

<b>Committee:</b> Policy & Resources	<b>Dated:</b> 24 September 2015
<b>Subject:</b> Funding for renewal of Heart of the City's Newcomers Programme for City Businesses	<b>Public</b>
<b>Report of:</b> Director of Economic Development	<b>For Decision</b>

### Summary

This report:

- (a) Notes that the current City of London Corporation (City Corporation) funding term for the charity, Heart of the City (HOTC), is due to expire on 31 March 2016.
- (b) Provides an update on the charity's achievements under the current funding period and recent changes in response to a need for more innovative ways of supporting London's civil society.
- (c) Sets out the next steps in transforming and extending the HOTC programmes to support businesses and communities across Greater London, which will position the charity as one London's key business-community support organisations.
- (d) Requests a further three years of funding of £511,570 to support 'Newcomer' businesses in the City (which complements recently approved funding from City Bridge Trust to support non-City businesses).

### Recommendation

Members are asked to:

- Approve a grant from City's Cash of £511,570 over three years (2016/17: £167,000, 2017/18: £170,500, 2018/19: £174,000) to HOTC to enable it to continue its delivery of social and environmental support to City businesses under its new model and to deepen the connections between the business sector and the community sector.

### Main Report

#### Background

1. HOTC was launched in 2000 as a joint initiative of the City Corporation, the Bank of England, and the then Financial Services Authority. It obtained charitable status in 2006, and the City Corporation remains a core funder.
2. HOTC's purpose is to support a thriving, inclusive private sector which has a positive social and environmental impact. It offers businesses membership to a

peer-to-peer learning network, facilitating events, mentoring, online and offline learning, and community collaboration.

3. HOTC's network comprises over 800 businesses including Newcomers (businesses new to Corporate Social Responsibility (CSR))<sup>1</sup>; Members (graduates from the Newcomers programme which require on-going support) and Contributors (businesses with CSR expertise which can give back to/mentor other businesses). These businesses commit to sharing their experiences, resources, and their time, with others in order to deliver long-term benefits and measurable outcomes in the wider community.
4. The charity is well-networked across the Square Mile, whilst also maintaining good working relations with the City Corporation. The City Corporation houses the charity in Guildhall and the Lord Mayor is co-President of the charity with the Governor of the Bank of England.
5. The charity has a board of 10 including one representative from the City Corporation, the Assistant Director of Economic Development, and its Chairman is Harvey McGrath. The charity is advised by an impressive Council of nearly 30 CEO-level City business leaders, including the Bishop of London, as well as the Chairman of Policy and Resources and, more recently, the Chairman of the City Bridge Trust. See Appendix 1 for the list of Trustees and Council Members.
6. In February 2012, the Policy and Resources Committee approved funding for 2013/14 – 2015/16 of £165,000 per annum (see para 15).
7. The relationship between HOTC and the City Corporation, which provides finance, staff and HR support services, is governed by a Service Level Agreement, which is reviewed every three years (currently being negotiated for 2016/17 – 2019/2020).

### **Newcomers programme**

8. Originally set up to support City businesses with volunteering, in 2011 HOTC's free 'Newcomers' programme began enabling on small and medium-sized enterprises (SMEs),<sup>2</sup> which are new to the notion of CSR, to tap into the experts and contacts they need to quickly build an effective programme of community engagement and environmental management. This programme is offered at no cost to business in order to remove the barriers that sceptics often give for why they have not started these activities previously. In targeting smaller businesses through the Newcomers programme, HOTC helps to create change which might not otherwise occur without their support.
9. The City Corporation founded and has funded the Newcomers programme since its inception in 2005, and it has evolved over this period, directly enabling over 400 City businesses to start or grow their social and environmental programmes.

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<sup>1</sup> Corporate Social Responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.

<sup>2</sup> SMEs are defined as businesses with fewer than 250 employees and less than £40 million in turnover.

