



## Bridge House Estates Board

**Date:** TUESDAY, 11 JANUARY 2022  
**Time:** 1.45 pm  
**Venue:** VIRTUAL PUBLIC MEETING (ACCESSIBLE REMOTELY)

**Members:** Deputy Dr Giles Shilson (Chair)  
Henry Colthurst  
Alderman Professor Emma Edhem  
Alderman & Sheriff Alison Gowman  
Deputy Jamie Ingham Clark  
Paul Martinelli  
John Petrie  
Judith Pleasance  
Deputy Henry Pollard

**Enquiries:** Joseph Anstee  
joseph.anstee@cityoflondon.gov.uk

### Accessing the virtual public meeting

Members of the public can observe this virtual public meeting at the below link:

<https://youtu.be/1bfNXaHiSdQ>

This meeting will be a hybrid meeting. A recording of the public meeting will be available via the above link following the end of the public meeting for up to one municipal year.

Please note: Online meeting recordings do not constitute the formal minutes of the meeting; minutes are written and are available on the City of London Corporation's website. Recordings may be edited, at the discretion of the proper officer, to remove any inappropriate material.

**Lunch will be served in the Guildhall Club at 1.00pm.**

**John Barradell**  
Town Clerk

# **AGENDA**

## **Part 1 – Public Agenda**

### **Governance and Strategy**

**1. APOLOGIES**

**2. MEMBERS' DECLARATION UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

**3. APPOINTMENT OF DEPUTY CHAIR**

To appoint a Deputy Chair of the Bridge House Estates Board and the Grants Committee.

**For Decision**

**4. MINUTES\***

To agree the public minutes and non-public summary of the meeting held on 24 November 2021.

**For Decision**  
(Pages 7 - 14)

**5. MANAGING DIRECTOR'S REPORT**

Report of the Managing Director of Bridge House Estates (BHE)

**For Information**  
(Pages 15 - 68)

### **Finance**

**6. UPDATE ON BHE CONTINGENCY FUNDS**

Report of the Managing Director of BHE and the Chamberlain

**For Information**  
(Pages 69 - 72)

### **Ancillary Object - Charitable Funding**

**7. MINUTES OF THE GRANTS COMMITTEE OF THE BHE BOARD\* - TO FOLLOW**

To note the draft public minutes and non-public summary of the meeting held on 6 December 2021.

**For Information**

**8. ALLIANCE PARTNERSHIPS - GREATER LONDON AUTHORITY (18980)**

Report of the Managing Director of BHE

**For Decision**  
(Pages 73 - 84)

**9. BAOBAB FOUNDATION (19019)**

Report of the Managing Director of BHE

**For Decision**  
(Pages 85 - 98)

**10. BHE GRANTS COMMITTEE - OFFICER DELEGATIONS**

Report of the Managing Director of BHE

**For Decision**  
(Pages 99 - 104)

**Other**

**11. ANY OTHER BUSINESS**

**12. EXCLUSION OF THE PUBLIC**

MOTION – With the Court of Common Council for the City Corporation as Trustee of Bridge House Estates (Charity No. 1035628) having decided to treat these meetings as though Part VA and Schedule 12A of the Local Government Act 1972 applied to them, it now be moved that the public be excluded from the meeting for the following items of business on the grounds that their consideration will in each case disclose exempt information of the description in paragraph 3 of Schedule 12A, being information relating to the financial and business affairs of any person (including the City Corporation as Trustee of the charity) which it would not be in the charity's best interests to disclose.

**For Decision**

**Part 2 - Non-Public Agenda**

**Governance and Strategy**

**13. NON-PUBLIC MINUTES**

To agree the non-public minutes of the meeting held on 24 November 2021.

**For Decision**  
(Pages 105 - 114)

**14. NON-PUBLIC APPENDICES - MANAGING DIRECTOR'S UPDATE REPORT**

To be considered in conjunction with the report at Item 5.

**For Decision**  
(Pages 115 - 116)

**Finance**

**15. NON-PUBLIC APPENDICES - CENTRAL CONTINGENCIES BUDGET UPDATE**

To be considered in conjunction with the report at Item 6.

**For Information**  
(Pages 117 - 118)

**Primary Object - Bridges**

**16. BHE BUDGET UPLIFT REQUEST - BRIDGES FEASIBILITY STUDY**

Report of the Managing Director of BHE

**For Decision**  
(Pages 119 - 124)

**17. SECURE CITY PROGRAMME (SCO) - CCTV & TELECOMMUNICATIONS  
WORKSTREAM: GATEWAY 3-4: OUTLINE OPTIONS APPRAISAL**

Report of the Executive Director of Environment and the Commissioner of the City of London Police

**For Decision**  
(Pages 125 - 142)

**Ancillary Object - Charitable Funding**

**18. NON-PUBLIC MINUTES OF THE GRANTS COMMITTEE OF THE BRIDGE HOUSE  
ESTATES BOARD\* - TO FOLLOW**

To note the draft non-public minutes of the meeting held on 6 December 2021.

**For Information**

**Other**

**19. DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY\***

Report of the Town Clerk

**For Information**  
(Pages 143 - 146)

**20. ANY OTHER BUSINESS WHICH THE BOARD AGREES SHOULD BE  
CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

*NB: Certain non-contentious matters for information have been marked \* with recommendations anticipated to be received without discussion, unless the Committee Clerk has been informed that a Member has questions or comments prior to the start of the meeting.*

This page is intentionally left blank

## BRIDGE HOUSE ESTATES BOARD Wednesday, 24 November 2021

Minutes of the meeting of the Bridge House Estates Board held at North Tower Lounge, Tower Bridge and via Microsoft Teams on Wednesday, 24 November 2021 at 11.00 am

### Present

#### Members:

Deputy Dr Giles Shilson (Chair)  
Dhruv Patel (Deputy Chair)  
Henry Colthurst  
Alderman Professor Emma Edhem  
Alderman & Sheriff Alison Gowman  
Deputy Jamie Ingham Clark  
Paul Martinelli  
John Petrie  
Judith Pleasance  
Deputy Henry Pollard

#### Officers:

David Farnsworth	- Managing Director of Bridge House Estates
Paul Double	- City Remembrancer
Simon Latham	- Town Clerk's Department
Karen Atkinson	- Chamberlain's Department
Amelia Ehren	- Town Clerk's Department
Anne Pietsch	- Comptroller and City Solicitor's Dept.
Paul Monaghan	- Department of the Built Environment
Ola Obadara	- City Surveyor's Department
Christopher Earlie	- Head of Tower Bridge
Hikmot Ademosu	- City Bridge Trust
Brian Brierley	- City Surveyor's Department
Jonathan Cooper	- City Surveyor's Department
Dinah Cox	- City Bridge Trust
Thomas Creed	- Environment Department
James Edwards	- Remembrancer's Department
Samantha Grimmatt-Batt	- City Bridge Trust
Ian Hughes	- Environment Department
Ruth Kocher	- Environment Department
Catherine Mahoney	- City Bridge Trust
Fiona Rawes	- City Bridge Trust
Neil Robbie	- City Surveyor's Department
Tim Wilson	- City Bridge Trust
Joseph Anstee	- Town Clerk's Department

The Chair welcomed all in attendance to Tower Bridge, one of the charity's most iconic assets, and gave thanks to the Head of Tower Bridge and his team for facilitating and hosting the meeting.

1. **APOLOGIES**

There were no apologies.

2. **MEMBERS' DECLARATION UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

There were no declarations.

3. **MINUTES\***

**RESOLVED** – That the public minutes and non-public summary of the meeting held on 15 September 2021 be agreed as a correct record.

4. **MANAGING DIRECTOR'S UPDATE REPORT**

The Board received a report of the Managing Director of Bridge House Estates (BHE) providing an update on key areas of activity across the whole charity since the Board's last meeting in September 2021 and outlining upcoming activities for the Board to note.

BHE Strategic Governance Review

The Remembrancer advised the Board that the Supplemental Royal Charter remained under consideration by the Charity Commission, with officers having worked through several concerns and hoping that these had now been satisfied. The agreement of the Charity Commission was needed before the Privy Council could approve the Supplemental Royal Charter. The Remembrancer advised that it was still anticipated that the Supplemental Royal Charter would be granted by the end of the current financial year. The Chair thanked officers for the update and for their work throughout this process, commenting that he hoped any issues could be resolved and that progress would be made ahead of the January meeting of the Board.

Social Investment

In response to a question from a Member, the Managing Director of BHE advised that updates on the Social Investment Fund could be supplemented with information regarding the social impacts of investments, as well as the financial information, and that email updates could also be provided.

City Bridge Trust Update

The Managing Director of BHE advised that transitional funding support to organisations who would otherwise seek support through funding programmes currently on pause would be announced the following week, with information to be distributed to organisations. The Board then noted the update provided in respect of the relaunched Funder Plus Offer, The Bridge Programme.



**RESOLVED** – That the report be noted.

**5. BRIDGING LONDON STRATEGY 2020 - 2045; YEAR ONE ANNUAL PROGRESS REPORT, 2020/21**

The Board considered a report of the Managing Director of BHE providing Members with a short Annual Progress Report of Bridge House Estates' overarching strategy, Bridging London, for 2020 – 21 and outlining the progress made in delivery of the strategy to date and the future strategic direction which will be reflected in the Year 2 (2022) Action Plan. The Managing Director of BHE introduced the report and drew Members' attention to the key points.

Members then gave feedback on the report, suggesting that a list of all trustees be added to the document and that the pictures be updated to increase their diversity. In response to questions, the Managing Director of BHE advised that the document was largely internal, but a design version would be produced for wider distribution.

**RESOLVED** – That the BHE Board, in discharge of functions for the City Corporation as Trustee of Bridge House Estates (charity no.1035628) and solely in the charity's best interests:

- i) Note the progress made in delivery of Bridging London, in 2020-21, as outlined in the Annual Progress Report;
- ii) Endorse the proposed strategic direction for 2022 as set out in the Annual Progress Report;
- iii) Approve the updated foreword to be signed by the Chair and Deputy Chair of the Bridge House Estates Board for use in 2022; and
- iv) Note the new designed version of the Strategy.

**6. CAPITAL FUNDING - PRIORITISATION OF 2022/23 ANNUAL CAPITAL BIDS - INITIAL REVIEW**

The Board considered a report of the Chamberlain regarding the prioritisation of 2022/23 Annual Capital Bids. The Chamberlain introduced the report, advising that the amounts relevant to BHE were relatively small and drawing the Board's attention to corrections that had been circulated in respect of minor errors within the report.

Members reiterated their view that it was impractical for the Board to consider relatively small amounts and that this should be addressed through the Scheme of Delegations to officers. The Chair added that he had also raised this view prior to the meeting, advising that officers understood this view and were working on a more efficient arrangement to be taken forward.

**RESOLVED** – That the BHE Board:

- a) Note the total value of City Fund and City's Cash bids amounting to £61.9m against a target upper limit of £30m (excl BHE);

- b) Review the initial RAG rating of £24.3m green, £29.3m amber and £8.4m red contained in the appendices (determined in consultation with senior officers);
- c) Agree that, subject to Member feedback, funding for the green bids be incorporated into the medium-term financial plans, providing they remain within the £30m overall limits for City Fund and City's Cash and remain at a similar modest level for Bridge House Estates;
- d) Agree in principle that bids with a final RAG rating of amber and red be deferred;
- e) Agree that amber-rated bids be placed on a reserve list to be progressed in the event that funding headroom is identified; and
- f) Note that the final decision on the green-rated bids for inclusion in the 2022/23 draft budgets will be confirmed at the joint meeting of RASC and the service committee and Bridge House Estates Board chairmen in January 2022.

**7. CAPITAL FUNDING UPDATE\***

The Board considered a report of the Chamberlain seeking approval to the reallocation of funding between schemes to address an anticipated budget shortfall and to the release of funding post gateway approvals to allow schemes to progress.

**RESOLVED** – That the BHE Board agree the release of a £6,000 contribution towards the costs of progressing the Guildhall cooling plant replacement project to the next gateway, to be met from the Unrestricted Income Fund with funding previously approved within the 2021/22 budget.

**8. BHE BUDGET UPLIFT REQUEST - STAFFING**

The Board considered a report of the City Surveyor requesting approval of a 2021/22 budget uplift of £14,000 to extend the funding (from December 2021) for the interim role of Tower Bridge Programme Co-ordinator until 31st March 2022.

**RESOLVED** – That the BHE Board approve this additional funding of £14k from the BHE Central Contingency Fund, to enable this role to continue supporting the co-ordination of major construction activities, by various stakeholders to Tower Bridge.

**9. UPDATE ON BHE CONTINGENCY FUNDS**

The Board received a report of the Chamberlain providing Members with an update on the 2021/22 Central Contingencies uncommitted balances held by Bridge House Estates (BHE). The Chamberlain introduced the report and drew Members' attention to the key points.

**RESOLVED** – That the BHE Board, in discharge of functions for the City Corporation as Trustee of Bridge House Estates (charity reg. no. 1035628) and solely in the charity’s best interests:

- a) Note the central contingency budgets currently held by BHE for 2021/22; and
- b) Note that £14,000 was approved from the central contingency provision at Item 8 for the Tower Bridge Project Coordinator role.

**10. BUDGET MONITORING: 1 APRIL TO 30 SEPTEMBER 2021**

The Board received a report of the Chamberlain providing a financial update of Bridge House Estates (BHE) activities from the start of the current financial year to 30 September 2021, alongside the latest forecast for the year. The Chair introduced the item and drew Members’ attention to the Financial Dashboard appended to the report. In response to a question from a Member, the Chamberlain advised that targets in respect of the charity’s free reserves were for the charity to determine, and it had been suggested that the minimum target be increased to £90 million due to current uncertainties.

In response to a question from a Member regarding grants spending, the Managing Director of BHE advised that work was underway on reopening funding programmes and grants spending was gradually increasing. The Board was advised that CBT had discussed and were cognisant of the reputational risks of underspending, but had felt that increasing grants spending too quickly risked overdistributing funding or distributing without proper planning, which would also carry reputational risks, and therefore spreading the uplift over a longer period was the preferred approach.

Noting that bridge spending was also currently under budget, the Chamberlain advised that the methodology for budgeting in respect of the bridges would be reviewed, but was currently phased and matched on the basis of projects rather than as an even spread across years. The Chamberlain further advised that a project was planned in the near future in respect of Millennium Bridge. The Executive Director of Environment then advised that the Millennium Bridge had not recently required any spending, with some recent work done as part of the Illuminated River installation having been externally funded.

