

Committee(s):	Date(s):	Item no.
Audit and Risk Management Committee	23 July 2013	
Finance Committee	23 July 2013	
Subject: Bridge House Estates, City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements 2012/13		Public
Report of: The Chamberlain		For Decision

Summary

This report:

- attaches at Annex 1 the Annual Report and Financial Statements for Bridge House Estates for the year ended 31 March 2013 for approval;
- seeks approval to the Annual Reports and Financial Statements for the City's Cash Trust Funds for the year ended 31 March 2013, these are listed at Annex 2 and have been placed in the Members Reading Room;
- seeks approval to the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2013, these are listed at Annex 3 and have also been placed in the Members' Reading Room; and
- attaches at Annex 4 Deloitte's Management Letter for consideration.

The key points relating to Bridge House Estates are:

- a net surplus of £5.7m on Bridge House Estates general funds, a better than budget position of £4.9m (11% of incoming resources) which will reduce by £3.7m to £1.2m (3%) if all budget carry forward requests are agreed (*the £5.7m is derived from the difference between the opening and closing balances in the accumulated fund shown in the table on page 47*); and
- total Bridge House Estates net assets of £959.6m, an increase of £89.6m (10%) since last year. This favourable movement comprises net gains on property investments of £31.1m and managed investments of £49.6m along with net incoming resources of £8.9m on general and designated funds (*the*

£959.6m is shown in the Balance Sheet on page 32 and analysed in more detail in note 15 on page 46).

With regard to the City's Cash Trusts, these held total funds of £35.8m as at 31 March 2013, an increase of £3.8m (12%) from a year earlier.

The Sundry Trusts held total funds of £45.3m as at 31 March 2013, an increase of £5.2m (13%) from a year earlier.

Recommendations

The Audit and Risk Management Committee is requested to:

- consider the contents of Deloitte's Management Letter; and
- recommend approval of the Annual Reports and Financial Statements for Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds for the year ended 31 March 2013 to the Finance Committee.

The Finance Committee is requested to:

- consider the contents of Deloitte's Management Letter;
- approve the Annual Reports and Financial Statements for Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds taking account of any observations from the Audit and Risk Management Committee; and
- agree that the Annual Reports and Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council.

Main Report

Background

1. The 2012/13 Annual Report and Financial Statements for Bridge House Estates are attached at Annex 1. The document is prepared in accordance with the Statement of Recommended Practice (SORP) issued by the Charity Commission and with UK GAAP.
2. The 2012/13 Annual Reports and Financial Statements for City's Cash Trust Funds and the Sundry Trust Funds have been placed in the Members' Reading Room and are listed at Annexes 2 and 3 respectively.

3. Deloitte commenced its audit of the 2012/13 Annual Reports and Financial Statements of Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds on 28 May 2013. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, which met on 15 July 2013, have certified that they have reviewed the processes adopted by Deloitte and that those processes were in accordance with the prescribed auditing standards.
4. The main points to note on the accounts are set out in the following paragraphs.

Bridge House Estates – Statement of Financial Activities

5. On page 31 of the Financial Statements, the Statement of Financial Activities for the year shows a net increase in funds of £89.6m (10%). This comprises net gains on property investments of £31.1m and managed investments of £49.6m along with net incoming resources of £8.9m from service provision.

Comparison with Previous Year

6. As set out in the table below, the net increase in funds of £89.6m compares with an increase in funds of £41.8m during the previous year.

	31/3/13	31/3/12
	£m	£m
Gain/(loss) on managed investments	49.6	(1.3)
Gain on property investments	31.1	37.1
Net gain on revenue activities	8.9	6.0
Net increase in funds	89.6	41.8

7. The net gain on managed investments reflects the general recovery in the UK and overseas stock markets together with some relative outperformance achieved by the Fund Managers. The net gain on property investments was largely due to the continuation of the general recovery in market values.

8. The net incoming revenue resources of £8.9m were £2.9m higher than in 2011/12. The main reasons for this improved position were:

- a reduction in City Bridge Trust grant expenditure of £3.3m due to there being one less committee meeting during the year when grants would have been allocated and due to the ending of one-off additional grant monies for educational and environmental work;
- a reduction in bridges expenditure of £1.7m due to the phasing of repairs and maintenance programmes; and
- an increase in managed investment income of £1.2m attributable to favourable asset allocations within the portfolio and a general recovery in the UK and overseas stock markets.

These increases in income/reductions in expenditure were partly offset by:

- a decrease in investment property income of £2.3m due to all of the leases expiring at 1-5 London Wall Buildings during the year. Tenants either vacated the building or managed to secure new lower rate leases. There was also a restructuring of the head-lease at 20 Finsbury Circus resulting in a reduction of rent chargeable; and
- a reduction of £0.9m in external contributions towards projects. In 2011/12 £1.4m was received towards the Tower Bridge Olympic Lighting Project.

Comparison with Budget

9. The net incoming resources of £8.9m comprise £5.7m in general funds and £3.2m within designated funds. The designated funds relate to sums earmarked for specific purposes as set out on pages 47 and 48 of the financial statements. The £5.7m net incoming resources on general funds compares with an anticipated net surplus of £0.8m in the final budget, a favourable movement of £4.9m (11% of incoming resources) as summarised in the table below.