## **Achievements During the Current Grant Term**

10. Appendix 2 confirms that the charity has met requirements from the previous grant and Appendix 3 sets out HOTC's key achievements since April 2013. A few highlights include:

- (a) 180 Newcomers supported to start social and environmental activities, 60% from financial and professional service firms.
- (b) 607 business referrals to community groups and charitable organisations made (against a target of 600). At least 150 of these referrals were to City Corporation programmes such as City Action (City Corporation's in-house volunteering brokerage), the Local Employability/Recruitment Programme and the Lord Mayor's Dragon Awards.
- (c) Relationships with a broad range of opinion formers maintained and developed further, resulting in the joining of Bank of England Governor Mark Carney as co-President of the charity in 2014.
- (d) Each Newcomers programme lasts for one year, and the impact is immediately realised. Last year's Newcomer cohort (55 businesses graduating in 2014) made over £2,180,000 in charitable contributions to their community. This included corporate donations and staff volunteering time.

## **Strategic Expansion of HOTC**

11. The charity has been fortunate to secure City Bridge Trust funding recently, for three years, to extend its business support programme to all London boroughs. This was announced as part of HOTC's 15 year anniversary celebration this year.

12. The strategic expansion of the charity's remit is the result of a growing need for support from communities in Outer London and the financial pressures faced by the public and voluntary sectors. With nearly 40,000 businesses employing 10 – 250 employees (HOTC's target Newcomer), these businesses have the potential to lift provision of support to many of these community groups. They are not often thought of as a usual source of assistance. A recent study has shown that the majority of SMEs are unaware of the notion of CSR and do not know how to approach social and environmental activities strategically.

13. The proposed expansion has been planned following consultation with key London bodies (e.g. London Councils, Greater London Authority, Greater London Volunteering and Business in the Community) and strategic alliances forged. The expansion is reflective of HOTC's growing profile and in turn should provide much enhanced positive profile for the City Corporation as a core supporter of HOTC since its foundation.

## **Funding**

14. HOTC is currently funded from three main sources: recently introduced business fees/donations of approximately £30,000 per annum; a grant from the Policy

and Resources Committee of £165,000 per annum, with a supplement from the Economic Development Office, £29,000; and a recently agreed strategic grant from the City Bridge Trust of £278,328 phased over three years . In addition to this, it receives approximately £250,000 per annum in in-kind support from Contributor businesses, such as hosting, mentoring, and speaking at events, which is crucial to delivery of the HOTC programmes.

15. In 2008, 2010 and 2012, a review of hundreds of trusts, foundations, local authorities and private sector funders was undertaken and all determined that there was no organisation likely to fund a business support organisation, such as HOTC, despite the high impact achieved. Speculative applications were submitted to Garfield Weston and Esmée Fairbairn without success. HOTC is now developing a self-financing model through its recently introduced membership fees.

## Proposal

16. Renewal of City Corporation's funding at an amount of £511,570 over three years (2016/17: £167,000, 2017/18: £170,500, 2018/19: £174,000) is requested to maintain current activity levels in the City. This covers 3.1 members of staff (of a total team size of 4.8 – the rest is covered as shown in para 18 below), plus a very small operational budget contribution (of less than £10,000), as shown in Table 1 below.

<b>Contribution</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>3.1 members of staff</b>	£160,766	£162,599	£164,488
<b>Operations Budget</b>	£6,224	£7,901	£9,582

**Table 1: P&R contribution to staff salary and budget**

17. Heart of the City does not directly employ any staff, they are seconded from the City of London Corporation for the purposes of the Charity. The increase in current funding levels (£165,000 p.a.) is needed to accommodate the recent 2% pay award and incremental progression.

18. HOTC's three year funding forecast is outlined below:

	<b>2016/17</b>	<b>2017/2018</b>	<b>2018/2019</b>
<b><u>Minimum Funds Required</u></b>	£586,211	£557,127	£546,375
<b><u>Funding Sources (Cash)</u></b>			
- P&R Committee	£167,000	£170,500	£174,000
- EDO supplement	£28,000	£28,000	£28,000
- City Bridge Trust expansion <sup>3</sup>	£106,211	£68,627	£14,375

<sup>3</sup> City Bridge Trust grant runs from July – June and therefore is split across financial years. Y1 funding (July 2015 – June 2016) is £118,820, Y2 funding (July 2016 – June 2017) is £102,008, Y3 (July 2017 – June 2018) is £57,500.