**RESOLVED** – That the report be noted.

**11. PROGRESS UPDATE - MINIMUM ENERGY EFFICIENCY STANDARDS & NET ZERO CARBON ACTION PLAN\***

The Board received a report of the City Surveyor providing an update on work being done as part of the Climate Action Strategy in respect of energy efficiency and net zero carbon. Members reiterated their support for the programme and their desire to set ambitious, line-leading targets for BHE, with wider targets providing a ‘long stop’.

In response to a question from a Member regarding recruitment in specialist areas, the City Surveyor advised that there was expertise and understanding

within the property and energy teams. A combination of in-house expertise and outsourcing was in use, with the City Surveyor seeking to build a 'centre of excellence' within the department, whilst planning to bring in additional resources where they were needed.

**RESOLVED** – That the BHE Board, as relevant to their terms of reference:

- i) Note the progress update; and
- ii) Note the continuation of the CAS NZ4 plan for resourcing the Sustainable Property Specialist in order to ensure the continued success of this programme

12. **ANY OTHER BUSINESS**

There was no other business.

The Chair then thanked Members of the public observing via YouTube for their participation.

13. **EXCLUSION OF THE PUBLIC**

**RESOLVED** – That with the Court of Common Council for the City Corporation as Trustee of Bridge House Estates (Charity No. 1035628) having decided to treat these meetings as though Part VA and Schedule 12A of the Local Government Act 1972 applied to them, the public be excluded from the meeting for the following items of business on the grounds that their consideration will in each case disclose exempt information of the description in paragraph 3 of Schedule 12A, being information relating to the financial and business affairs of any person (including the City Corporation as Trustee of the charity) which it would not be in the charity's best interests to disclose.

14. **NON-PUBLIC MINUTES\***

**RESOLVED** – That the non-public minutes of the meeting held on 15 September 2021 be agreed as a correct record.

15. **NON-PUBLIC APPENDICES - CENTRAL CONTINGENCIES BUDGET UPDATE**

The Board received a non-public appendix in respect of Item 9.

16. **BRIDGE HOUSE ESTATES PRINCIPAL RISK REGISTER**

The Board considered a report of the Managing Director of BHE.

17. **BRIDGE UPDATE REPORT: 50-YEAR MAINTENANCE PLAN AND REPLACEMENT STRATEGY**

The Board received a report of the Executive Director of Environment.

18. **TOWER BRIDGE HALF YEAR PERFORMANCE REPORT APRIL TO SEPT 2021**

The Board received a report of the Executive Director of Environment.

19. **SECURE CITY PROGRAMME BRIEFING TO BRIDGE HOUSE ESTATES BOARD**  
The Board received a report of the Executive Director of Environment.
20. **SECURE CITY PROGRAMME (SCP) - VIDEO MANAGEMENT SYSTEM (VMS)\***  
The Board received a report of the Executive Director of Environment.
21. **DELEGATED AUTHORITY REQUEST: APPROVAL OF THE 2020/21 ANNUAL REPORT AND FINANCIAL STATEMENTS**  
The Board considered a report of the Chamberlain and Managing Director of BHE.
22. **UPDATE TO BRIDGE HOUSE ESTATES TRANSITIONAL INVESTMENT STRATEGY STATEMENT**  
The Board considered a report of the Managing Director of BHE.
23. **64/65 LONDON WALL - RE-COVERING AND REPLACEMENT OF ROOF - BRIDGE HOUSE ESTATES**  
The Board considered a report of the City Surveyor.
24. **REFURBISHMENT OF TOWER CHAMBERS, 74 MOORGATE, EC2 - BRIDGE HOUSE ESTATES**  
The Board considered a report of the City Surveyor.
25. **BRIDGE HOUSE ESTATES (BHE): ARREARS OF RENT AS AT SEPTEMBER 2021 QUARTER DAY MINUS 1**  
The Board received a report of the City Surveyor.
26. **BRIDGE HOUSE ESTATES RENTAL ESTIMATES MONITORING REPORT\***  
The Board received a report of the City Surveyor.
27. **BRIDGE HOUSE ESTATES - QUARTERLY DELEGATED AUTHORITIES UPDATE - 1ST JULY 2021 TO 30TH SEPTEMBER 2021\***  
The Board received a report of the City Surveyor.
28. **BRIDGE HOUSE ESTATES - 64-65 LONDON WALL, EC2 - FREEHOLD DISPOSAL**  
The Board considered a report of the City Surveyor.
29. **INVESTMENT PERFORMANCE MONITORING TO 31 SEPTEMBER 2021: BRIDGE HOUSE ESTATES\***  
The Board received a report of the Chamberlain.
30. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY\***  
The Board received a report of the Town Clerk.
31. **ANY OTHER BUSINESS WHICH THE BOARD AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**  
There was one item of other business.

32. **CONFIDENTIAL MINUTES\***

**RESOLVED** – That the confidential minutes of the meeting held on 15 September 2021 be approved as a correct record.

**The meeting ended at 1.00 pm**

-----  
Chair

**Contact Officer: Joseph Anstee**  
**[joseph.anstee@cityoflondon.gov.uk](mailto:joseph.anstee@cityoflondon.gov.uk)**

<b>Committee</b>	<b>Date</b>
Bridge House Estates Board	11 January 2022
<b>Subject:</b> Managing Director's Update Report	<b>Public</b>
<b>Which outcomes in the <i>BHE Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?</b>	1, 2 and 3
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>Report of:</b> David Farnsworth, Managing Director of BHE	<b>For information</b>

## Summary

To support the Bridge House Estates Board (“the BHE Board”/ “the Board”) in the discharge of its functions, this regular report provides an update on key areas of activity across the whole charity since the Board last met in November 2021, and outlines upcoming activities for the Board to note. Specifically, the report provides updates on: Hostile Vehicle Mitigation measures and the production of a Service Level Agreement between BHE and the City of London Police (provided in a non-public appendix at Item 14), activities at Tower Bridge, the implementation of recommendations arising from the interim review of the *Bridging Divides* funding strategy, developments relating to Philanthropy House, the progress of the implementation of the charity’s Leadership Team following the completion of the Target Operating Model (TOM) process, strategic priorities for the BHE Communications Team and matters relating to the charity’s finances and investment portfolios.

## Recommendations

- i) The Bridge House Estates Board are asked to note the contents of the report.

## Main Report

### Bridge Updates

1. Hostile Vehicle Mitigation – An update on Hostile Vehicle Mitigation is provided at Appendix 1 in the non-public section at Item 14.
2. BHE & City of London Police Service Level Agreement – An update on the production of a Service Level Agreement between BHE & the City of London Police is provided at Appendix 1 in the non-public section at Item 14.
3. Millennium Bridge – The Greater London Authority (GLA) and their event partners recently approached the City Corporation in confidence for a road closure to Millennium Bridge for the GLA’s New Year’s Eve light display and firework celebrations. Subsequently, the Assistant Director Engineering became involved in reviewing the proposals to ensure they were not injurious to the Bridge and disruption was minimised. Following the approval of the BHE Board Chair, in conjunction with other City Corporation Committee Chairs, concerning the artistic content of the celebrations the Comptroller and City Solicitor prepared and signed a legal letter agreement to proceed with the celebrations. Officers will in due course

develop new procedures to consider future applications for use of the bridges due to the change in Committee responsibilities following the creation of the BHE Board and the change in officer responsibilities resulting from the TOM process and establishment of the BHE Leadership Team.

4. Tower Bridge - Major projects continue at Tower Bridge, with a year-long overhaul of its high voltage electric system having commenced on 13 December 2021, and the ten-month hydraulics replacement project completed on time and within budget on 17 December 2021.
5. Following a continuous increase in visitors since reopening in May 2021, the tourism business at Tower Bridge saw a 14% decrease in footfall since the announcement and implementation of further Government restrictions in early December 2021. The events business at the Bridge experienced a number of cancellations and postponements following the latest announcements in December 2021, although (at the time of writing) this only comprised 5 of 21 events facilitated in December 2021.

### **Funding Updates**

6. Interim Bridging Divides Review Implementation – The Grants Committee of the BHE Board last met in December 2020 and received updates on the continued implementation of the recommendations arising from the early 2021 interim review of the Bridging Divides funding strategy, of which several highlights are referenced below. The public minutes of the Grants Committee can be found at Item 7 of this agenda and the non-public minutes at Item 18.
  - a. A transitional funding support scheme has now been launched for organisations whose work is not currently covered by the charity's responsive grant making programmes but was eligible prior to the start of the pandemic. This reflects the wish to assist the wider sector in London whilst working to update our funding programmes to reflect lessons learned from the past two years. It is expected that recommendations will be presented to the March 2022 Grants Committee for an agreed suite of updated Bridging Divides funding programmes.
  - b. New collaborations with other funders called Alliance Partnerships (referred to as the "Alliance Fund" previously, but since renamed to avoid confusion with participating funders' funds), have also been scoped. The Grants Committee agreed the first collaboration at their meeting on 6th December with ROSA, a grant-making charity that funds women's organisations. The Grants Committee agreed funding of £499,999 towards Rosa's Rise Fund which will award BME women-led organisations benefitting Londoners. The Grants Committee also agreed to earmark up to £15m in total towards such collaborations.
  - c. Over the summer, CBT worked with London Funders and other charity, statutory, corporate, and independent partners from the London Community



Response (LCR)<sup>1</sup>, to build on the learning and shape how the collaborative model might be adapted for non-emergency contexts. Following a series of workshops, an initial set of principles, aims and objectives have been agreed. Whilst development work continues, CBT, along with Bloomberg LP, the Greater London Authority, John Lyon's Charity, London Community Foundation, London Councils, London Funders, Macquarie and Trust for London have signed a shared partnership statement which sets out a desire to continue to collaborate, achieving impact which is greater than the sum of their parts. There is likely to be a focus on Children and Young People, in the immediate future. A report is expected to be presented to your next Grants Committee on 9 March 2022 to make recommendations as to any on-going role for, or contribution to, the collaboration by CBT. The CBT Team remain supportive of the collaboration and CBT's ongoing involvement with this initiative.

7. Philanthropy House - prior to the pandemic, significant work was undertaken by the Philanthropy Director in collaboration with Officers from the City Surveyor's and Comptroller & City Solicitor's Departments to scope and explore the potential of a charitable co-location project (with a working title of 'Philanthropy House') in partnership with a couple of respected funder-membership bodies (the 'Project Partners'). Initial thinking focused on 21 Aldermanbury, close to the Guildhall Estate, but officers were subsequently instructed to develop business modelling for another nearby location within the BHE portfolio, 74 Moorgate, owing to operational challenges with the original building.
8. Shortly before the pandemic, this work was paused pending further clarity on 74 Moorgate's post-development footprint. The Philanthropy Director was then seconded to co-chair, on a full-time basis, the Funder, Voluntary, Community and Faith sectors' input into the Pan-London Strategic Response during the pandemic. Since that time, Officers have regrouped and concluded that;
  - a. It is too soon to undertake business modelling on the charitable co-location market with any level of accuracy owing to the shift in working patterns resulting from the pandemic; and
  - b. It would be more prudent to wait until the conclusion of deliberations relating to BHE's Transitional Investment Strategy Statement and the grant of additional powers to the Trustee, being sought by way of Supplemental Royal Charter, as this would ensure that account is taken of both the most up-to-date policies and available Trustee powers in terms of identifying and evaluating potential options to pursue in support of this project.
9. With this in mind, no specific action is being undertaken at this stage to progress this project pending the outcome of the Privy Council's decision-making on the Supplemental Royal Charter, noted above at 7c. At that point, officers will then review the Project Partners' ongoing appetite for engagement and determine

---

<sup>1</sup> LCR was an unprecedented collective emergency response grant programme which saw collaboration between over 60 funders. Co-ordinated by London Funders, CBT played a key role, operating a fund into which other donors could donate (the "pooled" element of the work) and awarding more than half of the grants (c.£30m).

whether the co-location market has settled sufficiently to enable more robust business modelling to take place, with decisions being taken in accordance with the charity's Investment Strategy in effect at that time.

### **Governance and Strategy**

10. Governance Arrangements – Following constitution of the BHE Board in April 2021, the Board agreed to keep the arrangements it has adopted for the charity's governance administration under review to ensure they are operating effectively, consistent with a charity trustee's obligations. In support of this, the BHE Board are asked to complete a 'Skills & Effectiveness Audit' informed by Charity Commission guidance, best practice and mindful of BHE's governance context. This will be shared with the Board via separate email link for ease of completion. The results of the audit will feed into a paper to be presented to the February BHE Board meeting, which will focus on BHE governance arrangements for the new civic year, following the appointment of the Board by the Court of Common Council in April 2022. The detailed paper will present options for discussion and decision to support the Board in the effective administration of the charity, for example the number of Board committees, co-option arrangements, and officer delegations.
11. BHE Target Operating Model – Following the approval of the Target Operating Model (TOM) Proposal to establish a BHE Leadership Team by the BHE Board and the Establishment Committee, a 30-day consultation period with impacted employees and relevant stakeholders was initiated on 25 October and closed on 23 November. There were no substantive changes to the structure as a result of the consultation, although a number of job descriptions & titles were updated to better reflect roles and responsibilities across the charity's activities and operation. Subsequently, in December 2021, the Court of Common Council approved the creation of two new Grade I roles – the Chief Operating Officer post and the Chief Funding Officer post.
12. The new structure became effective from 4 January 2022 and assimilation into roles by existing post-holders is taking place. The new Chief Operating Officer and the new Head of Strategy & Governance posts were widely advertised over the Christmas period, with adverts closing on 10 January 2022. Interviews for both roles will take place later this month. The new Chief Funding Officer post will be advertised in February/March 2022, with interviews taking place shortly after. It is anticipated that the new Leadership Team will be fully embedded by May 2022, but this is dependent on notice periods of successful candidates.
13. BHE will remain in transition over the next 12 months or so, particularly as the charity undertakes a review of its wider operational team structure. Further developments on ways of working, the relationship between operational roles in delivering the charity's functions, together with the interface with the enabling and support functions provided by the City Corporation's corporate departments will be progressed within the next few months. The BHE Board will continue to be kept up to date on the implementation of the TOM.

