025/26.
- b. Grant-making: Subject to availability, a transfer of £26.5m granting with administration costs for 2025/26. Expected designations over the forecast period will be subject to availability of surplus, which should be reassessed annually and will be subject to modelling analysis through 2025.
- c. Climate Action: in the year it is expected that costs for further investment property refurbishment and Tower Bridge projects that aim to reduce CO<sub>2</sub> emissions will be incurred, and these and similar projects should be reflected against the Climate Action designated fund.

35. The charity also maintains a Pension Reserve Fund, representing the net liability owed.

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<sup>1</sup> The Bridges Replacement fund was closed and the balance released to General Funds in 2023/24.

## **Free Reserves**

36. The charity's reserves policy is subject to annual review. Based on assumptions set out in Appendix 1, it is estimated that sufficient unrestricted income funds would be available to meet the needs of the charity until approximately 2037/38. No transfers to income from the UTR are anticipated until this time under current assumptions, however it should be noted this is subject to change in 2025/26, as the investment allocation exercise will impact investment income generation and growth and affordability assumptions.
37. For 2024/25, the target level of free reserves was retained at £90m. This was based on a minimum policy requirement of £35m agreed by this Court in March 2020, plus an additional £55m, reflecting growth uncertainties across the forecast period. The CBF Board recommend retaining this policy as of 31 March 2025, with future consideration to take place, given the period of change that the charity will be undergoing. Uncertainties of future inflation levels and investment returns further justify the continued higher level of free reserves as being a prudent approach for the Trustee to take.

## **Conclusion**

38. The 2025/26 budget and forecasts for the period 2026/27 to 2028/29 reflect the intersection of a challenging and changing economic environment with a period of change for the charity in relation to delivery of its primary and ancillary purposes. The CBF Board has considered the charity's financial position and recommends this revenue and capital budget for 2025/26, as well as the related recommendations outlined, for the Court's approval in the best interests of the charity. As a further mitigation against risk, the CBF Board recommends retaining the current reserves policy at an additional £55m above the minimum reserves policy of £35m.
39. Further to recommending the budget for 2025/26, the CBF Board provides ongoing financial forecasts for the period 2026/27 to 2028/29, which will be the subject of further review by the Board and CBF officers, to ensure these achieve an appropriate balance between safeguarding the charity's overall asset base, realigning the delivery of the charity's primary and ancillary charitable objects, and furthering the vision and mission of the *Bridging London 2020-2045* strategy.

All of which we submit to the judgement of this Honourable Court.

DATED this 5<sup>th</sup> day of February 2025.

SIGNED on behalf of the Board.

**Deputy Paul Martinelli**  
Chair, City Bridge Foundation Board

## **Appendices**

- Appendix 1 – Key Assumptions