- City business fees/donations	£35,000	£40,000	£80,000
<u>Funding Source (In-Kind)</u>			
- Contributions In-Kind	£250,000	£250,000	£250,000
<u>Balance</u>	-	-	-

**Table 2: Three-year funding forecast**

19. The requested funds would enable HOTC to deliver its programme directly to 90 City Newcomers and indirectly to support over 180 Newcomers (City and non-City) over the grant period. From this, a strong local community impact is expected including facilitating over £3 million in charitable contributions and over 600 referrals to community groups.
20. In anticipation of the funding shortfall from 2017/2018, HOTC has been piloting charging some businesses for continued or more advanced social and environmental support. This attempt at self-financing should be positively noted.

### **Benefits to the City Corporation**

21. Continued City Corporation support for HOTC would help to ensure that while the Square Mile is the world's leading financial service centre, it also promotes a giving culture. The fact that 80% of HOTC's Newcomers community impact takes place in Greater London contributes to the City's aim to operate as a 'good neighbour'.
22. With the City Corporation's support, HOTC has become the UK's largest responsible small business network and one of the larger financial services networks. This brings considerable profile to the City Corporation as well as broadening and strengthening its range of stakeholder relationships.
23. Strategic engagement with City leaders is enabled through participation on HOTC's Council of Members.
24. Renewal of funding to continue activity to support City SMEs would complement recently secured funding from City Bridge Trust which enables HOTC to extend its programme of support across Greater London and to amplify its ability to connect businesses with charities across London. At the same time, HOTC will be enabled to increase the number of referrals it makes to the City Corporation's other business engagement programmes (e.g. City Action and the Lord Mayor's Dragon Awards).

### **Corporate & Strategic Implications**

25. HOTC contributes to the City Corporation's strategic priority of supporting and promoting 'The City' as the world leader in international finance and business services. Businesses cite improved staff morale, winning new contracts and raised brand profile as their top business reasons for starting social and environmental programmes through the HOTC Newcomers programme. Moreover, by ensuring that City businesses are responsible in their activities, the charity is helping the Square Mile to demonstrate its commitment to good

governance. HOTC further directly supports the City Corporation's aim of encouraging regeneration and CSR by working with City business and communities in neighbouring boroughs.

## **Conclusion**

26. At a time of unprecedented financial pressures on public and voluntary sectors to meet the needs of disadvantaged Londoners, it is crucial that all sectors work together to achieve better outcomes. HOTC has an excellent track record of engaging and developing City business to adopt a CSR agenda: mobilising their time, skills, and resources to benefit charities to improve their resilience and ability to deliver.

27. This report seeks a funding renewal from City's Cash for the three years from 2016/17 to 2018/19. There will also be a contribution from the Economic Development budget. Evidence showing that for every £1 invested by the City Corporation in HOTC, Newcomer businesses make at least £8 in charitable contributions demonstrates that HOTC provides sound value for money.

## **Appendices**

1. HOTC Trustees and Council Members
2. 2012/13 – 2014/15 Grant Conditions
3. HOTC Key Achievements from April 2013 – August 2015

## **Damian Nussbaum**

Director, Economic Development Officer

T: 020 7332 3600

E: [Damian.Nussbaum@cityoflondon.gov.uk](mailto:Damian.Nussbaum@cityoflondon.gov.uk)

## **Appendix 1: HOTC Trustees and Council Members**

### **TRUSTEES**

- Harvey McGrath, Chairman
- Richard Hardie, Deputy Chairman
- Charlotte Cowley, Marketing Director, Columns
- Gay Harrington, Social & Economic Development Manager, Canary Wharf Group
- Gill Parker, Joint Managing Director, BDG architecture + design
- Linda Barnard, Community Relations Manager, Bank of England
- Liz Skelcher, Assistant Director, Economic Development Office, City Corporation
- Matt Sparkes, Global Head of Corporate Responsibility, Linklaters
- Peter Sherratt, Chairman, Lehman's Brother Foundation Europe & Business Advisory Council member, Oxford Said Business School
- Sushil Saluja, Managing Director for Financial Services, Accenture