### **Communications Update**

14. Three major strategic areas of work for the BHE Communications Team in the first six months of 2022 are listed below. Further details of this work can be found at **Appendix 2**.
- a. Building a **new website** to transform the user experiences and enable a greater and more diverse audience to access support from CBT, as well as enabling BHE to share its impact and learning more effectively. Completion: June 2022.
  - b. **Positioning Bridge House Estates.** Working with the Board, officers and with the continued help of the appointed advisory agency, William Joseph, officers will continue using the brand positioning project to inspire and support all staff who undertake BHE work across the City Corporation begin to think and speak as one team. The Communications Team will agree and begin using a set of messaging guidelines. Officers will ensure the Board is included in all developments in this area and will report back on progress at each Board meeting over the coming months. Completion: June 2022.
  - c. **Re-describing the charity's funding offer.** In partnership with the CBT Bridging Divides Strategy Group, officers will focus on making key areas of work fully accessible, understandable and easily navigable to external audiences. Completion: March 2022.

### **BHE Finance Update**

15. Following delays experienced with the audit of the 2020/21 Annual Report & Financial Statements, due to resourcing issues with our current auditors (BDO), the Board will be pleased to hear that the audit has now been completed, with the approved Annual Report submitted to the Charity Commission. The audit completion report provided by BDO is included as **Appendix 3** to this paper and will also be presented for information to the next meeting of the Audit & Risk Management Committee. I am pleased to note that there were no significant matters to report as a result of the audit.
16. Continuing discussions are taking place in the preparation of the 2022/23 budget and medium-term forecast. The paper on this, due to be presented to the February 2022 BHE Board, will also include an update on progress against the 2021/22 budget.
17. A Capital Funding Update Report on previously approved bids was presented to Resource Allocation Sub Committee in December 2021. This report noted that savings had been achieved on the Phase 1 Energy Reduction programme, with £37k being returned to BHE. The full report is available to the BHE Board on request.

### **BHE Investment Portfolio Update**

18. **Social Investments:** In November 2021, the Board received an update from the most recent quarter (30th September 2021) showing a return of 3.16% IRR on £9.8m of monies drawn down by our investees. In addition to the £9.8m drawn down, investees can call on an additional £3.9m of funding, so the Fund has total active commitments of £13.7m, divided almost 60:40 between property and fixed income loans. The next complete quarter fell soon after the deadline for papers for

today's meeting and before updates were received from across the portfolio investees. Nonetheless, officers have not seen any notable negative impacts in the period September – December 2021. The social impact themes currently supported include homelessness, domestic violence, social care, vulnerable migrants and adults with learning disabilities. A verbal update on any material issues arising in the most recent quarter will be provided at the Board meeting, as relevant.

19. Financial Investments: the market value of the BHE financial investments portfolio as at 30 November 2021 (the latest information available) is estimated to be £899m, which represents an increase of £12m versus the position as at 30 September (as reported at the Board's November meeting) and an increase of £58m since the start of the financial year. The latest available performance measurement data relates to the portfolio as at 31 October 2021. At that time the portfolio was outperforming its absolute return target of CPI + 4% over the past 12 months, 3 years and 5 years with total annualised returns of 20.2%, 10.3% and 7.7%, respectively. Performance over the last 12 months has been driven by the equities allocation (particularly from UK equity managers Artemis and Majedie and value manager Harris). No asset allocation changes have been implemented since the last Board meeting.

20. Property Investments: On 23 December 2021, BHE successfully exchanged on the freehold interest in DNL House, 17 Hickman Avenue, Walthamstow (with a completion date of 11 January 2022). The exchange of contracts followed two rounds of competitive bidding, including a condition that all parties had to commit to exchange by 24 December 2021 – 10 working days from agreement of heads of terms. Approval by the BHE Board and the Court of Common Council (with support from the Property Investment Board) was achieved within 48 hours of the report being circulated under urgency procedures. This was greatly appreciated by the City Surveyor. This purchase will increase exposure to the industrial and logistics sector to around 4.5% by value of the portfolio and is in accordance with the 2021 Annual Strategy for the charity (previously approved by the Property Investment Board and which remains in effect).

## **Conclusion**

21. This report provides a high-level summary of activities across the whole charity's operation and activities since the Board last met in November 2021. The Board are asked to note the content of the report and the progress made in each activity area over recent months. Further information of any of the updates given in this report can be provided to the Board either verbally in the meeting or in a written format as a follow-up to the meeting.

## **Appendices**

- Appendix 1 – Non-public appendix: Bridges Updates
- Appendix 2 – Communicating Bridge House Estates/ City Bridge Trust
- Appendix 3 – BDO Audit Completion Report

## **David Farnsworth**

Managing Director of Bridge House Estates

E: [David.farnsworth@cityoflondon.gov.uk](mailto:David.farnsworth@cityoflondon.gov.uk)

## **Appendix 2 - Communicating Bridge House Estates/ City Bridge Trust**

Three major strategic areas of work for the Communications Team currently include:

### **1. Website**

Building a **new website** with state-of-the-art functionality and better aesthetics and multimedia content to make it more engaging and easier to navigate for both internal and external users. Ultimately it will transform the user experiences; articulate the broader BHE activities and teams more fully, including the connection with the City Corporation as Trustee; and will enable a greater and more diverse audience to access support from CBT.

#### **Development stages**

Stage 1 & 2: User insights and quantitative and qualitative research with staff and funded partners and organisations. User research findings attached.

*Further details on the initial insights from audience testing on the CBT website can be found [here](#).*

Stage 3 – Building our solution: defining which content will be most valuable to the highest number of audiences to design proposed information architecture.

Stage 4 & 5 - Functionality and design: Full picture of the needs of our audiences & our communication goals are fed into the site functionality. We will also test the designs before it is built with our audiences (including the Board and officers) to ensure that they are meeting the earlier-defined needs. There will be an emphasis on DEI and accessibility.

*\*Suggest dedicated time is built in here to reflect back the design/function direction with the Board for input (Board input/questions are of course welcome throughout this work and should be directed through the BHE Director of Communications and Engagement, Cathy Mahoney – [Catherine.mahoney@cityoflondon.gov.uk](mailto:Catherine.mahoney@cityoflondon.gov.uk)).*

Stage 6 - Build: Content Management System, content migration and creation, user testing, Search Engine Optimisation/ Search Function.

***Proposed date of completion: Summer 2022***

### **2. Positioning Bridge House Estates**

We will continue using the **brand positioning** project to inspire and support all staff to begin thinking and speaking as one team across the whole of the charity's operations, and in furthering both its primary and ancillary purposes. We will contribute to embedding a one-team culture via a series of workshops during which we will move towards a set of tone of voice / messaging guidelines.

Via collaborative working, we will explore where all BHE teams are internally and externally communicating and begin using agreed wording that positions BHE more broadly and clearly with our audiences.

We will ensure the Board is included in all progression in this area and happy with the direction of travel. As we acknowledge that this work will be ongoing, we will report back on progress at each Board meeting.

### **3. Re-describing our funding offer as *Bridging Divides* fully reopens**

In partnership with the CBT *Bridging Divides* Strategy Group, we want to make changes to the way we communicate about our funding streams in furthering the ancillary purpose. This piece of work will focus on making our key areas of work under the charity's ancillary purpose more accessible, understandable and easily navigable to our external audience.

Taking a collaborative approach, this process will include reviewing and proposing changes to how we name, cluster and communicate grant-making, 'funder plus', philanthropy, social investment & strategic initiatives in furthering the charity's ancillary purpose.

***Proposed date of completion: March 2022.***

Final Report to the Audit and Risk Management Committee

# BRIDGE HOUSE ESTATES

Audit Completion: year ended 31 March 2021

*Updated at date of audit report approval  
see page 45*



# CONTENTS

1	Introduction	3	Overview: audit differences and disclosures	18
	Welcome	3	Unadjusted financial reporting matters	19
2	Executive summary	4	Additional matters	20
	Overview	4	Control environment: Observations noted	21
	The numbers	5	Control environment: Follow up of prior year deficiencies	22
	Other matters	6	4 Audit Report	23
3	Audit risks	7	Audit report overview	23
	Overview - Significant Risks	7	5 Independence	24
	Management override of controls	8	Independence	24
	Fraud in income recognition	9	6 Appendices contents	25
	Investment Property Valuation	10		
	Investment Property Valuation (Continued)	11		
	Overview	12		
	Investment Valuations	13		
	Investment Valuations (continued)	14		
	Completeness of grant commitments	15		
	Estimates	16		
	Matters requiring additional consideration	17		



# WELCOME

Contents

Introduction

Welcome

Executive summary

Audit risks

Audit Report

Independence

Appendices contents

We have pleasure in presenting our Audit Completion Report to the Audit Committee and Risk Management Committee (the “Committee”). This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of performing the planned audit approach for the year ended 31 March 2021, specific audit findings and results of audit work on key risk areas, including significant estimates and judgements made by Management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We discussed these matters with you at the Audit Committee meeting on 30 November 2021.

If you would like to discuss any aspects we would be happy to do so.

This report contains matters which should properly be considered by the Board as a whole. We expect that the Committee will refer such matters to the Board, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the Management and staff of the Charity for the co-operation and assistance provided during the audit.



Heather Wheelhouse

22 December 2021



**Heather Wheelhouse**  
Partner

m: +44(0)7798 653 994  
e: heather.wheelhouse@bdo.co.uk



**Peter Lewis**  
Senior Audit Manager

m: +44(0)7800 682 390  
E: peter.lewis@bdo.co.uk



**James Badman**  
Audit Assistant Manager

m: +44 (0) 7583 021 177  
e: james.badman@bdo.co.uk

*The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.*

# OVERVIEW

## Executive summary

- Contents
- Introduction
- Executive summary**
- Overview
- The numbers
- Other matters
- Audit risks
- Audit Report
- Independence
- Appendices contents

This summary provides an overview of the audit matters that we believe are important to the Committee in reviewing the results of the audit of the financial statements for the Charity for the year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



### Overview

Our audit work is substantially complete and we anticipate issuing an unmodified audit opinion on the Charity's financial statements for the year ended 31 March 2021.

Heather Wheelhouse took on the audit partner responsibility as a result of Fiona Condron's illness. This combined with other illness within our senior team has led to a delay in the completion of our work. We apologise for any inconvenience this may have caused.

There were no significant changes to the planned audit approach.

No restrictions were placed on our work.

# THE NUMBERS

## Executive summary

- Contents
- Introduction
- Executive summary**
- Overview
- The numbers
- Other matters
- Audit risks
- Audit Report
- Independence
- Appendices contents

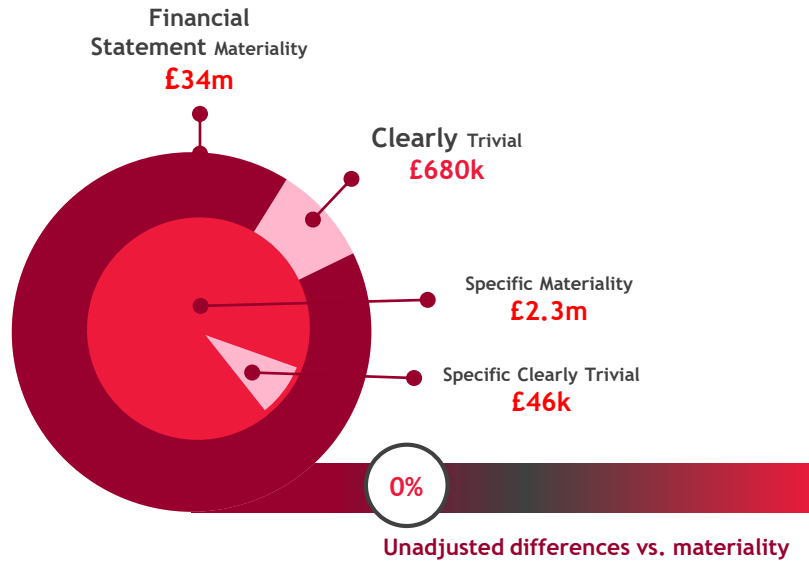
### Final Materiality

Financial Statement Materiality was determined based upon 2% of total assets and Specific Materiality was determined based upon 5% of Total income

There were no changes to final materiality and triviality from that reported in our planning report other than being updated for the actual results for the year ended 31 March 2021.

### Unadjusted audit differences

Unadjusted audit differences - refer to pages 18 & 19.



### Audit scope

Our approach was designed to ensure we obtained the required level of assurance in accordance with International Standards on Auditing (UK). This objective has been achieved.

# OTHER MATTERS

## Executive summary

Contents

Introduction

Executive summary

Overview

The numbers

Other matters

Audit risks

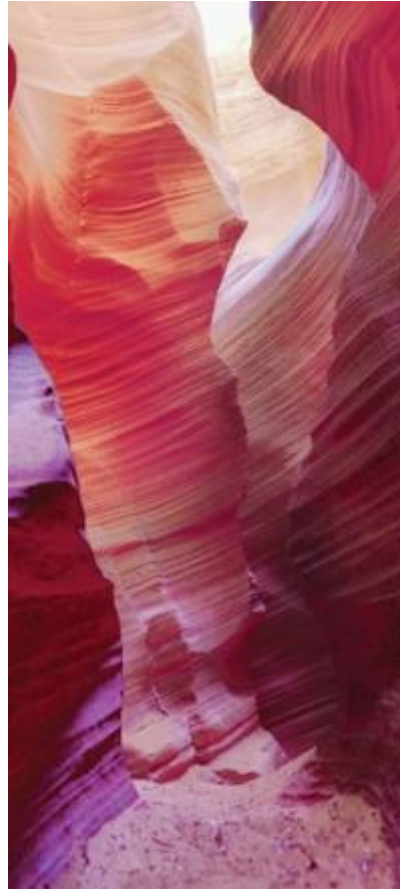
Audit Report

Independence

Appendices contents

### Financial reporting

- We have not identified any non-compliance with accounting policies or applicable accounting framework.
- The prior year numbers in the cash flow statement have been amended to better present the nature of rental income arising from investment properties. Apart from this, no significant accounting policy changes have been identified impacting the current year.
- The draft Trustee's Report has been reviewed and the resulting comments have been considered by the management team. Recommendations which have not been taken on board by management are set out on page 19 of this report.