Bridge House Estates Outturn 2012/13			
	Final Approved Budget £m	Outturn £m	Variation (Better)/ Worse £m
1. Net Expenditure on Services	11.7	10.9	(0.8)
2. Bridges Repairs Fund Contribution	1.0	1.0	0.0
3. Interest on Balances	(1.0)	(1.1)	(0.1)
4. Estate Rent Income	(18.1)	(18.7)	(0.6)
5. Investment Income	(11.9)	(12.4)	(0.5)
6. Sub-Total	(18.3)	(20.3)	(2.0)
7. Charitable Grants	17.5	14.6	(2.9)
8. B.H.E Net Surplus	(0.8)	(5.7)	(4.9)

10. The favourable movement of £4.9m can also be analysed on a Committee basis as follows:

Bridge House Estates Outturn 2012/13 – by Committee					
	Budget	Actual	Variation (Better) / Worse		
			Total	Local Risk	Central Risk/ Support Services
Committee	£m	£m	£m	£m	£m
The City Bridge Trust	18.5	15.6	(2.9)	(0.1)	(2.8)
Culture, Heritage & Libraries	0.0	(0.5)	(0.5)	(0.5)	0.0
Finance	(9.6)	(10.2)	(0.6)	0.0	(0.6)
Planning and Transportation	3.6	3.7	0.1	0.0	0.1
Property Investment Board	(13.3)	(14.3)	(1.0)	(0.4)	(0.6)
Total BHE Requirement	(0.8)	(5.7)	(4.9)	(1.0)	(3.9)

11. The main items contributing to the increased surplus of £4.9m were:

- a reduction in grant expenditure of £2.9m primarily due to there being one less committee meeting during the year when grants would have been allocated and the re-phasing of the additional one-off provision for the Queen's Jubilee Growing Localities programme;
- an increase of £1m in net income from the property investment estate due to better than budgeted rental income and lower requirements for repairs, maintenance and cleaning ; and

- an increase in investment income of £0.6m due to higher returns than anticipated.
12. This improvement in position may, however, be largely offset by budget carry forwards. In accordance with the City's budget management arrangements, requests to carry forward unspent budgets totalling £3.7m are to be considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. If all carry forward requests are approved, the favourable movement of £4.9m would reduce to £1.2m (3% of incoming resources).

Bridge House Estates – Balance Sheet

13. The Balance Sheet is shown on page 32 of the Financial Statements and reflects the net increase in funds of £89.6m indicated in paragraph 5.

City's Cash Sundry Trust Funds

14. The City's Cash Sundry Trust Funds comprise seven open space charitable funds and the Sir Thomas Gresham Trust Fund as listed in Annex 2.
15. These Trusts ended the year with net incoming resources of £0.4m (2011/12: net incoming resources of £2.6m) which comprised the following:
- Incoming resources of £21.1m:
 - funding from the City of London totalling £14.7m (2011/12: £14.9m); and
 - income of £6.4m (2011/12: £8.5m) from investments and charitable and voluntary sources – the additional income in 2011/12 primarily related to one-off contributions from the Heritage Lottery Fund towards the Epping Forest Branching Out project together with the receipt of funds by Hampstead Heath from a defunct charity;
 - Resources expended of £20.7m:
 - charitable expenditure of £19.4m (2011/12: £19.5m) on the running of the open spaces and Gresham Almshouses; and

- governance and support services costs of £1.3m (2011/12: £1.3m).
16. Managed investments, held mainly by Hampstead Heath, benefited from an unrealised net gain in market value of £3.4m (2011/12: net gain of £0.8m).
 17. At 31 March 2013, City's Cash Trust Funds held total reserves of £35.8m (2011/12: £32.0m) an increase of £3.8m (12%) compared to a year earlier.

Sundry Trust Funds

18. The Sundry Trust Funds comprise the separate charitable funds listed at Annex 3. Excluding the Chamberlain's Banking Account and the Charities Pool, the remaining 16 Trusts:
 - received income of £2.7m (2011/12: £2.6m) of which £1.7m was from investments (2011/12: £1.7m);
 - had unrealised gains of £5.5m from managed investments (2011/12: £1.0m gains);
 - incurred charitable expenditure of £2.8m (2011/12: £2.6m) including: £1.2m towards the running costs of Hampstead Heath (2011/12: £1.2m); £1.2m (2011/12: £1.1m) comprising 635 grants and 68 bursaries paid to individuals or organisations (2011/12: 625 grants and 85 bursaries); and £0.3m towards the running costs of the City of London Almshouses (2011/12: £0.3m);
 - incurred governance and administration costs of £0.2m mainly due to the costs of the fund managers (2011/12: £0.2m); and
 - held total funds of £45.3m as at 31 March 2013, an increase of £5.2m (13%) from a year earlier (2011/12: £0.8m increased reserves).

Audit Opinion and Management Letter

19. Deloitte intends to give unqualified opinions on the Bridge House Estates, City's Cash Trusts and the Sundry Trusts Financial Statements subject to clarification of any residual points and to issue its 2012/13 Management Letter for Bridge House Estates, City's Cash Trusts and the Sundry Trusts as set out in Annex 4. Representatives from Deloitte will be in attendance at the Audit and Risk Management Committee to present their report and to clarify any points or issues.
20. Deloitte's Management Letter will be distributed to all Members of the Court of Common Council in October when they receive the published

copy of the 2012/13 Bridge House Estates Annual Report and Financial Statements.

Signing of the Financial Statements

21. The Chairman and Deputy Chairman of the Finance Committee will be requested to sign the Financial Statements.

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