

Committee	Dated:
Policy and Resources Committee – For decision	13th December 2018
Subject: Funding request to support an extension of Heart of the City's responsible business programme	Public
Report of: Director of Economic Development	For Decision
Report author: Philip Sinclair, Economic Development Office	

Summary

Heart of the City is a charity hosted and core-funded by the City Corporation to help City-based companies establish responsible business activities¹. It is governed by an experienced and high calibre board and overseen by a Council of Members made up of senior business leaders. The Governor of the Bank of England and the Lord Mayor are its co-presidents. The charity has successfully developed a paid-for membership programme and expanded its membership into other London boroughs. It continues to attract significant numbers of smaller companies (SMEs) on to its flagship Foundation Programme and has been approached by Belfast City Council to set up a similar pilot there. The charity has developed a new business plan which aims to extend its reach and impact.

Following a commitment from CBT to fund Heart of the City's community-focused work for five years, Heart of the City is seeking a similarly long-term commitment from the City Corporation to enable it to be more ambitious in reaching out to SMEs in the regions and to further extend the culture of responsible business. Such a contribution would complement emerging Corporation work strands on inclusion, trustworthiness, diversity, apprenticeships and social mobility. It would also bolster the City Corporation's regional strategy and its Responsible Business Strategy.

The proposed contribution is £1,500,091 over five financial years (2019/20 – 2023/24), to be met from City's Cash

Recommendations

Members are asked to:

- Agree the proposed five-year support agreement with Heart of the City from 2019/20 to 2023/24, including the conditions as proposed at Appendix Four;

¹ Responsible business activities include a wide range of actions by businesses to support the community, to reduce their impact on the environment, and to support staff health, wellbeing and inclusion. These can range from developing environmentally-friendly products and services, to running support services to improve mental health in the workplace, adopting more inclusive recruitment practices and making use of the supply chain to support the local economy.

- Approve the funding outlined in this report for £1,500,091 over five years (2019-20 £300,000; 2020-21 £305,400; 2021-22 £300,908; 2022-23 £301,526; 2023-24 £292,257), to be met from City's Cash;
- Note Heart of the City's success in securing a significant amount of in-kind funding and membership fees over the last three years;
- Note the suggested requirement for Heart of the City to provide a three-year progress report to the Policy & Resources Committee early in 2022/23;
- Consider as part of the Medium Term Financial Planning Process.

Main Report

Background

1. Heart of the City is a charity working exclusively with businesses to help them to establish a sustainable programme of responsible business activities. It was founded by the City Corporation, the Bank of England and the predecessor to the Financial Conduct Authority in 2000 and all three founders remain strong supporters. The charity is governed by an experienced and high calibre Board and overseen by a Council of Members made up of senior leaders from businesses across London – details at Appendix One.
2. Heart of the City operates a unique model: it engages the expertise and resources of companies with established responsible business programmes ('Contributors'), and these companies support firms (mostly small and medium sized companies – SMEs) to develop a responsible business strategy aligned to their core business. In September 2015 the Policy and Resources Committee agreed a grant of £511,570 over three years (2016/17: £167,000, 2017/18: £170,500, 2018/19: £174,000) and supplemented by a grant from EDO of £28,000 per year over the corresponding period, which has enabled Heart of the City to develop its first paid-for membership offer, and CBT funding supported the charity to deliver in areas of London outside the Square Mile. Heart of the City has met all the targets set over its most recent funding period.
3. In 2017 Heart of the City developed its first pilot in another London borough: Heart of the City Westminster is delivered in partnership with Westminster City Council (WCC) and provides 18 local SMEs with a dedicated local account manager, access to local networks, events and resources, as well as access to Heart of the City's core Foundation Programme. This successful programme has secured support from WCC to continue.
4. Due to its focus on capacity-building businesses Heart of the City has not been able to secure traditional grant-funding for its work, despite being a registered charity. For the same reason CBT's funding of Heart of the City is focused on its impacts on London's disadvantaged communities rather than its broader work with companies across all areas of responsible business. Heart of the City has had good success in securing membership fees, which now make up just under 10% of income, and continues to attract significant in-kind funding. Last year it secured £270,000 in in-kind support or 44% of income; this was the charity's highest single source of income.