### Other matters that required discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events. Confirmed
- Letter of Representation (see page 31). Received
- Completion of post balance sheet event review up to point of signing the financial statements. Completed

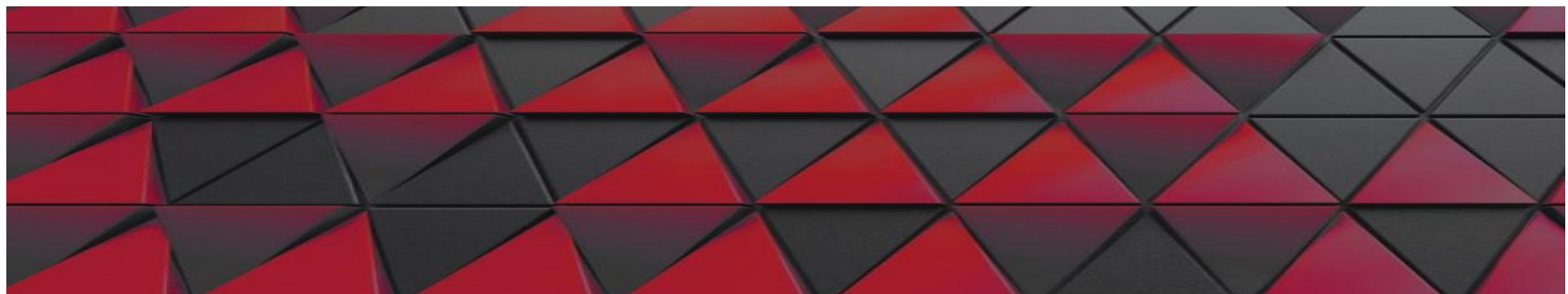
### Independence

- We confirm that the firm and its partners and staff involved in the audit remain independent of the Charity in accordance with the FRC's Ethical Standard.

# OVERVIEW - SIGNIFICANT RISKS

As identified in our audit planning report dated 4 March 2021, we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

Significant Audit Risk	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Completion report	Specific Letter of Representation Point	Discussion points for Audit Committee
1. Management Override of Controls	Yes	No	No	No	No	No
2. Fraud in income recognition	Yes	No	No	No	Yes	No
3. Investment Property Valuation	Yes	Yes	No	No	Yes	No



Areas requiring your attention

- Contents
- Introduction
- Executive summary
- Audit risks
- Overview - Significant Risks
- Management override of controls
- Fraud in income recognition
- Investment Property Valuation
- Investment Property Valuation (Continued)
- Overview
- Investment Valuations
- Investment Valuations (continued)
- Completeness of grant commitments
- Estimates
- Matters requiring additional consideration
- Overview: audit differences and disclosures
- Unadjusted financial reporting matters
- Additional matters
- Control environment: Observations noted
- Control environment: Follow up of prior year deficiencies
- Audit Report
- Independence
- Appendices contents

# MANAGEMENT OVERRIDE OF CONTROLS

Contents
Introduction
Executive summary
<b>Audit risks</b>
Overview - Significant Risks
Management override of controls
Fraud in income recognition
Investment Property Valuation
Investment Property Valuation (Continued)
Overview
Investment Valuations
Investment Valuations (continued)
Completeness of grant commitments
Estimates
Matters requiring additional consideration
Overview: audit differences and disclosures
Unadjusted financial reporting matters
Additional matters
Control environment: Observations noted
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

**ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.**

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Control Finding

Letter of Representation point

## Risk description

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

## Details

- We have worked closely with our IT team to gain an understanding of the financial systems in place and assess controls for potential scope for management override including the use of automated journals and administrator access accounts.
- We have used data analytics tools to inspect journals processed throughout the year and as part of the financial reporting closing process for any unusual transactions.
- We have also conducted a specific review of journals posted by admin users.
- We have assessed and corroborated significant management estimates and judgements in following key areas:
  - Allocation of costs
  - Valuation of investment properties and financial investments - see pages 10 and 13 respectively for further detail
  - Estimation and allocation of the pension scheme liability

## Details (cont)

- We have performed a detail review of the cost allocation model including understanding the methods used to allocate costs between funds within the Corporation and testing of this allocation to ensure accuracy of the expenditure charged to the charity.

## Results and conclusion

- Our audit work on both journals and estimates has not identified any instances of inappropriate management override.
- We have not noted any management bias in accounting estimates. Our detailed conclusions on significant estimates are set out within this report.
- We have identified no significant or unusual transactions that may be indicative of fraud in relation to management override of controls.
- We have not identified any issues with the allocation of costs.

# FRAUD IN INCOME RECOGNITION

## ISA (UK) 240 presumes that income recognition presents a fraud risk.

Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Control Finding	
Letter of Representation point	

### Risk description

- Under auditing standards there is a presumption that there is a risk of fraud in income recognition.
- For Bridge House Estates, we consider there to be a significant risk in respect of the completeness of investment property income, which accounts for approximately 75% of total income, due to the cut-off risk around the year end.

### Details

We have carried out audit procedures to gain an understanding of the internal control environment for the significant income streams, including how this operates to prevent loss of income and have ensured that income is recognised in the correct accounting period.

Our audit procedures included the following:

- We have agreed a sample of rental income to invoice and lease agreements. Where rental periods cross year-end, we have checked the split between years is correct.
- Rental information from the property management system has been reconciled to total rental revenue recognised.
- A sample of grants have been tested to ensure recognition criteria have been met, the amount recorded is accurate and the classification (as restricted or unrestricted) is correct.

- We have performed cut-off testing for all revenue streams by reviewing transactions around the year-end date.

### Results and conclusion

#### Investment Property Income

Testing within this area has been completed as outlined above, with no issues noted in this area.

#### Grant Income

Testing of this balance has been completed with no issues noted.

#### Tourism Income

Due to COVID 19 restrictions, Tower Bridge as a visitor attraction was closed for most of the year, including at the year end. As a result, tourism income was greatly reduced for the year (£0.5m compared to £6.7m the previous year).

The reduction in income is in line with our expectations given the actual number of days the experience was open during the year.

As this income was not material, nor expected to be, no further testing was carried out.

# INVESTMENT PROPERTY VALUATION

**There is a risk over the valuation of investment properties where valuations are based on significant assumptions.**

Significant management judgement  
Use of experts  
Unadjusted error  
Adjusted error  
Additional disclosure required  
Control Finding  
Letter of Representation point

## Risk description

- Bridge House Estates holds an extensive portfolio of investment properties, which are reported at fair value at the balance sheet date.
- The Corporation has appointed two valuers relevant to Bridge House Estates, who perform a year-end valuation based on data provided by the Surveyors Team at the Corporation.
- Due to the significant value of the investment properties and the high degree of estimation uncertainty, there is a risk over the valuation of these assets where valuations are based on assumptions, or where updated valuations have not been provided at the year-end.

## Details

As part of our audit work, we have performed procedures including the following:

- Assessed the qualifications and competence of the valuers used
- Reviewed the instructions provided to the valuers and reviewed the valuers; skills to determine whether we can rely on management's expert

- Confirmed that the basis of valuation for each asset is appropriate based on their usage
- Reviewed assumptions used by the valuers and movements in values relative to market indices, and challenged valuations lying outside our expectations with the corresponding valuer.
- Consulted extensively with both our Real Estate and BDO Valuation teams regarding the reasonableness of the assumptions and benchmarks used for specific properties where a higher degree of judgement has been applied (for example more unique properties or developments)
- Held meetings with the Surveyors Team and Valuers during the valuation process
- Compared movements in the valuation of assets year-on-year and investigated unusual movements.

## Results and conclusion

- Our review of the instructions to the valuers and the valuers' skills and expertise did not identify any issues. We agreed that the basis of valuation for each property valued is appropriate.
- Investment properties are valued by reference to highest and best use market value using an income based approach. Investment properties reduced in value by £11.1 million to £843.8 million (1.3%) in 2020/21 driven by the net additions of £11.8m offset by the revaluation loss of £22.9m.

Contents
Introduction
Executive summary
<b>Audit risks</b>
Overview - Significant Risks
Management override of controls
Fraud in income recognition
Investment Property Valuation
Investment Property Valuation (Continued)
Overview
Investment Valuations
Investment Valuations (continued)
Completeness of grant commitments
Estimates
Matters requiring additional consideration
Overview: audit differences and disclosures
Unadjusted financial reporting matters
Additional matters
Control environment: Observations noted
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents



## INVESTMENT PROPERTY VALUATION (CONTINUED)

**There is a risk over the valuation of investment properties where valuations are based on significant assumptions.**

Significant management judgement  
Use of experts  
Unadjusted error  
Adjusted error  
Additional disclosure required  
Control Finding  
Letter of Representation point

### Results and conclusion cont.

- We set yield expectations for the portfolio based on year-end market trends and property type (such as office, retail or industrial). These expectations also included consideration of a property's location and security of future income. We then compared the yields to our expectations, discussing properties outside of these further with the valuers.
- We consulted extensively with our Real Estate and Valuation teams, who confirmed that our base expectations and methodology were suitable for the portfolio of Bridge House Estates.
- We note that due to the ongoing impact of covid-19 as at the 31 March 2021, the valuers have included within their valuation reports, a "Material Valuation Uncertainty" clause in line with the guidance set out in the RICS Red Book Global in respect of pubs held within the investment property portfolio.
- BHE holds one pub as an investment property, with a valuation that is not material (£1m). As a result, management do not consider it necessary to raise attention to this in the financial statements. We concur with this view.


Contents
Introduction
Executive summary
<b>Audit risks</b>
Overview - Significant Risks
Management override of controls
Fraud in income recognition
Investment Property Valuation
Investment Property Valuation (Continued)
Overview
Investment Valuations
Investment Valuations (continued)
Completeness of grant commitments
Estimates
Matters requiring additional consideration
Overview: audit differences and disclosures
Unadjusted financial reporting matters
Additional matters
Control environment: Observations noted
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

# OVERVIEW

## Other audit risks

As identified in our audit planning report dated 4 March 2021, we assessed the following matters as being normal risks of material misstatement in the financial statements but areas of audit focus.

Significant Audit Risk	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Completion report	Specific Letter of Representation Point	Discussion points for Audit Committee
4. Financial Investment Valuations	Yes	Yes	No	No	No	No
5. Completeness of grant commitments	No	No	No	No	No	No

 Areas requiring your attention

Contents
Introduction
Executive summary
<b>Audit risks</b>
Overview - Significant Risks
Management override of controls
Fraud in income recognition
Investment Property Valuation
Investment Property Valuation (Continued)
Overview
Investment Valuations
Investment Valuations (continued)
Completeness of grant commitments
Estimates
Matters requiring additional consideration
Overview: audit differences and disclosures
Unadjusted financial reporting matters
Additional matters
Control environment: Observations noted
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

# INVESTMENT VALUATIONS

**There is a risk that investment valuations may not be corrected reported at year end.**

**Significant management judgement**

**Use of experts**

**Unadjusted error**

**Adjusted error**

**Additional disclosure required**

**Control Finding**

**Letter of Representation point**

## Risk description

- The investment portfolio within BHE includes unquoted infrastructure, private equity holdings and pooled investment vehicles (held through unit trusts). The unquoted infrastructure funds and private equity funds are valued by the General Partner or fund manager using valuations obtained from the underlying partnerships and investments. The valuation of other funds are provided by individual fund managers and reported on a monthly basis.
- Valuations for private equity are provided at dates that are not coterminous with the year end for Bridge House Estates and need to be updated to reflect cash transactions (additional contributions or distributions received) up to 31 March. There is a risk that private equity investments valuations may not be appropriately adjusted to include additional contributions or distributions at the year end.
- There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements

## Details

Our audit procedures will included the following:

- For unquoted infrastructure and private equity investments, we obtained direct confirmation of investment valuations from the General Partner or fund manager and obtained copies, where applicable, of the audited report on internal controls / audited financial statements of the underlying partnerships (and member allocations);
- For pooled investments, obtained direct confirmation of investment valuations from the fund managers and agreed independent valuations, where available, provided by the custodian;
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds; and
- Agreed the allocation of amounts for each fund where there is pooling of investments across the City of London.

Contents
Introduction
Executive summary
<b>Audit risks</b>
Overview - Significant Risks
Management override of controls
Fraud in income recognition
Investment Property Valuation
Investment Property Valuation (Continued)
Overview
<b>Investment Valuations</b>
Investment Valuations (continued)
Completeness of grant commitments
Estimates
Matters requiring additional consideration
Overview: audit differences and disclosures
Unadjusted financial reporting matters
Additional matters
Control environment: Observations noted
Control environment: Follow up of prior year deficiencies
<b>Audit Report</b>
<b>Independence</b>
<b>Appendices contents</b>

# INVESTMENT VALUATIONS (CONTINUED)

Contents
Introduction
Executive summary
<b>Audit risks</b>
Overview - Significant Risks
Management override of controls
Fraud in income recognition
Investment Property Valuation
Investment Property Valuation (Continued)
Overview
Investment Valuations
<b>Investment Valuations (continued)</b>
Completeness of grant commitments
Estimates
Matters requiring additional consideration
Overview: audit differences and disclosures
Unadjusted financial reporting matters
Additional matters
Control environment: Observations noted
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

**There is a risk that investment valuations may not be corrected reported at year end.**

**Significant management judgement**

**Use of experts**

**Unadjusted error**

**Adjusted error**

**Additional disclosure required**

**Control Finding**

**Letter of Representation point**

## Results and conclusion

We have agreed investments within the financial statements to confirmations received from investment managers.

We have confirmed the existence of a sample of the social investments held within the portfolio and a small sample of additions made during the year. No indicators of impairment have been identified.

We have confirmed a sample of listed investment valuations to external published sources. We have also performed testing over purchases and sales of Investments.

Our testing of the private equity and other non listed elements of the portfolio identified that all of the investments were correctly valued based on the 31 March 2021 valuations.

Our review of the control environment of the investment managers we sampled noted that all firms received clean audit reports on internal controls. Furthermore, the specific controls related to the valuation and existence of investments did not highlight any anomalies with the testing performed by the associated auditors.

## Results and conclusion

We are satisfied that the overall valuation of financial investments is materially correct.

# COMPLETENESS OF GRANT COMMITMENTS

**The recognition of grant commitments is an audit risk due to the existence of multi-year grants which can, under certain circumstances, be cancelled or refunded in future periods.**

**Significant management judgement**

**Use of experts**

**Unadjusted error**

**Adjusted error**

**Additional disclosure required**

**Control Finding**

**Letter of Representation point**

## Risk description

We understand that, in response to the Covid-19 pandemic, Bridge House Estates, (City Bridge Trust) has significantly increased the level of grant making activities in 20/21.

The recognition of grant commitments is an audit risk due to the existence of multi-year grants which can, under certain circumstances, be cancelled or refunded in future periods.

