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| Committee: | Date: |
| Resource Allocation Sub-Committee Policy & Resources Committee | 23 January 2020 23 January 2020 |
| Subject: Funding request to support an extension of Heart of the City's responsible business programme | Public |
| Report of: Damian Nussbaum, Director of Innovation & Growth | For Decision |
| Report author: Jacob Seymour, Head of Operations, Innovation & Growth | Funding Source: City's Cash |

Summary

Heart of the City is a unique charity founded, hosted and core-funded by the City Corporation. It helps City-based companies establish responsible business activities¹. It is governed by an experienced and high calibre board of senior business leaders. The charity is delivering an ambitious five-year business plan impacting 147 member firms and working with 94 major UK companies in 2019 alone.

The charity is meeting its existing commitments under its business plan and is seeking a rollover of its funding from the Corporation in 2020-21. This contribution would continue to complement Corporation work strands on environmental impact reduction, ESG and impact investing, diversity, apprenticeships and social mobility. It would also bolster the City Corporation's regional strategy and its Responsible Business Strategy. City Bridge Trust (CBT) is funding Heart of the City's community-focused work for five years.

The December 2018 Policy & Resources Committee meeting agreed one-year funding for Heart of the City (April 2019 – March 2020) with a decision on longer-term funding postponed due to the Fundamental Review. With the Fundamental Review still underway, there is now a gap of 12 months funding for the Heart of the City. The proposed contribution for next year remains unchanged from this financial year, at £300,000 for one year, and it is recommended that a further year's funding be granted.

Recommendations

Members are asked to:

- Note that Policy and Resources Committee has already agreed funding of £300,000 for 2019/20 and we are now asking for approval of a further year pending the outcome of the Fundamental Review;
- Agree the one-year funding of £300,000 for 2020/21; this would be met from City's Cash
- Note that a review will be undertaken in 2020 to better align corporate priorities.

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.

Main Report

Background

1. Heart of the City is a charity working 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 ('Ambassadors'), and these companies support firms (mostly small and medium sized companies – SMEs) to develop a responsible business strategy aligned to their core business.
3. 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 IG (then EDO) of £28,000 per year over the corresponding period, which enabled Heart of the City to develop its first paid-for membership offer. CBT funding supported the charity to deliver in areas of London outside the Square Mile. In 2019 the Policy and Resources Committee agreed to funding for one year of £300,000. Heart of the City has met all the targets set over its most recent funding period (see Appendix Two).
4. In 2017 Heart of the City developed its first pilot in another London borough: Heart of the City Westminster was delivered in partnership with and paid for by Westminster City Council (WCC) and it provided 38 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.
5. Due to its focus on capacity-building of businesses Heart of the City is not 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 13% of income (£85,000), and continues to attract significant in-kind funding. Last year it secured £236,000 in in-kind support or 37% of income; in total in 2018-19 the charity secured £2 in additional funding for every £1 contributed by the City Corporation.

Current Position

6. Heart of the City conducted a comprehensive review of its work and impact in 2018. It used this learning to refine its offer to businesses and to develop a five-year strategy to run from 2019. Its plan focuses on what is unique and most effective about Heart of the City's work:
 - a. Its unique asset base of Ambassador companies

- b. Its target audience of companies new to responsible business.
7. Heart of the City is delivering its strategic aim of reaching a larger number of companies without a proportional increase in its cost base. In order to do this over the five years to 2024 it is focusing its programme on supporting companies at the earliest stage of their responsible business work, and on leveraging the expertise of Ambassador companies to work with a larger number of SMEs. The charity has developed its digital offer and plans to launch a series of income-generating training courses in 2020.
 8. In 2020 Heart of the City celebrates its twentieth anniversary and it will capitalise on this opportunity by raising awareness of the impact that SMEs have had through its responsible business programme. Over the coming twelve months Heart of the City aims to:
 - a. Work with 46% more companies compared with 2016-18 on its flagship Foundation Programme
 - b. Draw on more of the expertise of its Ambassador companies to support members- securing £250,000 of in-kind funding each year
 - c. Support and deliver more of its programme online - launching a new website providing high quality, open-source content on responsible business to reach companies across the UK
 - d. Launch an income-generating training course to reach smaller companies and those outside London – reaching 40 companies
 - e. Use the opportunity of its twentieth anniversary to raise the profile of small businesses making a positive difference in London through a series of films and targeted communications
 - f. Develop a targeted regional marketing campaign to engage companies in other parts of the UK in responsible businesses, sharing the benefits and learning of large London companies with smaller companies based in other regions.
 9. The past year has seen interest in responsible business grow yet further. The expectations placed on businesses to demonstrate the positive impact they have on society has grown in line with this. This has been reflected in the strong interest in Heart of the City and its work from businesses across London and beyond. This year the charity worked with a record number of 82 new businesses and in 2020 they will celebrate working with their 1,000th member.
 10. Heart of the City is currently in discussions with the Corporation about playing a stronger role in the delivery of the Lord Mayor's Dragon Awards, through which the charity aims to showcase the excellence and range of the philanthropic projects connected to the Corporation. It has also led on bringing together the Corporation's responsible business strategy team, the Lord Mayor's Appeal, City Bridge Trust, Business Healthy and the Innovation team to explore ways of collaborating.