Current Position

5. Heart of the City has conducted a comprehensive review of its work and impact in 2018, detailed further at Appendix Two. It has used this learning to refine its offer to businesses and to develop a five-year strategy to run from 2019, detailed further at Appendix Three. Its new plan will focus on what is unique and most effective about Heart of the City's work:
 - a. Its unique asset base of Contributor companies
 - b. Its target audience of companies new to responsible business.
6. Heart of the City aims to reach a larger number of companies without a proportional increase in its cost base. In order to do this over the next five years it will focus its programme on supporting companies at the earliest stage of their responsible business work, and on leveraging the expertise of Contributor companies to work with a larger number of companies.
7. Over the coming five years Heart of the City aims to:
 - a. Work with 80% more companies (an additional 100 companies each year, a total of 1,142 over five years) on its flagship Foundation Programme (see appendix three)
 - b. Draw on more of the expertise of its Contributor companies to support members- securing £300,000 of in-kind funding each year
 - c. Support and deliver more of its programme online - investing in a new interactive online member area
 - d. Develop an income-generating training course to reach smaller companies and those outside London – reaching 128 companies
 - e. Develop three new Heart of the City pilots in other UK cities to share some of the benefits and learning of large London companies with smaller companies based in the regions.
8. Over the past year there has been a marked increase in interest in responsible business and increased expectations placed on businesses to demonstrate the positive impact they have on society. This has been reflected in the strong interest in Heart of the City and its work with businesses across London and beyond (as well as in the City Corporation's Business of Trust programme). The charity has recently responded to strong interest from Belfast City Council to develop a pilot there. Heart of the City is keen to explore whether there is a similar appetite in other UK cities, particularly in those areas which are the focus of the City Corporation's regional strategy.
9. At present the charity (which comprises six members of staff supporting around 150 members and 100 Contributors) does not have the capacity to develop new projects outside of London. In addition, its digital offer needs updating so that more companies outside London are able to join and benefit from membership.

Proposal

10. To help Heart of the City deliver its five-year strategy outlined above, this report proposes an extension and uplift of the City Corporation's funding, comprising £1,500,091 over five years (2019-20 - £300,000; 2020-21 - £305,400; 2021-22 -

£300,908; 2022-23 - £301,526; 2023-24 - £292,257). This covers a contribution to the salary costs of 4.5 members of staff of a total team size of 7 (including one new post), the costs of developing the charity's digital delivery platform and a modest operational budget contribution.

	2019-20	2020-21	2021-22	2022-23	2023-24
Salaries	£260,000	£265,200	£270,504	£275,914	£281,432
IT development costs	£30,000	£30,000	£20,000	£15,000	£0
Operational budget	£10,000	£10,200	£10,404	£10,612	£10,824

Table 1: Proposed City Corporation contribution to staff salary and budgets

	2019-20	2020-21	2021-22	2022-23	2023-24
CoLC grant	£300,000	£305,400	£300,908	£301,526	£292,257
Westminster	£25,000	£25,250	£25,503	£25,758	£26,015
Belfast	£30,000	£35,000	£35,000	£35,000	£35,000
City Bridge Trust grant	£95,000	£95,000	£95,000	£95,000	£95,000
Membership fees	£57,375	£70,650	£83,525	£84,525	£85,525
Training courses	£6,000	£6,120	£6,242	£6,305	£6,431
In-kind	£300,000	£300,000	£300,000	£300,000	£300,000
Total income	£813,375	£837,420	£846,178	£848,114	£840,228

Table 2: five year funding forecast

11. The increase in funding will enable Heart of the City to widen its scope and start operating in new geographical areas, through the employment of a business development post. It will enable the charity to extend its reach to a wider range of businesses through one-day training courses. In addition, this funding will cover investment in new website functionality, this is crucial in positioning Heart of the City to deliver the high-quality online support and delivery of its programmes that its members expect. Alongside this new work Heart of the City will continue to deliver its flagship Foundation programme to City-based companies.
12. The charity intends to secure local funding and in-kind support in each of its new pilot areas in order for these to be sustainable. We have already secured political support for this in Belfast and the new business development post will secure funding in other pilot areas, making the geographical expansion sustainable.
13. Providing City Corporation support to expand and strengthen Heart of the City's impact with business coincides with an increase in activity led by the Economic Development Office to engage more extensively with business on related issues covering innovation, inclusion and growth, particularly in sectors such as fintech, cyber security and green finance. By leveraging its contacts effectively and to the City Corporation's benefit, an expanded and strengthened Heart of the City would complement, reinforce and broaden the reach of the City Corporation's own

engagement with these sectors and others on thematic areas of responsible business such as trustworthiness, diversity, apprenticeships and social mobility. It will also support the delivery of the City Corporation's recently agreed responsible business strategy.