## Details

As part of our audit work, we have completed the following:

- Reviewed the systems and procedures in place for recording and monitoring grant commitments;
- Tested the controls in place over the approval of grants and payment of funds.
- Reviewed a sample of grant agreements and the standard grant agreement wording, to ensure that a liability existed at year end and that the total grant expenditure was correctly recognised;
- Reviewed the overall grant liability calculation;
- Agreed a sample of grant commitments to the underlying agreements and, where appropriate, payments made and ensure that expenditure has been appropriately classified between restricted and unrestricted funds; and
- Considered the completeness of grant expenditure through review of the board minutes.

## Results and conclusion

- Our testing is complete. No issues have been noted.

Contents

Introduction

Executive summary

Audit risks

Overview - Significant Risks

Management override of controls

Fraud in income recognition

Investment Property Valuation

Investment Property Valuation  
(Continued)

Overview

Investment Valuations

Investment Valuations  
(continued)

Completeness of grant  
commitments

Estimates

Matters requiring additional  
consideration

Overview: audit differences and  
disclosures

Unadjusted financial reporting  
matters

Additional matters

Control environment:  
Observations noted

Control environment: Follow up  
of prior year deficiencies

Audit Report

Independence

Appendices contents

# ESTIMATES

Contents
Introduction
Executive summary
<b>Audit risks</b>
Overview - Significant Risks
Management override of controls
Fraud in income recognition
Investment Property Valuation
Investment Property Valuation (Continued)
Overview
Investment Valuations
Investment Valuations (continued)
Completeness of grant commitments
<b>Estimates</b>
Matters requiring additional consideration
Overview: audit differences and disclosures
Unadjusted financial reporting matters
Additional matters
Control environment: Observations noted
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

## Key Estimates

### Defined Benefit Pension Scheme

The LGPS pension fund is required to report the pension liability for estimated promised future benefits for the whole fund. The Corporation's share of the net liability, including its share of the assets held in the pension fund, is allocated across the funds in proportion to the payroll cost for each fund.

As at 31 March 2021 the allocation of the total Corporation's defined benefit pension for BHE remained at 3% (2020: 3%).

The fund position at the year end is based on a complex calculation with the assumptions having a significant impact on the value of the reported surplus/deficit.

We have;

- reviewed the reasonableness of the assumptions used by Barnett Waddingham (management's expert) for the calculation of the liability against other local government and police pension actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by PwC consulting actuary (auditor's expert);
- checked the accuracy of the calculations relating to the allocation of the share of the net assets across the funds in proportion to the employer's contribution's paid to the scheme

No issues have arisen from our work.

### Fair Value of investment properties

The fair value of investment property is determined by the valuers to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction.

See page 10

### Going concern

Management and the Trustee are required to consider at least the 12 month period from date of sign off in assessing the going concern assumption

We have considered the projections produced by management for the 2 years ending 31 March 2023. We concur with management's view that the BHE financial statements should be produced on a going concern basis.

### Investment Valuations

Inappropriate assumptions may be used to value investments

See page 13

# MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents
Introduction
Executive summary
<b>Audit risks</b>
Overview - Significant Risks
Management override of controls
Fraud in income recognition
Investment Property Valuation
Investment Property Valuation (Continued)
Overview
Investment Valuations
Investment Valuations (continued)
Completeness of grant commitments
Estimates
<b>Matters requiring additional consideration</b>
Overview: audit differences and disclosures
Unadjusted financial reporting matters
Additional matters
Control environment: Observations noted
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

## Fraud

Whilst the Trustee has ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We obtained confirmation from you whether you were aware of any known, suspected or alleged frauds since we last enquired when presenting the audit plan on 23 March 2021.

Further information on how our audit work has addressed the risk of fraud has been included within this year's audit report. We have included a copy of this report within the appendices, on page 34.

## Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify any significant matters in connection with related parties.

## Laws and regulations

The most significant general legislation for your charity are Charities Acts, Companies Act 2006, Corporate and VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We made enquiries of management and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

# OVERVIEW: AUDIT DIFFERENCES AND DISCLOSURES

## Summary for the current year

Contents
Introduction
Executive summary
<b>Audit risks</b>
Overview - Significant Risks
Management override of controls
Fraud in income recognition
Investment Property Valuation
Investment Property Valuation (Continued)
Overview
Investment Valuations
Investment Valuations (continued)
Completeness of grant commitments
Estimates
Matters requiring additional consideration
Overview: audit differences and disclosures
Unadjusted financial reporting matters
Additional matters
Control environment: Observations noted
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

### Unadjusted audit differences:

We are required to bring to your attention unadjusted differences and we request that you correct them.

One small unadjusted audit difference was identified by our audit work, as shown below:

Reallocation of credit balances in debtors: Dr Debtors £153k; Cr Creditors £153k.

### Unadjusted financial reporting matters

We are required to bring to your attention financial reporting disclosure omissions and improvements that the Audit Committee is required to consider.

A number of suggested improvements to the disclosures in the financial statements have been made to management, but not reflected in the latest financial statements. Further details of these is set out on page 19.

### Adjusted audit differences

A number of narrative adjustments were made to the financial statements, following our review, but no numerical adjusted audit differences have arisen from our work.

### Adjusted financial reporting matters

Some disclosure improvements were identified and have been corrected in the draft accounts presented to the Committee.





# UNADJUSTED FINANCIAL REPORTING MATTERS

## Disclosure omissions and improvements

**We are required to bring to your attention other financial reporting matters that the Audit & Risk Management Committee is required to consider.**

We have made various suggestions to enhance the Trustee's report and financial statements. While some of these have been taken into account, we bring your attention to the following matters that have not been addressed:

### Amendments suggested to ensure full compliance with FRS102:

#### Accounting policies - Basis of preparation and related notes

- The basis of preparation note could be further enhanced to better explain the nature of allocation of assets, liabilities and transactions.
- Given how fundamental this is in light of the nature of some of the assets, liabilities and transactions allocated to it (e.g. having no direct stake in an investment property, or financial investment portfolio of the size that it holds), we recommend the disclosure in the financial statements is reviewed and enhanced to explain more specifically, in relation to all material assets and liabilities, and transactions, why they are presented within the BHE accounts, and how they are ring fenced etc. These matters should be quantified in the disclosures, explaining the detailed assumptions that have gone into them.

#### Accounting policies - investment property

- The disclosure around the accounting estimates and other details in relation to the investment property should be reviewed, with a view to providing a more detailed in-depth commentary on these items, commensurate with the significance of the investment property portfolio to the entity. This might include matters such as yield assumptions applied, lease duration assumptions, analysis of the portfolio by nature of property, and sensitivity analysis explaining what the change in the valuation would be dependent upon changing certain inputs (e.g. a 0.5% change in the yield assumption).
- Disclosure has not been given in the notes to the accounts of the future minimum lease payments receivable under operating leases (para 20.30 of FRS102). We understand management intend to address this point in next year's financial statements.

#### Other notes

- Note 18 should give a breakdown of the categories, and amounts, of debtors due in more than one year (at present, it just gives the total amount due after one year).

- Note 12 staff costs - salaries and wages disclosed at £5.0 million should be disclosed at £5.4 million (accordingly total staff costs disclosed at £6.4 million should be disclosed at £6.8 million).
- Note 26 commitments - capital works authorised commitment of £3.9 million should be stated at an amount of £4.4 million.

#### Financial investments - cash investments

- Greater disclosure of movement in cash investments should be given to show the individual movements in the year (similar to that given for Investments held by fund manager).
- Within the Statement of Cash Flows, the "Cash deducted from short term deposits" is shown on a net basis. Whilst some of the gross cash flow movements which take place are expected to qualify for presentation on a net basis (FRS 102 7.10), some gross cash flow movements, which management have determined as being immaterial in total, should be shown on a gross basis.

#### Proposed amendments to help make the accounts easier to understand for a general reader

- Page 2 of the trustees report talks about the Climate Action Strategy, but does not tell a reader where this strategy can be obtained from.
- Page 7 of the trustees report sets out the various committees which had responsibility for directly managing matters related to the charity. It would be helpful for some readers of the accounts to understand where they can find details of the people who serve on these committees.
- Page 38 sets out the accounting policy applied to the recognition of income (note 1d). Expectations have increased in recent years to the level of disclosure given in this policy, and we recommend being more transparent on when income is recognised for each key income stream.
- Page 40 sets out the accounting policy for recognising the pension deficit in the balance sheet. The disclosures could be enhanced by being clear on whether the ratio of contributions paid by BHE compared to total contributions is assessed annually or over a different period of time.
- Lease premiums on investment properties - improved disclosure could be provided to explain the accounting policy and treatment applied, e.g. explaining the trustee considers land to have an indefinite life, and lease premiums related to land are classified as operating leases and treated as deferred income released to revenue over the lease lives which range from 150 - 200 years (for example). And an explanation could be provided to explain that the investment property valuation includes £61.3m in relation to lease premiums that were received in connection with land operating leases (for example).

Contents
Introduction
Executive summary
<b>Audit risks</b>
Overview - Significant Risks
Management override of controls
Fraud in income recognition
Investment Property Valuation
Investment Property Valuation (Continued)
Overview
Investment Valuations
Investment Valuations (continued)
Completeness of grant commitments
Estimates
Matters requiring additional consideration
Overview: audit differences and disclosures
<b>Unadjusted financial reporting matters</b>
Additional matters
Control environment: Observations noted
Control environment: Follow up of prior year deficiencies
<b>Audit Report</b>
Independence
Appendices contents

# ADDITIONAL MATTERS

## Details for the current year

We have comments on the following additional matters:

	Significant matter	Comment
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Significant matters that arose during the audit that were discussed or were subject to correspondence with management	No exceptions to note in relation to audit work, though we note the change of Audit Partner due to illness as a significant event during the course of the audit.
3	Serious incident reporting	No serious incidents were reported in the year, and we have not identified any matters requiring reporting to the Charity Commission.
4	Written representations which we seek.	We enclose a copy of our draft representation letter
5	Any fraud or suspected fraud issues.	No exceptions to note.
6	Any suspected non-compliance with laws or regulations	No exceptions to note.
7	Any misstatements in opening balances that exist in the current period financial statements	No exceptions to note.
8	Significant matters in connection with related parties.	No exceptions to note.
9	Any other significant matters arising relevant to the oversight of the financial reporting process	No matters noted.

## CONTROL ENVIRONMENT: OBSERVATIONS NOTED

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit Committee.

The table below sets out the deficiencies noted in the course of this year's audit. A number of IT control environment observations have also been separately fed back to central management in detail for their consideration; these apply to all entities across the City of London using these systems.

As the purpose of the audit is for us to express an opinion on the financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation	Management response
Payroll Contract	During our sample testing of the City of London payroll, we have noted 6 out of 40 contracts has not been signed by the employees.	Signed contract ensures both parties (employer and employee) are in agreement to the terms and conditions of the employment and will serve to reduce the chance that one party will have grounds for legal action in future.	The recommendation is accepted. The Corporation are currently reviewing processes within HR and will seek to address this as part of that review.
Related party transactions	During our review of declarations, it was noted that a number of declarations had not been completed accurately nor completely, with the member either leaving sections blank, or omitting to sign the forms.  Not receiving complete declarations may lead to management not identifying related party transactions during the accounts preparation process, and may also influence financial decisions during the year if a related party is not included on a register of interests.	The importance of completed declarations should be reinforced to all members, through training if necessary. These declarations should then be reviewed when returned to ensure all information is complete before they are then subject to our review and consideration.	The recommendation is accepted. Further work will be carried out between the Chamberlains and Town Clerk departments to ensure Members are aware of and comply with the requirements.
Cashier suspense account	Following a review of the trial balance, we note that TB a credit balance of £1.3 million (£0.8 million prior year) exists on the cashier suspense account. We understand this relates to mostly cash received during the year that, at year end, is yet to be allocated to the ledger against creditors, because CoL / CC / BHE could not at year end, identify what creditor it related to.	We understand there are regular (2-3 times / week) documented and reviewed reconciliations around the cashier suspense account, with a view to keeping the balance to a minimum. On sample testing 3 of these, the full supporting information for 1 of them was not available at the time of asking, although we were able to review the Receipt and Payment Cash book for that day, which is used to balance each afternoon.	Management response to be confirmed.

## Contents

Introduction

Executive summary

## Audit risks

Overview - Significant Risks

Management override of controls

Fraud in income recognition

Investment Property Valuation

Investment Property Valuation (Continued)

Overview

Investment Valuations

Investment Valuations (continued)

Completeness of grant commitments

Estimates

Matters requiring additional consideration

Overview: audit differences and disclosures

Unadjusted financial reporting matters

Additional matters

Control environment: Observations noted

Control environment: Follow up of prior year deficiencies

Audit Report

Independence

Appendices contents

# CONTROL ENVIRONMENT: FOLLOW UP OF PRIOR YEAR DEFICIENCIES

Area	Issue and impact	Original recommendation	Progress	Management response
Related party transactions	<p>During testing, it was noted that a number of related party declarations have been returned by members with sections missing. When performing our own checks, we have noted that these members do have potential related parties that they have not disclosed.</p> <p>This may lead to management not identifying related party transactions during the accounts preparation process, and may also influence financial decisions during the year if a related party is not included on a register of interest.</p>	We recommend that the importance of the declarations is reinforced to all members, through training if necessary. These declarations should then be reviewed when returned to ensure all information is complete before they are then subject to our review and consideration.	A similar issue has been noted this year, with a number of related party declarations from members not being returned. As such, this deficiency remains applicable this year.	The recommendation is accepted. Further work will be carried out between the Chamberlains and Town Clerk departments to ensure Members are aware of and comply with the requirements.

---

# AUDIT REPORT OVERVIEW

Contents
Introduction
Executive summary
Audit risks
<b>Audit Report</b>
Audit report overview
Independence
Appendices contents

## Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements. Please see page 34 for a copy of our audit opinion.

## Comments on the Trustee's report and statutory other information

We have identified no material misstatements in the statutory other information accompanying the financial statements.

## Other information

We have reviewed the other information accompanying the financial statements in the annual report. We have not identified any material misstatements that would need to be referred to in our report.

# INDEPENDENCE

## Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

Details of services, other than audit, provided by us to the Charity during the period and up to the date of this report were provided in our planning report. We understand that the provision of any services would be approved by the Audit Committee in advance in accordance with the Charity's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our planning report.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Charity.