Proposal

11. To enable Heart of the City to continue to deliver its five-year strategy outlined above, this report proposes to rollover the City Corporation's funding, comprising £300,000 per year for one year (2020-21). This covers a contribution to the salary

costs of 4.5 members of staff of a total team size of 7, the costs of developing the charity's digital delivery platform and a modest operational budget contribution.

| | 2021-22 |
|----------------------|----------------|
| Salaries | £270,000 |
| IT development costs | £20,000 |
| Operational budget | £10,000 |

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

| | |
|-------------------|-----------------|
| CoLC grant | £300,000 |
| City Bridge Trust | £95,000 |
| Membership fees | £80,000 |
| Training course | £6,000 |
| In-kind | £250,000 |
| | £731,000 |

Table 2: Funding Forecast 2020/21

12. The funding will enable Heart of the City to continue with its plans to deliver its business plan objectives and reach companies of different sizes and in new geographical areas, through marketing and delivery of its digital offer. Alongside this Heart of the City will continue to deliver its well-regarded and unique flagship Foundation Programme to City-based companies.
13. Providing City Corporation support to continue Heart of the City's impact with smaller business coincides with the focus of activity led by the Innovation Growth (IG) department. IG will 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 continuing to leverage its contacts effectively and to the City Corporation's benefit, Heart of the City will continue to 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 good governance, 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 ongoing work of Heart of the City, it is the aim of the charity to make a detailed bid for further funding as part of the Fundamental Review in 2020-21.

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 for one year from 2020/21, at £300,000. This will follow on from the current one-year agreement ending in March 2019 which has provided £300,000 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 |
|-------------|--------------------------------------------|
| 2020/21 | £300,000 |

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 Ambassador 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 impactful 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 philanthropy, 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 2016-2019

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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.

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

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

Anthony Impey MBE - founder 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.

Carmen Whitelock - Head of Group brand, channels and planning, **RSA**

Giles French - Regulatory Strategy and Trade Director, **City of London 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 |
| Susan | Bright | Managing Partner, UK and Africa | Hogan Lovells |
| Lord Tim | Clement-Jones | Chairman | Queen Mary University of London |
| Dhruv | Patel OBE | 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 | Chair of Policy & Resources Committee | City of London Corporation |
| Nick | Owen | UK Chairman | Deloitte LLP |
| Charles | Randell CBE | Chair | Financial Conduct Authority |
| Melissa | Fogarty | Co-head of Corporate | Clifford Chance |
| Peter | Vernon | Chief Executive | Grosvenor |
| Tiina | Lee | CEO UK & Ireland | Deutsche Bank |
| Sarah | Mullally DBE | The Rt Rev and Rt Hon | Church of England |

Appendix 2 – Heart of the City achievements 2016-19

Over the funding period 2016-19 Heart of the City has directly supported 104 City firms as members to develop their responsible business programmes and has worked with a total of 320 companies across London.

Heart of the City members recorded £2m charitable donations over three years.

The charity has secured a total of £903,499 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 2018:

- 93% of companies on our 2019 Foundation Programme were SMEs
- Members on the 2019 Foundation Programme spanned 13 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 2019 Foundation Programme members who completed our graduation survey:

- Members gave 28,510 hours of employee volunteer time to various community projects (the equivalent of an additional £920,873)
- 95% got involved in their community by volunteering, fundraising or in-kind donations
- 21% had gained a business accreditation or award that year related to responsible business
- The top three benefits identified by these companies were:
 - Stronger brand and client engagement
 - Improved staff retention, recruitment and wellbeing
 - Being part of a useful network of likeminded peers.

Targets and progress: 2019

| | Target | Actual |
|-------------------------------------|---------------------------------------------------|---------------------------------------------------|
| New members | 80 | 82 |
| Membership fees | £57,000 | £85,000 |
| Contributor (large firm) engagement | 80 companies 100 individuals 95% engagement | 94 companies 132 individuals 98% engagement |