14. To help ensure appropriate benefit to the City Corporation from the proposed enhanced and extended grant to Heart of the City, a series of conditions to the grant are proposed as detailed at Appendix Four. It is also proposed that Heart of the City provide the Policy & Resources Committee with a three-year progress report early in the financial year 2022/23.

Corporate & Strategic Implications

15. This proposal strongly supports the aim in the Corporate Plan 2018/23 that 'businesses are trusted and socially and environmentally responsible'; it would enable the City Corporation to achieve a substantial increase in its impact against this aim. It would also provide a strengthened external engagement tool for the Responsible Business Strategy and would support other key strategies such as the Social Mobility Strategy and Employability Strategy. In view of Heart of the City's plans to expand its services to businesses outside of London, it would also support and bolster the City Corporation's Regional Strategy.
16. The proposal dovetails neatly with the City Corporation's Philanthropy Strategy. Heart of the City provides best practice advice to companies around philanthropy. It also provides a useful conduit for potential participants in the Lord Mayor's Appeal.

Implications

17. The report sets out the proposed new funding agreement, which commits the City to provide grant funding to Heart of the City over a five-year period from 2019/20, totalling £1,500,901. This will follow on from the current three-year agreement ending in 2018/19 which has provided £511,570 of funding over this period.
18. It is proposed that this commitment continue to be met from City's Cash. The new agreement will require an uplift in the City's Cash budget in line with the profile of the new agreement which is shown below.

Year	Proposed grant to Heart of the City
2019/20	£300,000
2020/21	£305,400
2021/22	£300,908
2022/23	£301,526
2023/24	£292,257
Total	£1,500,091

19. There are no legal issues of note relating to the funding procedure, which follows previous funding cycles.
20. There are no HR issues of note relating to the funding.

Conclusion

21. London is the centre for responsible business activities across the UK. Heart of the City is a unique organisation which draws new companies into responsible business for the first time. It has a significant impact on London SMEs and on its Contributor companies. The City Corporation has been far-sighted in developing and supporting this charity and now there is a marked increase in interest in responsible business there is an opportunity to share Heart of the City's model with a growing audience. Supporting this expanded and ongoing work from Heart of the City will enable the City Corporation to further its regional leadership role in responsible business and it will complement its suite of work underway on trust, responsible business and inclusion, and its regional strategy.

Appendices

- Appendix 1 – Heart of the City trustees and Council of Members
- Appendix 2 – Heart of the City achievements 2016-2018
- Appendix 3 – Executive summary Heart of the City draft business plan 2019-2024

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APPENDICES

Appendix 1 – Heart of the City trustees and Council of Members

Trustee Details

Sir Harvey McGrath - Chairman.

Sushil Saluja – (Deputy Chair) Accenture's Senior Managing Director for Financial Services in Europe.

Charlotte Cowley - freelance marketing consultant.

Linda Barnard - Bank of England's Senior Staff Counsellor.

Rachel Engel - Head of the Macquarie Group Foundation, EMEA.

Anthony Impey MBE - founder and CEO of Optimity.

Rob Powell - Head of Pro Bono & CSR at Weil, Gotshall and Manges.

Arjan van den Berkmortel - Head of Business Banking for the London Region at HSBC.

Philip Sinclair – Innovation, Inclusion and Growth Director, Economic Development Office, City Corporation.

Council of Members

The Rt Hon.	Lord Mayor of the City of London	Co-President	Heart of the City
Governor Mark	Carney	Co-President	Heart of the City
Edward	Braham	Senior Partner	Freshfields Bruckhaus Deringer
Ian	Caswell	Chief Executive Officer	Sapphire Systems
Nicholas	Cheffings	Partner & Past Chair	Hogan Lovells
Lord Tim	Clement-Jones	Chairman	Queen Mary University of London
Alison	Gowman	Chairman	City Bridge Trust