We also confirm that we have obtained confirmation of independence from any external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Charity.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

Contents

Introduction

Executive summary

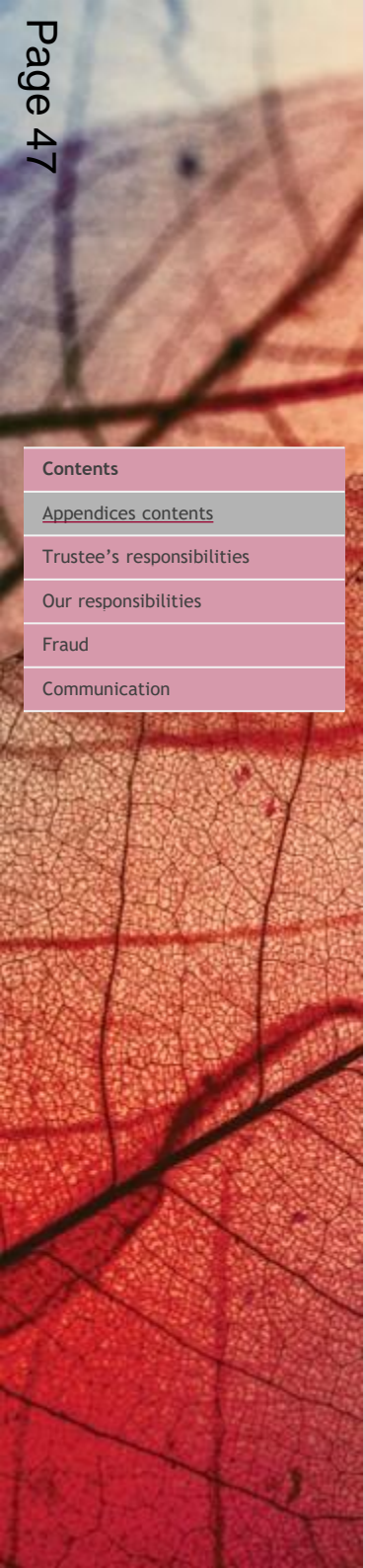
Audit risks

Audit Report

Independence

Independence

Appendices contents



# APPENDICES CONTENTS

Contents
<u>Appendices contents</u>
Trustee's responsibilities
Our responsibilities
Fraud
Communication

A	Trustee's responsibilities	26
	Trustee's responsibilities explained	26
B	Our responsibilities	27
	Our responsibilities	27
C	Fraud	28
	Fraud risk	28
D	Communication	29
	Communication with you	29
	Letter of representation	30

Letter of representation Cont.	31
Letter of representation Cont.	32
Letter of representation Cont.	33
Auditor's Report	34
Auditor's Report Cont.	35
Auditor's Report Cont.	36
Auditor's Report Cont.	37
Financial Reporting and governance	39
Financial Reporting and governance	40
TAX	41

# TRUSTEE'S RESPONSIBILITIES EXPLAINED

## The Board's Responsibilities and Reporting

The Trustee is responsible for preparing and filing an Annual Report and financial statements which show a true and fair view, comply with the Charities SORP, prepared in accordance with UK GAAP.

Our audit of the financial statements does not relieve Management nor those charged with governance of their responsibilities for the preparation of the financial statements.

Further information regarding these responsibilities is provided in the engagement letter.

Trustee responsibilities	What this means
<ul style="list-style-type: none"> <li>Maintain adequate accounting records and maintain an appropriate system of internal control for the charity</li> <li>Prepare the annual report and the financial statements which give a true and fair view and which are prepared in accordance with UK Generally Accepted Accounting Practice and the Charities Act 2011</li> <li>Safeguard the assets of the charity and take reasonable steps for the prevention and detection of fraud and other irregularities.</li> </ul>	<p>Further information regarding these responsibilities is provided in the engagement. We are happy to explain these in more detail to you.</p>

To make available to us, as and when required, all the charity's accounting records and related financial information.

To provide us with Board papers on key issues including but not limited to:

- Review of business risks
- Going concern assessments
- Impairment reviews
- Any key judgments and estimates.

Having made enquiries state in the Trustee's report that:

- So far as Members (on behalf of the Trustee) are aware, there is no relevant audit information of which the auditors are unaware
- Members have taken all reasonable steps they ought to have taken on behalf of the Trustee in order to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

In addition to answering our queries, this requires proactive behaviour in order to make us aware of any relevant information. Relevant information is very broad and includes any information needed in connection with our report.

- Contents
- Appendices contents
- Trustee's responsibilities
- Our responsibilities
- Fraud
- Communication



---

# OUR RESPONSIBILITIES

## Responsibilities and reporting

[Contents](#)[Appendices contents](#)[Trustee's responsibilities](#)[Our responsibilities](#)[Fraud](#)[Communication](#)

### Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members.

We report only those matters which come to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements.

We are also required to report on the consistency of the Annual report with the Financial Statements and our knowledge of the charity and their environment obtained in the course of the audit and whether they have been prepared in accordance with the requirements of the Charities SORP.

### What we don't report

Our audit is not designed to identify all matters that may be relevant to the board and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

# FRAUD RISK

## Respective responsibilities

In accordance with the International Standards on Auditing (UK) we are required to discuss with you the possibility of material misstatement, due to fraud or error. Below is a summary of the respective responsibilities of the Board of Trustees, management, and the Auditor with regards to fraud:

### Trustees' Responsibility

- To evaluate management's identification of fraud risk, and implementation of anti-fraud measures; and
- To investigate any alleged or suspected instances of fraud brought to their attention.

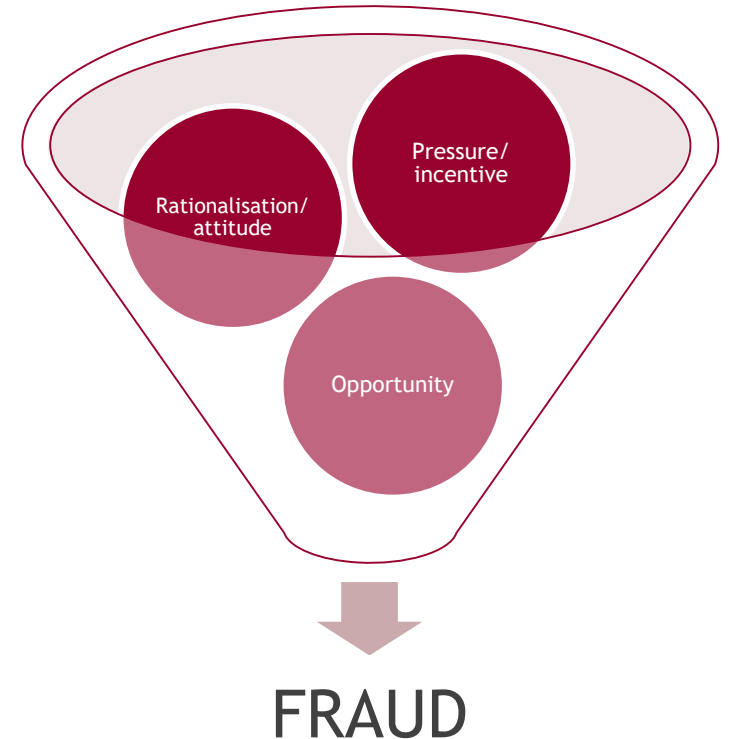
### Management's Responsibility

- To design and implement systems and controls that enables the organisation to prevent and detect fraud;
- To ensure that the organisation's culture promotes ethical behaviour; and
- To perform a risk assessment that specifically includes the risk of fraud, and consideration of whether having a whistleblowing policy in place.

### Auditor's Responsibility

- To evaluate and obtain sufficient appropriate audit evidence regarding the assessed risk of material misstatement due to fraud;
- To identify and assess the risks of material misstatement of the financial statements due to fraud; and
- To report fraud to an appropriate authority outside the entity where there is a suspected or actual instance suggesting dishonesty or fraud.

The auditor would also report to those charged with governance subject to "tipping-off" provisions under anti-money laundering legislation.



We will continue to consider fraud throughout the audit process and will discuss with the Audit Committee. We will liaise with management to determine any actual, suspected or alleged fraud known to them. We will discuss with management any knowledge they have of suspected or alleged fraud.

We will consider management's process for identifying and responding to the risks of fraud, including the nature, extent and frequency of such assessments. We ask that Board members advise us if they do not concur with the assessment made by management in your management representation letter to us.

The key questions we are required to ask the trustees are as follows:

- Are you aware of any instances of actual, suspected or alleged fraud?;
- What are your processes for identifying and responding to the risk of fraud?; and
- What communication is made with the Audit Committee and the Board with regards to processes for identifying and responding to the risk of fraud?

- Contents
- Appendices contents
- Trustee's responsibilities
- Our responsibilities
- Fraud
- Communication

# COMMUNICATION WITH YOU

Contents

[Appendices contents](#)

Trustee's responsibilities

Our responsibilities

Fraud

[Communication](#)

## Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Audit & Risk Management Committee acting on behalf of the Trustee. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

## Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

# LETTER OF REPRESENTATION

## Red text is update to previous draft

TO BE TYPED ON YOUR HEADED NOTEPAPER

BDO LLP  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex, RH6 0PA

Dear Madams/Sirs

### Financial Statements of Bridge House Estates for the year ended 31 March 2021

We confirm that the following representations given to you in connection with your audit of the charity's financial statements (the "financial statements") for the year ended 31 March 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of Members and officials of the charity.

We have fulfilled our responsibilities as the Trustee for the preparation and presentation of the financial statements as set out in the terms of the audit engagement letter, and in particular that the financial statements give a true and fair view of the financial position of charity as at 31 March 2021 and of the results of the charity's operations and cash flows for the year then ended in accordance with the applicable financial reporting framework and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the charity have been made available to you for the purpose of your audit and all the transactions undertaken by the charity have been properly reflected and recorded in the accounting records.

### Going concern

We have made an assessment of the charity's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the charity is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment, we considered the financial impact of Covid-19 upon the charity and its impact on our going concern assessment. In making our assessment we have prepared forecasts for the charity which include looking ahead at least 12 months from the date on which the financial statements will be signed and approved. We have considered the cash position of the charity and have considered the financial resources available to the charity, in determining the cash flow resources and requirements of the charity over the period of our going concern assessment. We have considered the investment property portfolio, along with considering the impact of changes in fair values of that portfolio and making reasonable assessments in relation to returns from the investment portfolio and the potential level of bad debts.

We have also considered the fair value of the financial investments of the charity, in respect of both cash or short-term cash investments along with other financial investments, along with the expected returns from those investments. We have considered the liquidity i.e. the ability of the charity to realise these financial investments to generate cash flow as required, and have also considered the impact of changes in market value of the investments as part of a going concern assessment.

Having performed our assessment we were able to conclude that the charity is able to continue to operate as a going concern and that it is appropriate to

Contents
Appendices contents
Trustee's responsibilities
Our responsibilities
Fraud
Communication
Letter of representation
Letter of representation Cont.
Letter of representation Cont.
Letter of representation Cont.
Auditor's Report
Auditor's Report Cont.
Auditor's Report Cont.
Auditor's Report Cont.
Financial Reporting and governance
Financial Reporting and governance
TAX
TAX
Charity financial and regulatory
Charity financial and regulatory
OUTSTANDING MATTERS ADDENDUM

# LETTER OF REPRESENTATION CONT.

prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the charity's ability to continue as a going concern.

## Laws and regulation

In relation to those laws and regulations which provide the legal framework within which our business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

## Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

## Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

## Misstatements

We attach a schedule showing uncorrected narrative misstatements that you identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below.

In our opinion, the effects of not correcting such identified misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

## Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable accounting framework.

Other than as disclosed in note 27 to the financial statements, there were no loans, transactions or arrangements between the charity and the charity's Trustee or their connected persons at any time in the year which were required to be disclosed.

In the opinion of the Trustee the charity has no controlling party.

## Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

### Contents

Appendices contents

Trustee's responsibilities

Our responsibilities

Fraud

Communication

Letter of representation

Letter of representation Cont.

Letter of representation Cont.

Letter of representation Cont.

Auditor's Report

Auditor's Report Cont.

Auditor's Report Cont.

Auditor's Report Cont.

Financial Reporting and governance

Financial Reporting and governance

TAX

TAX

Charity financial and regulatory

Charity financial and regulatory

OUTSTANDING MATTERS  
ADDENDUM

# LETTER OF REPRESENTATION CONT.

## Accounting estimates

### 1. Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 2.9%
- Rate of inflation (RPI): 3.2%
- Rate of increase in salaries: 3.9%
- Rate of increase in pensions: 2.9%
- Rate of discounting scheme liabilities: 2.0%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

### 2. Valuation of investment properties

The Charity's property investment portfolio has been valued by Cushman and Wakefield and Savills in accordance with the RICS Global Standards 2020 as at 31 March 2021, based on tenancy and rental information that was correct at that date.

### 3. Valuation of private equity investments

We confirm that private equity investments are valued based on the latest available information from the individual private investment fund managers as at 31 March 2021 and therefore represent fair value of the funds as at the balance sheet date.

We confirm that no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

## Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

## Serious incident reports

We confirm that no serious incident reports have been made to the Charity Commission during the period or since the end of the period.

## Charity income

All grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions during the period in the application of such income.

## Contents

Appendices contents

Trustee's responsibilities

Our responsibilities

Fraud

Communication

Letter of representation

Letter of representation Cont.

Letter of representation Cont.

Letter of representation Cont.

Auditor's Report

Auditor's Report Cont.

Auditor's Report Cont.

Auditor's Report Cont.

Financial Reporting and governance

Financial Reporting and governance

TAX

TAX

Charity financial and regulatory

Charity financial and regulatory

OUTSTANDING MATTERS  
ADDENDUM

# LETTER OF REPRESENTATION CONT.

## Short term investments - presentation of cash flows

The financial statements show, within investing activities in the cash flow statement, the cash flow movement for short-term investments, on a net basis (shown as "cash deducted from short-term deposits"). Following discussion with the treasury team within the city of London Corporation, as the vast majority of the short-term investments balance relates to City Fund (a fund of the City of London Corporation), and having considered the size and significance of the short-term investments to us click the charity, the proportion of the gross cash flow movements that relate to the charity, for disclosure within the financial statements of the charity on the gross basis, would be immaterial to the financial statements of the charity. Accordingly the cash flow movement has been shown on a net basis within the cash flow statement.

## Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each trustee has taken all the steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Caroline Al-Beyerty

(Signed on behalf of the Trustee)

Date: .....

