

Committee(s)	Dated:
City Bridge Trust Committee	14th March 2018
Subject: Strategic Initiative: Heart of the City (HotC) Ref: 14509	Public
Report of: Chief Grants Officer	For Decision

Summary

This report recommends financial support for Heart of the City throughout the five-year period of Bridging Divides (BD) as a key partner with a unique offer to support effective delivery of the strategy. We envisage this would be one of a cohort of partnerships we form to deliver the Bridging Divides strategy.

HotC aims to make best practice in Corporate Social Responsibility (CSR) easily accessible for the benefit of civil society. It does this through a network of "Contributor" companies (large businesses with established CSR policies and strategies) who are committed to sharing their expertise, resources and time with Foundation Programme members (businesses new to CSR which are 70-80% SME's); Advanced and Online members (those who have graduated the Foundation Programme and require ongoing support).

Across the period of Bridging Divides, HotC's proposal supports the priority Connecting the Capital of your new BD programmes by bringing together a range of partners and supporting the work of civil society organisations, encouraging more philanthropic giving and fundraising across London. It will also support the cross cutting priority of Reducing Inequalities by strengthening the capacity and resilience of the charity sector, much of which is delivering programmes to address poverty and deprivation. Additionally it strengthens the connection of wealth generating local businesses to their surrounding communities creating environments where individuals and communities are better able to thrive.

HoTC is funded separately by the City Corporation but legal advice confirms that there is no legal constraint in agreeing funding to this project.

Recommendation

Members are asked to:

- **Agree a grant of £475,000 over five years (5 x £95,000) to Heart of the City to continue provision of the Foundation Programme including the salary of an Accounts Manager and 50% of a new Stakeholder and Membership Manager. This will enable HotC to better engage the large Contributor companies in new areas of delivery, to work more closely with City Bridge Trust in delivering Bridging Divides¹ attending advisory**

¹ Including Bridge to Work, The Way Ahead and the Cornerstone Fund

groups as necessary and to work closely with London's Giving local areas to develop new membership clusters.

Main Report

The Organisation

- 1. Heart of the City was launched in 2000 as a joint initiative of the Bank of England, the City of London Corporation and the then Financial Services Authority (now operating as the Financial Conduct Authority and Prudential Regulation Authority).**
- 2. It registered as a Company Limited by Guarantee, incorporated in 2006 and registered as a charity the same year. In May 2015 it updated its charitable objects to better reflect its mission of making best practice in Corporate Social Responsibility (CSR) easily accessible to companies through peer to peer knowledge and promoting charitable giving, education and training and encouraging volunteering to the benefit of the voluntary sector.**
- 3. HotC has developed an impressive network of responsible businesses ("Contributor" companies) committed to sharing their experiences, resources and time with others to deliver long term benefits, impact and measurable outcomes for their business and the wider community. HotC garners the expertise of these "Contributor" companies to peer-support firms that are new to CSR, providing them with invaluable support.**
- 4. The HotC network comprises Foundation Programme members (businesses new to CSR which are 70-80% SME's); Advanced and Online members and Contributors.**
- 5. The Foundation Programme is offered free to businesses new to and wanting to develop a CSR strategy. It delivers both the knowledge and the resources required to establish the foundations of a strategic and business wide responsibility programme. It includes masterclasses, support from a dedicated project manager, one to one mentoring with experienced CSR professionals, access to online CSR best practice tools, progress reports to help CSR programme development and regular networking events.**
- 6. HotC established a new paid-for membership programme for more Advanced and Online firms with the fee contributing the cost of providing ongoing support. 50% of Foundation members moved to paying membership and retention of existing members (paying and non-paying) was 75% during 2017.**
- 7. The Trust has a long and successful funding history with the charity. You helped expand the Newcomers programme in the City fringes in 2010 with a three-year grant of £157,500 (3 x £52,500) and a further two-year continuation grant of £108,000 (£52,500, £57,500), enabling 150 businesses to start or grow their CSR programmes awarded under your Strengthening the Community and Voluntary Sector programme. In 2015 you supported HotC with a grant of £278,328 as a Strategic Initiative to expand the model outside the City fringe boroughs to other**

boroughs across London. This has enabled it to achieve diversified membership across 16 additional London Boroughs.

8. It has built a unique and impressive network of responsible businesses, through the engagement of both senior business leaders and CSR practitioners, committed to sharing their experiences, resources, and their time, with others to deliver long-term benefits, impact and measurable outcomes for their businesses and the wider community.