Richard	Hardie	Senior Adviser	UBS
Tom	Heylen	Managing Partner	DLA Piper
Laura	Hinton	Head of People & Executive Board member	PricewaterhouseCoopers
Charles	Jacobs	Senior Partner	Linklaters LLP
Simon	MacKenzie-Smith	Chairman of Corporate & Investment Banking for the UK	Bank of America Merrill Lynch
Paul	Manduca	Chairman	TheCityUK
Catherine	McGuinness	Chairman of Policy & Resources Committee	City of London Corporation
Sir Terry	Morgan CBE	Chairman	Crossrail
Nick	Owen	UK Chairman	Deloitte LLP
Charles	Randell CBE	Chair	Financial Conduct Authority
Malcolm	Sweeting	Senior Partner	Clifford Chance
Peter	Vernon	Chief Executive	Grosvenor

Appendix 2 – Heart of the City achievements 2016-2018

Over the last three years Heart of the City has directly supported 95 City firms as members to develop their responsible business programmes and has worked with a total of 235 companies across London.

Heart of the City members recorded £1.6m charitable donations over three years.

The charity has secured a total of £667,350 of in-kind funding.

Heart of the City's events consistently achieve 100% good-excellent ratings from attendees.

Heart of the City records the impact of the companies it works with each calendar year. A snapshot of our impact in 2017-18:

- 87% of companies on our 2017 Foundation Programme were SMEs
- Members on the Foundation Programme spanned 16 London boroughs
- Most of our members continue to be from the legal and financial sectors, but there has been an increase in members from the architecture and design, IT and creative industries

Of the 2017 Foundation Programme members who completed our graduation survey:

- Members gave 2,236 hours of employee volunteer time to various community projects (the equivalent of an additional £19,708)
- 66% reported that senior managers were engaged in responsible business activities
- 47% had developed an overarching responsible business strategy aligned to their business
- 52% had successfully recruited a responsible business champions network/committee
- 70% had either formalised a volunteer policy or organised volunteering activities for their employees to engage in local communities
- Over a third reported developing significant charity partnerships during the year with employees taking part in workplace initiatives to raise funds for these causes
- 25% provided in kind support to charities, ranging from providing meeting room space to gifting IT equipment.
- 69% developed health and wellbeing initiatives over the past 12 months helping to promote work/life balance
- 35% introduced flexible working policies to enable employees to work in a way to best support caring or other responsibilities
- 71% of companies reporting hosting work experience placements for young people
- 30% of companies hosted paid internships and 10% ran apprenticeship schemes to provide opportunities for young people and bring new talent into the company

In addition, some were already starting to look beyond their own practice to the activities of their supply chain:

- 21% reported considering their supplier selection by purchasing from SMEs/locally/social enterprises and 16% reported purchasing from green, Fairtrade or minority owned suppliers
- A third reported developing responsible products and services – a more advanced area of responsible business.

We provide guidance through our tools and engage with some of our most sophisticated Contributor businesses and experts in our network to provide templates, workshops and mentoring in this important area.

- 66% of businesses developed waste reduction or recycling initiatives
- 26% reduced their energy consumption and 12% had put in place water conservation measures
- 24% of members began measuring their carbon footprint – making improvements in areas including sustainable travel and renewable energy uptake
- 25% of businesses reported experiencing cost savings resulting from the environmental initiatives they had put in place in the past 12 months

Appendix 3 – Executive summary Heart of the City business plan 2019-2024

Vision

Every business can be a force for good

By 2024 Heart of the City will be able to demonstrate that businesses of all sizes can be a force for good through its expanded reach and robust impact measurement. Operating flagship projects in several major UK cities, Heart of the City will be recognised as expert in engaging companies in responsible business for the first time. CSR professionals will be proud to be associated with Heart of the City and will actively seek opportunities to volunteer with its programmes.

Mission Statement

Heart of the City's mission is to equip and coach business leaders to make a positive difference to people, places and the planet.

Objectives

The objectives of this business plan are:

1. to reach more businesses and enable them to start their own responsible business programmes
2. to build a strong network of corporate social responsibility (CSR) professionals who are committed to supporting other companies to start CSR activities.

Context

Heart of the City supports companies to start their own responsible business activities and to align these with their core business objectives. In order to do this Heart of the City garners the expertise and resources of the mature responsible business teams in leading UK companies, known as Contributors.

Since 2000 Heart of the City has worked with more than 800 London member companies and has raised hundreds of thousands of pounds worth of in-kind funding. Heart of the City member companies have increased their financial support to charities, donated thousands of staff hours to community projects, made commitments to support staff inclusion and diversity and reviewed the social value of their supply chains.