Contents
Appendices contents
Trustee's responsibilities
Our responsibilities
Fraud
Communication
Letter of representation
Letter of representation Cont.
Letter of representation Cont.
Letter of representation Cont.
Auditor's Report
Auditor's Report Cont.
Auditor's Report Cont.
Auditor's Report Cont.
Financial Reporting and governance
Financial Reporting and governance
TAX
TAX
Charity financial and regulatory
Charity financial and regulatory
OUTSTANDING MATTERS ADDENDUM

# AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT TO TRUSTEE OF BRIDGE HOUSE ESTATES

### Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements of Bridge House Estates ("the Charity") for the year ended 31 March 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remain independent of the Charity in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

#### Contents

Appendices contents

Trustee's responsibilities

Our responsibilities

Fraud

Communication

Letter of representation

Letter of representation Cont.

Letter of representation Cont.

Letter of representation Cont.

Auditor's Report

Auditor's Report Cont.

Auditor's Report Cont.

Auditor's Report Cont.

Financial Reporting and governance

Financial Reporting and governance

TAX

TAX

Charity financial and regulatory

Charity financial and regulatory

OUTSTANDING MATTERS  
ADDENDUM



# AUDITOR'S REPORT CONT.

## Other information

The Trustee is responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The other information comprises: Overview of the year; Origins of the charity; Trustee's Annual Report; Trustee Responsibilities; Report of the Audit Review Panel; Reference and Administration Details. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion;

- the information contained in the financial statements is inconsistent in any material respect with the Trustees' Annual Report; or
- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Trustees

As explained more fully in the Trustee responsibilities statement, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Charity or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Contents
Appendices contents
Trustee's responsibilities
Our responsibilities
Fraud
Communication
Letter of representation
Letter of representation Cont.
Letter of representation Cont.
Letter of representation Cont.
Auditor's Report
Auditor's Report Cont.
Auditor's Report Cont.
Auditor's Report Cont.
Financial Reporting and governance
Financial Reporting and governance
TAX
TAX
Charity financial and regulatory
Charity financial and regulatory
OUTSTANDING MATTERS ADDENDUM

## AUDITOR'S REPORT CONT.

### Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory framework applicable to the Charity. We focused on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Charity. The laws and regulations we considered in this context were United Kingdom Accounting Standards (Financial Reporting Standard 102), the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities (FRS 102), and the Charities Act 2011.
- We understood how the Charity is complying with those legal and regulatory frameworks, by making enquiries to management, and the Trustee, of known or suspected instances of non-compliance with laws and regulations. We corroborated our enquiries through our review of key committee board minutes.
- We reviewed the financial statement disclosures to assess compliance with the relevant laws and regulations discussed above. We remained alert to any indications of non-compliance throughout the audit.
- We assessed the susceptibility of the Charity's financial statements to material misstatement, including how fraud might occur, by discussing with management and the Trustee to understand where it is considered there was a susceptibility of fraud.
- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements, and determined that the principal risks were related to the override of controls by management including posting of inappropriate journal entries, management bias in key material accounting estimates, and the timing of income recognition.
- Audit procedures performed in response to the assessment above included: Enquiries of management; reviewing accounting estimates for bias and challenging assumptions made by management in their significant accounting estimates including, but not limited to, valuation of investment properties, valuation of the Charity's financial investments, measurement of the defined benefit pension scheme liability; Sample testing the recognition of income, Sample testing the appropriateness of journal entries.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Contents

Appendices contents

Trustee's responsibilities

Our responsibilities

Fraud

Communication

Letter of representation

Letter of representation Cont.

Letter of representation Cont.

Letter of representation Cont.

Auditor's Report

Auditor's Report Cont.

Auditor's Report Cont.

Auditor's Report Cont.

Financial Reporting and governance

Financial Reporting and governance

TAX

TAX

Charity financial and regulatory

Charity financial and regulatory

OUTSTANDING MATTERS  
ADDENDUM

# AUDITOR'S REPORT CONT.

## Use of our report

This report is made solely to the Charity's trustee, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP, statutory auditor

London, UK

Date:

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

### Contents

Appendices contents

Trustee's responsibilities

Our responsibilities

Fraud

Communication

Letter of representation

Letter of representation Cont.

Letter of representation Cont.

Letter of representation Cont.

Auditor's Report

Auditor's Report Cont.

Auditor's Report Cont.

Auditor's Report Cont.

Financial Reporting and governance

Financial Reporting and governance

TAX

TAX

Charity financial and regulatory

Charity financial and regulatory

OUTSTANDING MATTERS  
ADDENDUM

# LOOKING FORWARDS

Please note that we have issued a separate comprehensive publication : CHARITIES & COVID-19. This is available on our website <https://www.bdo.co.uk/en-gb/home>, and is updated regularly.

The following developments are therefore of general application to all larger charities, and are included because we recognise that trustees often have an interested in the wider sector.

# FINANCIAL REPORTING AND GOVERNANCE

<b>Contents</b>	
Appendices contents	
Trustee's responsibilities	
Our responsibilities	
Fraud	
<b>Communication</b>	
Letter of representation	
Letter of representation Cont.	
Letter of representation Cont.	
Letter of representation Cont.	
Auditor's Report	
Auditor's Report Cont.	
Auditor's Report Cont.	
Auditor's Report Cont.	
Financial Reporting and governance	
Financial Reporting and governance	
TAX	
TAX	
Charity financial and regulatory	
Charity financial and regulatory	
OUTSTANDING MATTERS ADDENDUM	
	<b>Financial Reporting Council</b>
	The FRC has requested companies to provide more information about how boards have assessed the entity's going concern position, especially where there is any uncertainty over the financial future. Significant judgements should also be explained. At the same time they identified opportunities for companies to reduce duplication of material in the accounts and annual report. Although this is addressed to commercial entities, the same principles apply to charities. The FRC say that investors ( supporters?) seek information relating to risks, uncertainties and opportunities that contributes to their understanding of a company's business model, longer term strategy, resilience and viability. The annual report should therefore cover context, form (how risks are identified and classified), approach, linkage to wider strategy, response, and scenarios and stress testing.
	The FRC has also issued guidance for the 2021 year end reporting season. In particular they highlight the climate change disclosures required by premium listed companies that charities may wish to consider. The FRC expects material climate change policies, risks and uncertainties to be included in narrative reporting and appropriately considered and reflected in the financial statements.
	<b>Alternative Performance Measures</b>
	The FRC has conducted a review of the use by companies of Alternative Performance Measures (APM). These are measures that are usually derived from the financial statements and used to explain performance in a way the board feels is more relevant to the company's needs or situation. The report is not aimed at charities, but it is not uncommon for charities to include performance measures in their annual report which are not simply drawn from the Sorp based accounts. In that situation the FRC say that while companies generally provided good quality APM disclosures, their context needs to be better explained, particularly as profit-based APMs tended to be more favourable than their GAAP results. Companies should clearly define their APMs and explain why they are needed, but not give them greater focus than their GAAP equivalents.
	<b>Provisions, Contingent Liabilities and Contingent Assets</b>
	The FRC has also reviewed companies' treatment of Provisions, Contingent Liabilities and Contingent Assets. The review found scope for improvements in several areas, in particular in: explaining how the amounts of expected outflows have been estimated, identifying the key assumptions applied and describing the associated uncertainties; disclosing the phasing of outflows companies expect to see as they utilise their provisions; and describing the underlying costs for which companies make provisions.
	<b>Revised Audit standard on fraud</b>
	The FRC has issued a revised standard (ISA 240) for the auditor's responsibilities relating to fraud, effective for December 2022 year ends. The revisions clarify the auditor's obligations, and enhance the requirements for the identification and assessment of risk of material misstatement due to fraud and the procedures to respond to those risks.

# FINANCIAL REPORTING AND GOVERNANCE

<b>Contents</b>	<b>Amendments to FRS 102: COVID -19 related rent concessions</b>
Appendices contents	
Trustee's responsibilities	A further revision to FRS102 affects temporary rent concessions occurring as a direct consequence of the COVID-19 pandemic and within a limited timeframe. This now applies to rent concessions that reduce lease payments originally due on or before 30 June 2022. The change requires entities to recognise such changes on a systematic basis over the periods that the change in lease payments is intended to compensate.
Our responsibilities	
Fraud	
<b>Communication</b>	<b>Corporate Board Diversity</b>
Letter of representation	The FRC has published research (Board Diversity and Effectiveness in FT350 Companies) showing that diverse boards are beneficial in terms of boardroom culture and performance. To maximise these benefits boards should recognise that change takes time and that diversity without active inclusion is unlikely to encourage new talent to the board. The main findings of the research concluded that: <ul style="list-style-type: none"> <li>• It is the responsibility of the Chair of a board to drive inclusion.</li> <li>• Organisations must focus on collecting more data on the types of diversity, board dynamics and social inclusion</li> <li>• the Nomination Committee, or equivalent, should itself be diverse and access talent from wide and diverse pools.</li> </ul>
Letter of representation Cont.	
Letter of representation Cont.	
Letter of representation Cont.	
Auditor's Report	<b>Workforce engagement</b>
Auditor's Report Cont.	The UK Corporate Governance Code asks companies to report on their engagement with the workforce. The Financial Reporting Council (FRC) has published research on recent annual reports concluding that an effective feedback loop between boards and the workforce is needed to achieve meaningful dialogue, those who act as an interface between the board and the workforce, should receive appropriate support, and energies should be focussed principally on the substance of the engagement, not the process.
Auditor's Report Cont.	
Auditor's Report Cont.	
Financial Reporting and governance	
Financial Reporting and governance	
TAX	
TAX	
Charity financial and regulatory	
Charity financial and regulatory	
OUTSTANDING MATTERS ADDENDUM	

<b>Contents</b>	<b>HMRC Concessions for Retail Gift Aid</b>
Appendices contents	
Trustee's responsibilities	As a result of disruption caused by the pandemic, charities have not been able to meet all the HMRC's requirements for the Retail Gift Aid scheme. As a result HMRC has provided limited concessions relating to end of year letters, returned mail, oral declarations, staff and volunteer training, and the scheduling of internal audit visits.
Our responsibilities	
Fraud	
<b>Communication</b>	<b>Budget 2021</b>
Letter of representation	The recent budget had little to offer charities. However trustees may wish to note the introduction of a new temporary business rates relief scheme for 2022-23, which may be of use to some charities. In addition there is an extension of the Museums and Galleries Exhibition Tax Relief (MGETR) for a further two years until 31 March 2024.
Letter of representation Cont.	
Letter of representation Cont.	
Letter of representation Cont.	
<b>Auditor's Report</b>	<b>Tax increases</b>
Auditor's Report Cont.	From 1 April 2022, there will be a temporary 1.25% increase in class 1 (employee) and class 4 (self-employed) national insurance contributions (NIC) paid by workers, as well as a 1.25% increase in class 1 secondary NIC paid by employers (to 2.5% in total). The 1.25% increase will also apply to class 1A and class 1B NIC paid by employers. The projected £12bn annual income is to be ringfenced to pay for health and social care. From the same date, dividend tax rates will increase by 1.25%, taking rates to: 8.75% for basic rate taxpayers, 33.75% for higher rate taxpayers and 39.35% for additional rate taxpayers
Auditor's Report Cont.	Charities will need to budget for the impact of these changes on their personnel costs, and consider any possible impact on donor income and tax to cover.
Auditor's Report Cont.	
Financial Reporting and governance	
Financial Reporting and governance	
<b>TAX</b>	
TAX	
Charity financial and regulatory	
Charity financial and regulatory	
<b>OUTSTANDING MATTERS ADDENDUM</b>	

Contents
Appendices contents
Trustee's responsibilities
Our responsibilities
Fraud
Communication
Letter of representation
Letter of representation Cont.
Letter of representation Cont.
Letter of representation Cont.
Auditor's Report
Auditor's Report Cont.
Auditor's Report Cont.
Auditor's Report Cont.
Financial Reporting and governance
Financial Reporting and governance
TAX
TAX
Charity financial and regulatory
Charity financial and regulatory
OUTSTANDING MATTERS ADDENDUM

**VAT apportionment and outside the scope income**

In a number of recent cases HMRC has argued that receipt of outside scope grants to support a business causes the input tax on all the business costs to be apportionable pro rata to the taxable income and outside scope income received. Charities often receive grants and donations that they use to support charitable trading activities. This currently seems open to attack by HMRC, although with no success reported to date.

**VAT liability of coronavirus (COVID-19) testing services**

An HMRC brief explains the rules for the VAT treatment of coronavirus (COVID-19) testing services. This is relevant to any organisation that provides or receives such services. Where the service of Covid -19 testing is treated as medical care the service would normally be exempt, and the same applies to the supply of test kits. However, this position is dependant on a number of detailed factors, and charities should consider their own situation carefully to ensure the Vat treatment applied is correct.



# CHARITY FINANCIAL AND REGULATORY

## Sorp example accounts

The Sorp example accounts available on the Sorp microsite, now include two examples dealing with the implications of the pandemic. Issues addressed include: closure of services, accounting for furlough, deteriorating trade, contingent grant funding support, donations of cancelled tickets, a public appeal, changes in expenditure to reflect working from home, and revised annual report wording.

## Whistleblowing

The Charity Commission has issued its latest report on whistleblowing reports received in its role as a prescribed person. Over 2021 disclosures increased by 75%, mainly from employees but increasingly from trustees. The main issues raised related to governance, safeguarding and financial management

## Charities Bill 2021

The Charities Bill 2021 includes several changes that will affect any charity. Many of the proposals are technical, and relate to the Charity Commission's functions, or will be of specific interest to a limited class of charities. However the more wide ranging recommendations for charities, include:

- allowing trustees to be paid for goods, as well as services, in certain situations
- simplifying the process on ex gratia payments
- giving charities more flexibility to obtain tailored advice when they sell land, and removing unnecessary administrative burdens
- increased flexibility to use permanent endowment, with checks in place to ensure its protection in the long term
- removing legal barriers to charities merging, when a merger is in their best interests
- giving trustees advance assurance that litigation costs in the Charity Tribunal can be paid from the charity's funds

A more detailed analysis can be found here: <https://www.bdo.co.uk/en-gb/insights/industries/not-for-profit/charities-bill-briefing-proposed-changes>

## Impact of Covid-19 on charities

The Charity Commission reported in October on the impact of Covid-19 on charities. Amongst their findings they note that there is a mixed view on charities' future viability. A significant minority (34%) expect to generate less revenue from fundraising and donations in 2022; over half (62%) anticipate a threat to their charity's financial viability in the next 12 months; however, a majority expect their charity to be in the same or better position overall.