Current Position

9. Over the last two years HotC has successfully expanded its programme for SME's across London whilst at the same time establishing a new paid for membership for more advanced firms. 299 firms have completed the Foundation Programme (2016 and 2017) and a total of 138 are currently on the membership programmes.
10. Over the same period HotC Foundation members raised £19,553,113 for charitable causes, volunteered 4,684 hours and 78% have reduced their environmental impact.
11. 50% of Foundation members moved to paying membership and retention of existing members was 75% during 2017.
12. HotC has learned lessons from this period of expansion across London and its attempt to sell a paid-for membership scheme. Whilst HotC has an excellent reputation resulting in strong recruitment and retention rates it recognises that a strong relationship with the local council and a localised grouping of more experienced contributors prepared to support smaller businesses in their local area will play a key role in convening leading businesses locally for successful place based expansion. This learning has informed this proposal and the development of work over the next five years will be iterative.
13. HotC has developed a localised cluster pilot project with Westminster City Council who pay HotC £1,000 for every business member it recruits and retains. This currently generates £18,000 income per year, which is used for a stakeholder and membership resource. HotC aims to replicate this model to expand more effectively and efficiently across London, with the aim of becoming increasingly self-sustaining. This model has informed this proposal, with the request for a 50% contribution to a new stakeholder and membership manager resource to replicate the model across four new areas.
14. HotC has an excellent reputation amongst members which has resulted in strong recruitment and retention rates into paying membership and impressive retention of its Contributor businesses both at CSR and very senior level. It intends to extend awareness of its work beyond current members and reach new target audiences, in a more controlled and manageable way.
15. It has built a powerful, unique and impressive network of supporters among large companies and public bodies through the Council of Members and Contributor

list. This network is underused currently though HotC will develop a Contributor engagement strategy in 2018 to plan and resource this engagement work.

Proposal

16. This proposal will directly contribute to the following areas of City Bridge Trust's (CBT) over the next five years, including:

- **Your Bridge to Work** initiative by attending its steering group meetings, raising the profile of the Bridge to Work programme across all its members and increasing the opportunities for disabled people within SME's across London.
- **The Way Ahead** by providing links to a broad range of smaller businesses across London. The HotC Director sits on the Systems Change Group of The Way Ahead, whilst the charity remains committed to the vision of the London Hub and supporting its work as it develops, in relation to co-design and improved dialogue between different elements of civil society. The HotC director is also a member of the Cornerstone Reference Group, helping to shape the parameters and governance of this funding.
- **London's Giving** by focussing growth across London on local clusters of members aligned to some of the London's Giving local areas. Working in partnership with London Giving to identify potential geographic areas for new clusters. Member companies of the clusters will have an account manager in common who can help them to build links with one another and local community partners thereby adding value to the existing local giving schemes.
- **The emerging Philanthropy Strategy of the CBT and City of London Corporation (CoLC)** by enabling deeper cross sectoral partnerships and engagement between businesses, local government and civil society. It will also help foster closer alignment between different CSR related activities of the CoLC and its related charity initiatives:
 - by remaining involved with The Dragon Awards, running dedicated masterclasses for Advanced members.
 - by supporting the Lord Mayors Appeal (LMA) through the promotion of City Giving Day among members and signposting members to relevant LMA initiatives; and
 - by working with the Head of Philanthropy Strategy and being engaged in the coordination of philanthropy across the CoLC specifically in relation to the role of smaller business across London in this.
- **The development of CBT's Funder Plus offer** by providing training sessions, short one-to-one or small group surgeries to charities. The training session may cover things like presentation styles, identifying pro-bono opportunities, managing expectations, understanding what civil society can contribute to and teach businesses.

17. The initiative aims to focus on the delivery of the three elements set out below over the first two years, as well as contributing to the specific elements of Bridging Divides² referred to earlier:
- a. Establish local networks of business that are engaged in HotC's successful responsible business programme, aligning clusters with place based giving schemes, forging strong connections with other CBT networks and introducing new resources into the local community.
 - b. Consolidate the foundation of its current network across London to engage more businesses, smaller companies, in starting their own CSR activities.
 - c. Build the capacity of London civil society to engage with local business to enhance resilience in the third sector and to strengthen the asset base of a local community.

It will work with the Trust to plan and deliver a programme for the remaining years.