In 2016 Heart of the City opened up its membership to companies outside the City and 'City fringe' borough and has since welcomed companies from 16 different London boroughs, from Barnet to Sutton, and from Hounslow to Hackney. At this

point the organisation also introduced a paid-for membership programme which now has 51 members and contributes 10% to total income. Heart of the City has been successful in reaching small and medium-sized companies (80% of members are SMEs), a notoriously difficult-to-reach segment of the business sector.

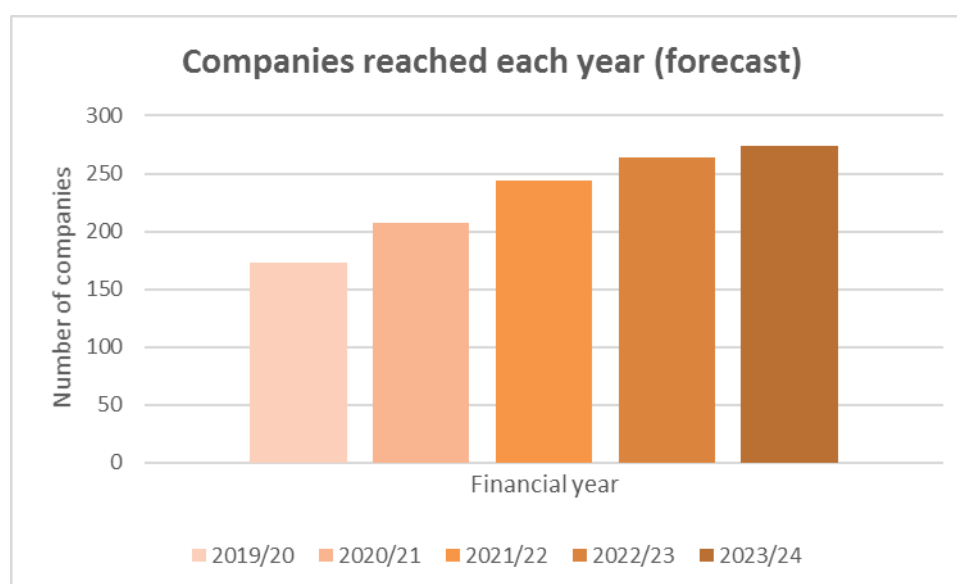
In 2018 Heart of the City secured five years' worth of funding from CBT to extend its work in London boroughs. This business plan aims to capitalise on the opportunity this five-year funding represents and sets out a longer-term vision and outline delivery objectives to 2024. In this period the ambition is to reach more companies and provide them with the support they need to start doing responsible business activities.

This plan sets out how this will be delivered through further iteration of the paid-for membership programme, building on what has worked in the first three years; to further diversify funding streams; to extend our work into new London boroughs; to run pilots of our work in new UK cities and to develop the digital delivery of Heart of the City programmes.

Highlights

In this period Heart of the City aims to support 80% more companies over five years (500 more companies) with a lower than proportionate increase in the organisation's cost base. This will be achieved through investing in the Contributor network of companies and the software needed to support an increasing membership. The Contributors will be asked to provide expert advice to paying member companies and the Heart of the City team, using improved technology, will support these relationships.

The charity's reach will be extended through the addition of three new UK city pilots and the development of a new one-day training programme. The chart below maps this forecast growth against financial year.



Budget income vs expenditure 2019-2024



Appendix Four – Proposed conditions to the five-year grant to Heart of the City

As a mechanism to ensure that the proposed grant to Heart of the City provides appropriate benefit to the City Corporation, it is suggested that any grant agreement require Heart of the City to do the following:

- Maintain and grow the quality of its Council of Members and Board representation and avoid any dilution in seniority of representation;
- Work with the City Corporation to agree an engagement strategy to explore the potential for the new Governor of the Bank of England to act as future co-president with the Lord Mayor post the current Governor's retirement in 2019;
- Deepen and extend its relationships with its contributor community not least City-based stakeholders;
- Be a resource to support the City Corporation in its delivery of its Corporate Responsibility Strategy including sharing knowledge and intelligence with colleagues in the Economic Development Team.
- Engage with businesses in the City Corporation's priority growth sectors via the Foundation programme e.g. green finance, fintech, cyber security etc
- Make a valued contribution to responsible business growth in London boroughs beyond the City, not least in the boroughs prioritised through its City Bridge Grant;
- Make a valued contribution, as appropriate, to national practice, reflecting the City Corporation's own strategic priorities as set out (for example) in its regional strategy.