### **COUNCIL OF MEMBERS**

- The Rt Hon The Lord Mayor of the City of London, co-President, HOTC
- Governor Mark Carney, co-President, HOTC
- Harvey McGrath, Chairman, HOTC
- Richard Hardie, Deputy Chairman, HOTC
- Antonio Simoes, CEO UK & Head of Retail Banking and Wealth Management Europe, HSBC Bank plc
- Brian Winterflood, Life President, Winterflood Securities
- Sir Gerry Grimstone, Chairman, TheCityUK
- Ian Powell, Chairman and Senior Partner, PricewaterhouseCoopers
- Inga Beale, CEO, Lloyd's of London
- John Griffith-Jones, Chairman, Financial Conduct Authority
- Malcolm Sweeting, Senior Partner, Clifford Chance
- Mark Boleat, Chairman, Policy & Resource Committee, City Corporation
- Nicholas Cheffings Partner & Chair, Hogan Lovells
- Nick Owen, UK Chairman, Deloitte
- Rt Revd & Rt Hon Richard Chartres DD FSA, Bishop of London
- Robert Elliott, Senior Partner, Linklaters
- Ruby McGregor-Smith, CEO, MITIE
- Sebastian Grigg, Head of UK Investment Banking, Credit Suisse
- Simon Collins, UK Chairman & Senior Partner, KPMG
- Simon Mackenzie-Smith, Chairman of UK & Ireland, Corporate and Investment Banking, Bank of America Merrill Lynch
- Lord Tim Clement-Jones, London Managing Partner, DLA Piper UK
- Will Lawes, Senior Partner, Freshfields Bruckhaus Deringer
- William Maltby, Senior Adviser, Investment Banking, Deutsche Bank

## Appendix 2: 2012/13 – 2014/15 Grant Conditions

Grant Condition	Final Output
55 Newcomer businesses supported in each year (165 total), 60% of which come from City-type firms.	A total of 180 Newcomers have been supported (2013: 45 Newcomers; 2014: 55 Newcomers; 2015: 80 Newcomers) 60% each year have been financial and professional service firms
200 referrals to community groups and charitable organisations to be made every year (600 in total).	300 referrals made per year (900 total)
300 Alumni businesses to be supported through web support.	Met
90 Contributor businesses to be inspired to support the programme's delivery through technical and other in-kind provision.	Met
25 Council Members to be inspired to continue to provide leadership and active championship through attendance at HotC events and meetings.	Met
Relationships with a broad range of Opinion Formers to be maintained and developed further.	Met



### **Appendix 3: HOTC Key Achievements April 2013 – August 2015**

The Newcomers programmes lasts for one year, and the impact is immediately realised. Last year's Newcomer cohort (55 businesses graduating in 2014) made over £2,180,715 in charitable contributions to their community. This included corporate donations and staff volunteering time.

Over 90% of graduating Newcomers developed waste reduction and recycling initiatives, and 82% reduced their energy consumption. Over 50% started purchasing from green, fair-trade or local social enterprises.

Importantly, the majority of Newcomer businesses also put in place the structure needed to sustain their programmes once HOTC's support finishes. Over 89% of the businesses engaged their senior staff (CEO, Chairman, etc) to ensure lasting endorsement. Over 72% had established a formal CSR committee and network of champions throughout the business in order to ensure accountability and smooth the workload.

Since April 2013, over 180 Newcomers have been supported to start social and environmental activities, 60% were financial and professional service firms. From this, 607 business referrals to community groups and charitable organisations made (against a target of 600). At least 150 of these referrals were to City Corporation programmes such as City Action, Local Employment Programme or Dragon Awards.

300 Alumni businesses have been supported through HOTC's website and through the SchoolstoBusiness platform.

HOTC's programmes are highly regarded. 100% of businesses rated the Newcomers programme as good to excellent in 2014. Participants particularly highlighted the importance of time saved by quickly getting access to insight, resources and case studies through HOTC.

For every £1 invested into HOTC, a further £1 is leveraged in probono support and a further £8 is made in charitable donations. During the next three-year period, HOTC expect to leverage an additional £750,000 in pro-bono support.