Developing four local CSR clusters

18. HotC is already scoping suitable boroughs to target for this work and have developed some outline criteria for identifying target areas. The proposed stakeholder and membership manager will lead on this work, building the capacity of local government to engage with local businesses encouraging local councils and charities to recognise businesses as a key local asset. This builds on the pilot with Westminster City Council which currently has 18-member businesses and generates £18,000 income per annum.
19. The networks of businesses will increase provision of benefits to the local community and will draw in more local businesses to start their own CSR activities each year. This will create a growing critical mass of business interest in local communities resulting in communities where individuals have greater opportunities to thrive, thereby strengthening local communities.
20. HotC will provide training, tailored support, mentoring and resources through its successful Foundation Programme for SME's interested in developing their CSR policies and strategies, with an additional and distinct place-based approach. This will involve working with the local giving network, focussing on local priorities and encouraging collaboration between local SME's.
21. The clusters will bring together a cohort of businesses for local events, training and networking in addition to Foundation Programme activities. A network manager will account-manage all local firms enabling the connection of local business into existing local community initiatives and work on local priorities. It is hoped that the delivery of this model across at least four additional locations (in years one and two) will demonstrate the value of the work to be able to sell this product to other borough councils.

Consolidating HotC network across London

22. HotC will continue open recruitment of members across London recruiting at least half of Foundation Programme companies from boroughs outside the City fringe.

² Including Bridge to Work, The Way Ahead and the Cornerstone Fund

23. HotC will continue to deliver the Foundation Programme, including regular training events, networking sessions, online resources, mentoring and expert support.

Building Capacity of Civil Society

24. HotC will offer training sessions to civil society through those organisations funded by the Cornerstone Fund, or identified through London's Giving local schemes. It will also provide short one-to-one or small group surgeries to charities through CBT's Funder Plus programme. Training sessions would cover such things as presentation styles, identifying pro-bono opportunities, managing expectations and understanding what civil society can teach businesses in return.

25. This will help to bridge the divide between civil society and business in London. HotC will use the knowledge and resources of the team to build skills of charities to become more business friendly, enabling them to attract the financial and in-kind support they need to thrive in this current challenging funding environment.

26. The Annual Budget for years 1 and 2 is set out below with the full project budget attached as Annex 1.

Expenditure	£
Foundation Programme and stakeholder development (Stakeholder Manager role 50%, Director 10% salary contribution, Membership manager 100%)	171,000
Project Running Costs	19,000
Total	180,000
Requested from CBT per year	Year 1 95,000 Year 2 95,000

Funding

27. The Heart of the City is currently funded (2017/18) from several main sources: membership fees target of £65,000; a grant from the Policy and Resources Committee of £170,000 per annum, with a supplement by Economic Development, £21,500; income generated from the Westminster City Council pilot £18,000 and a grant from the City Bridge Trust £68,625, (which comes to an end in June 2018). In addition to this, it receives approximately £250,000 per annum in in-kind support from businesses, though this is not included in the 2017/8 or 2018/19 forecasts.

Corporate & Strategic Implications

28. HotC is an independent charity, but given its close connections to the City of London Corporation - through its origins, trustee board and advisory group representation, location, and current funding received - advice was sought from the Comptroller and City Solicitor on this proposal.

29. The Comptroller and City Solicitor has advised that:

- (a) Heart of the City is eligible to secure funding from the City Bridge Trust under the existing policy that governs the application of the Bridge House Estates charity's income surplus to that retained to maintain the five bridges; and
- (b) The City Corporation's role in establishing and providing on-going support to the Heart of the City charity does not give rise to a conflict of interest which would prevent the City Bridge Trust Committee (the City Corporation being the trustee of Bridge House Estates) from properly considering this grant application in accordance with the published policy.

Financial Information

30. The reserves policy has recently been reviewed by the HotC Board which approved, in principle, the following spend of free reserves on organisational development:

- a. An external communications campaign (2018)
- b. IT development (2018/19)
- c. 50% of the Stakeholder/membership manager role (2018/2022)

This will reduce free reserves available ensuring alignment with the free reserves policy.

31. The draft budget for 2018/19 has been approved by the Board, though it is contingent on the outcome of the CBT application and membership recruitment. The budget submitted and the figures in the Financial Table have not assumed a successful CBT application.

32. The support from CoLC is secure until March 2019 and will be reviewed at that time, in line with the development of a new strategy by HotC.

Year end as at 31st March	FY 17 Audited Accounts £	FY 18 Forecast £	FY 19 Forecast £
Income & expenditure:			
Income	500,598	343,125	303,375
- % of Income confirmed @7/2/18	n/a	n/a	69%
Expenditure	(467,838)	(363,677)	(422,153)
Total surplus/(deficit)	32,760	(20,552)	(118,778)
Split between:			
- Restricted surplus/(deficit)	19,345	0	0
- Unrestricted surplus/(deficit)	13,415	(20,552)	(118,778)
	32,760	(20,552)	(118,778)
Cost of Raising Funds	0	0	0
- % of Income	0.0%	0.0%	0.0%
Operating expenditure (unrestricted funds)	386,375	295,052	407,778
Free unrestricted reserves:			
Free unrestricted reserves held at year end	408,182	387,630	268,852
No of months of operating expenditure	12.7	15.8	7.9
Reserves policy target	256,500	256,500	256,500
No of months of operating expenditure	8.0	10.4	7.5
Free reserves over/(under) target	151,682	131,130	12,352

Conclusion

33. Heart of the City is an important strategic partner of the Trust with a unique offer that will increase the total assets available for civil society across London and by supporting philanthropy. This new direction of growing clusters of businesses in a local area sits well with the existing and developing London's Giving local schemes and creates an environment to bridge the divides that exist in London.
34. At a time of unprecedented cuts to London boroughs, reduced services, and consequently many increased demands on not for profit organisations it is crucial that the best of all sectors is drawn on to achieve better outcomes for all. Heart of the City already has a good track record of an excellent reputation in engaging and developing business to adopt a CSR agenda: mobilising their time, skills, and resources to benefit charities to improve their resilience and ability to deliver.
35. This Strategic Initiative draws on learning from previous delivery, aims to use resources more effectively and efficiently, working in partnership with London's Giving local schemes, the Philanthropy Strategy across the City of London Corporation, Bridge to Work and adds value to the Trust's developing Funder Plus offer. All of this adds value and strength to the delivery of Bridging Divides from 2018 to 2023.

Appendices

- Appendix 1 – Project Budget
- Appendix 2 – Summary Assessment of Strategic Initiatives for Committee Decision

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Appendix 1 Project Budget 17/18 to 30/6/23

Outline budget over five years

	YR1 2018/19 £	YR2 2019/20 £	YR3 2020/21 £	YR4 2021/22 £	YR5 2022/23 £
Expenditure					
Salaries of staff (inc. intern)	359,054	364,206	369,282	374,466	378,211
General running expenses	33,980	34,999	36,049	36,410	37,502
Training for staff and volunteers	1,500	1,545	1,591	1,639	1,687
Communications/ brand work	50,000	0	0	0	0
tech development	0	20,000	0	0	0
Total expenditure	444,534	420,750	406,922	412,515	417,400
Income					
Grant - City of London Corporation	174,000	174,000	174,000	174,000	174,000
Grant - Economic Development Office (CoLC)	21,000	21,000	21,000	21,000	21,000
Grant - City Bridge Trust	95,000	95,000	95,000	95,000	95,000
Membership fees	56,264	68,635	79,894	89,726	97,400
Local partner income (e.g. Westminster)	20,000	20,000	30,000	30,000	30,000
Total income	366,264	378,635	399,894	409,726	417,400
surplus / -deficit	-78,270	-42,115	-7,028	-2,789	0

**Appendix 2:
Summary Assessment of Strategic Initiative for Committee Decision**

FILTERS	
Will The pro-active grant:	
Further the Trust's Vision and Mission (a fairer London & tackling disadvantage)?	Y
Support work within one of existing Investing in Londoners programmes (IiL)?	Y
Or, meet a clear need that has arisen since (IiL) were agreed?	
Have the potential for impact beyond that of an individual reactive grant or number of individual grants?	Y
Be affordable within the agreed annual budget (from the Trust alone or in combination with other funders) and, looking forward, leave sufficient budget to meet anticipated pro-active grants for the remainder of the financial year?	Y
Be made to an organisation(s) that conforms to the Trust's eligibility criteria and has the capacity and expertise to deliver the work?	Y

PRIORITISATION GUIDANCE	
Evidence	
Is there external and/or internal research and information that supports the need for the proposed grant?	Y
Is there external and/or internal research and information that indicates the approach proposed in the grant will be successful?	Y
Is there evidence that indicates the work will be hard to fund from other sources?	Y
Impact	
Will the grant tackle a root cause(s), or positively influence policy or practice?	Y
Will the work/approach funded be replicable?	Y
Does the grant provide an opportunity to strengthen Civil Society in London?	Y
Is the work sustainable beyond the period of the grant?	Y but may need supplementary funding
Can the impact of the work be measured through evaluation?	Y