## Public Trust in Charities

The Charity Commission has released independent research, also referenced by the OSCR, showing that trust in charities is gradually recovering, to a 6-year high. The research shows that charities are among the most trusted groups in society, third only after doctors and the police. The findings also indicate that a decade-long decline in people's perception of charities' importance in society has partially reversed - 60% of those asked say charities play an important or very important role, compared to 55% last year. This modest uptick may be linked in part to the COVID-19 pandemic, and charities' visible role in responding to the national crisis. Meanwhile, very high-profile scandals in household name charities appear to be retreating in the collective memory.

The findings confirm that the key drivers of trust in charities have not changed during the pandemic, and that people expect charities to: show that they make a positive difference  
spend a high proportion of funds on the end cause, and  
live their values, showing charity not just in what they do, but how they behave along the way

### Contents

Appendices contents

Trustee's responsibilities

Our responsibilities

Fraud

Communication

Letter of representation

Letter of representation Cont.

Letter of representation Cont.

Letter of representation Cont.

Auditor's Report

Auditor's Report Cont.

Auditor's Report Cont.

Auditor's Report Cont.

Financial Reporting and governance

Financial Reporting and governance

TAX

TAX

Charity financial and regulatory

Charity financial and regulatory

OUTSTANDING MATTERS  
ADDENDUM

# CHARITY FINANCIAL AND REGULATORY

<b>Contents</b>	<b>Charity Commission blog</b>
Appendices contents	In a blog from the Charity Commission the following typical issues were identified for charities coming out of the pandemic: anticipated challenges with long-term funding, how hard it has been to plan long term, due to uncertainty over restrictions, difficulties with recruitment, the time it will take to be able to return to ways of operating from before the pandemic, and challenges in returning to pre-pandemic levels of engagement when working with vulnerable people. Charities often have more in common with other organisations than they expect, and may benefit from sharing how they have responded to these issues
Trustee's responsibilities	
Our responsibilities	
Fraud	
<b>Communication</b>	<b>CCNI and COVID 19 reporting</b>
Letter of representation	The Charity Commission of Northern Ireland has issued a checklist covering COVID-19 disclosures. A key message in the Trustees Annual Report will be the impact of the coronavirus on the charity and how the charity will need to adopt and change its plans going forward. Charities registered in Northern Ireland should consult this guidance in respect of their annual report and accounts.
Letter of representation Cont.	
Letter of representation Cont.	
Letter of representation Cont.	
Auditor's Report	<b>Remuneration practices</b>
Auditor's Report Cont.	There continues to be interest in the levels of pay for higher paid staff in charities, both from the media and the regulators. The FRC has commented on reporting remuneration practices in the FTSE 350, and some of its comments could equally apply to charities. The FRC comment on the trend to disclose more information on remuneration, that most companies link rewards to long term performance, but that there is still a lack of detail on the principles relating to remuneration setting. Rob Wilson, sometime minister for civil society, has called for salary disclosure to be compulsory on charities' websites and annual reports if they have an annual income of over £500,000.
Auditor's Report Cont.	
Auditor's Report Cont.	
Financial Reporting and governance	<b>Government funding</b>
Financial Reporting and governance	The Public Accounts committee has published its report into how DCMS distributed coronavirus support funds to charities. It has noted that there was insufficient attention given to charities' impact and benefit to taxpayers, and an implication that subjective decisions were taken. One can expect that any future funding will be allocated more transparently, based on measurable outcomes.
TAX	
TAX	
Charity financial and regulatory	<b>Fundraising</b>
<b>Charity financial and regulatory</b>	The Fundraising Regulator reports that online fundraising is now the most complained about technique, which probably reflects changes in activity during the pandemic. However, complaint levels are generally low, at less than one in 1.9m contacts. Charity bags and mail were the next biggest sources of complaint. Trustees are reminded that information relating to fundraising standards is required in the annual report of all charities subject to audit.
OUTSTANDING MATTERS ADDENDUM	

# OUTSTANDING MATTERS ADDENDUM

Contents
Appendices contents
Trustee's responsibilities
Our responsibilities
Fraud
Communication
Letter of representation
Letter of representation Cont.
Letter of representation Cont.
Letter of representation Cont.
Auditor's Report
Auditor's Report Cont.
Auditor's Report Cont.
Auditor's Report Cont.
Financial Reporting and governance
Financial Reporting and governance
TAX
TAX
Charity financial and regulatory
Charity financial and regulatory
OUTSTANDING MATTERS ADDENDUM

Matter in preliminary report	Summary of Audit Committee Actions	Follow up work performed (including misstatements Identified)	Conclusion
The completion of our testing of input data into the investment property valuations	Not required	Our testing of the input data is now complete.	We have no further issues to bring to your attention.
The review of the financial statements updated for BDO's feedback	Not required	Final review of the accounts and disclosures has been completed.	We have no further issues to bring to your attention.
A number of related party declarations are currently outstanding from members	New control recommendation on page 21 of this report to be considered.	Not all members have returned declarations. In addition, we have noted some returns not being fully accurate. As a result, we have raised a new control recommendation on page 21.	We have undertaken alternative testing to get comfort over the disclosures made in the financial statements. We have no further issues to bring to your attention.
Subsequent events review to the date of the signing of the accounts	Not required	Subsequent events were updated to the date of approval of the financial statements	We have no further issues to bring to your attention.
Receipt of signed letter of representation	Not required	Signed representation letter was obtained. It should be noted that a late change was made to this in respect of short term investments - this is set out on page 33 of this report in red ink.	We have no further issues to bring to your attention.

FOR MORE INFORMATION:

**Heather Wheelhouse**

m: +44(0)7798 653 994

e: [heather.wheelhouse@bdo.co.uk](mailto:heather.wheelhouse@bdo.co.uk)

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the Charity and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

© November 2021 BDO LLP. All rights reserved.

[www.bdo.co.uk](http://www.bdo.co.uk)

<b>Committee</b>	<b>Date</b>
Bridge House Estates Board	11 January 2022
<b>Subject:</b> Update on BHE Contingency Funds	<b>Public</b>
<b>Which outcomes in the <i>BHE Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?</b>	<b>All</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>Report of:</b> Managing Director, BHE and The Chamberlain	<b>For information</b>
<b>Report Author:</b> Karen Atkinson, BHE & Charities Finance Director	

## Summary

This report has been produced to provide the Bridge House Estates Board with an update on the 2021/22 Central Contingencies uncommitted balances held by Bridge House Estates (BHE).

Since the last report to the Board in November 2021, there have been no bids approved under urgency. A separate request is being presented at this meeting for consideration relating to a feasibility report relating to the bridges for an amount ranging between £138 – 230k.

Since the November Board meeting, information has been provided to the Charities Finance team regarding a central provision held by the City Corporation, approved prior to the establishment of the BHE Board, relating to the costs of early retirement by staff. An element of this central provision covers staff who work on behalf of BHE. The £127,000 relating to this has now been deducted from the central contingency fund held by the charity.

## Recommendation

It is recommended that Members, in discharge of functions for the City Corporation as Trustee of Bridge House Estates (charity reg. no. 1035628) and solely in the charity's best interests:

- a) Note the central contingency budgets currently held by BHE for 2021/22 (para 4);
- b) Note that an amount between £138 - 230k is being requested from the central contingency provision at Item 16 on the agenda for a feasibility report relating to the bridges (para 6).

## Main Report

### Background

1. The annual budgets prepared by departments for the activities of BHE that are within their responsibility do not hold any significant contingencies. The budgets directly overseen by the BHE Board include central contingencies to meet unforeseen and/or exceptional items that may be identified across the range of activities undertaken by the charity. Requests for allocations should demonstrate why the costs cannot, or should not, be met from existing provisions.

2. The central contingency budget held for BHE for 2021/22 is £850k, following an uplift approved by Court in October 2021.
3. In addition to the above central contingency, the BHE budget includes provisions of £175k for apprentice costs and £50k for joint projects with the City Corporation. The latter fund is held to enable smooth decision making for cross-cutting City Corporation projects that affect all three Funds, enabling the Finance Committee to consider the impact of the total request. The BHE Board approves BHE's contribution to any such joint project.

### Current position

4. The uncommitted balances that are currently available for 2021/22 are set out in the table below:

<b>2021/22 Central Contingencies - Uncommitted Balances 11 January 2022</b>					
	Central Fund	Contribution Pay	Apprentice costs	Joint Projects with City Corporation	Total
	£'000	£'000	£'000	£'000	£'000
<b>Contingencies:</b>					
2021/22 Provision approved		40	175	50	265
2021/22 Provision uplift approved	810				810
2021/22 Transfers	40	(40)			0
<b>Total Provision</b>	<b>850</b>	<b>0</b>	<b>175</b>	<b>50</b>	<b>1,075</b>
Previously agreed allocations @ Nov 2021	(330)	0	(24)	(31)	(385)
Approved under Urgency post 24 Nov 2022	0	0	0	0	0
Pending request on Jan 2022 agenda	(357)	0	0	0	(357)
<b>Total commitments</b>	<b>(687)</b>	<b>0</b>	<b>(24)</b>	<b>(31)</b>	<b>(742)</b>
<b>Uncommitted Balances @ Jan 2022</b>	<b>163</b>	<b>0</b>	<b>151</b>	<b>19</b>	<b>333</b>

The amounts which the Board has either previously allocated or are pending approval are detailed in **Appendix 1**, within the non-public agenda.

5. Since the November Board meeting took place, information has been provided to the Charities Finance team regarding a central provision held by the City Corporation, approved prior to the establishment of the BHE Board, relating to costs attributable to early retirement, as taken by some staff within the organisation. An element of this central provision covers staff who work on behalf of BHE. The actual costs attributable to staff that work on behalf of the charity total £127,000, an amount which has now been deducted from the central contingency fund held by the charity.
6. Within the reports presented at this meeting, a request is being made for a feasibility report relating to the charity's bridges in 2021/22. The amount requested is between £138 – 250k, with the higher amount having been included within the above table to illustrate the impact on the contingency funds held.
7. At the time of preparing this report, there are no further requests for allocations from the contingency funds elsewhere on the agenda.

## Corporate & Strategic Implications

8. Strategic implications: The provision of a suitable contingency budget held by the BHE Board as outlined in this paper support the aims and objectives of BHE's overarching strategy, *Bridging London 2020 – 2045*.
9. Resource implications: nil.
10. Legal implications: nil.
11. Equalities implications: nil.
12. Financial implications: The contingency funds noted within this report are an approved element of the 2021/22 budget held by BHE. Applications to utilise these funds do not therefore create additional demand from the reserves held by the charity.
13. Climate implications: nil
14. Security implications: nil

## Conclusion

15. Members are asked to note the current contingency budgets held by BHE, and to note the request for a feasibility report relating to the bridges from the Central contingency fund at Agenda Item 16.

## Appendix

- Appendix 1 – Non-public appendix at Item 15 - 2021/22 Central Contingencies - Uncommitted Balances 11 January 2022.

### **Karen Atkinson**

BHE & Charities Finance Director

020 4526 1221

[karen.atkinson@cityoflondon.gov.uk](mailto:karen.atkinson@cityoflondon.gov.uk)

This page is intentionally left blank



<b>Committee</b>	<b>Date</b>
Bridge House Estates Board	11 January 2022
<b>Subject: Alliance Partnerships - Greater London Authority (18980).</b>	<b>Public</b>
<b>Which outcomes in the <i>BHE Bridging London 2020 – 2045</i> Strategy does this proposal aim to support?</b>	1,3
<b>Which outcomes in City Bridge Trust’s funding strategy, <i>Bridging Divides</i>, does this proposal aim to support?</b>	Reducing inequalities, Every Voice Counts, Progressive, Collaborative, Inclusive, & Representative values.
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b> (£750k recommended from current year budget)
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b><i>Bridging Divides</i> allocation 2021-2022. BHE Unrestricted Income Funds – designated fund for grant making</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>Yes</b>
<b>Report of:</b> David Farnsworth, Managing Director of BHE	<b>For Decision</b>
<b>Report Author:</b> Sam Grimmett Batt, Funding Director /Matt Robinson, Funding Manager.	

### Summary

This report requests funding of £720,000 towards the collaborative funding programme being led and administered by the Greater London Authority (GLA) for programme specific costs to provide additional support to funded organisations, and onward grant-making to grass-roots charities led by and for London’s communities as an “Alliance Partnership” funding programme. The proposed funding does not relieve GLA of any public funding or other obligations. The report also provides information regarding the decision taken by the BHE Board’s Grants Committee to earmark up to £15m of further funding within the designated grant-making budget before the end of March 2023 towards other similar collaborations with established funders as “Alliance Partnerships”, piloting an “Alliance Partnerships fund”. Those arrangements are intended to provide for expenditure of some of the significant uplift in the grants-funding designated budget further to the decision of the Court in March 2020, in a manner which maximises collaborative, leveraging, and catalysing potential, and thus the impact of those funds, as well as applying lateral thinking in order to utilise funding efficiently, reducing the need to temporarily increase staffing and the costs of administration.

## Recommendations

### It is recommended that:

- a) The update be noted on the proposed focus on Alliance Partnership fund arrangements, including the proposed application of funding from the designated grant-funding budget uplift towards this collaborative funder activity, in furthering the charity's ancillary object.
- b) It be agreed that a restricted grant of **£720,000** be made to the Greater London Authority (GLA, devolved regional governance body of the London region) for the Civil Society Roots 3 programme as an Alliance Partnership programme, with up to £120,000 to be spent on administration costs including the salary of a coordinator (the job description of the coordinator to be provided as a condition of the grant). A payment schedule will be drawn up, allowing the funds to be paid to the GLA in instalments, with payments to be received by the GLA prior to onward grants being committed and/or paid.

## Main Report

### Background

1. City Bridge Trust (CBT) as the funding arm for Bridge House Estates (BHE) has engaged in collaborative funding practices for much of its history – particularly, but not limited to, support of London's voluntary and community sector infrastructure. The table at **Appendix 1** demonstrates exemplars of CBT collaborations with other funders, including a number involving the awarding of funds to be used for onward grantmaking activities by the grant-holder.
2. It has widely been agreed across the sector that collaborative funding approaches are required for a thriving civil society and should form a healthy part of the overall funding ecosystem. Reports by London Funders<sup>1</sup>, ACF<sup>2</sup>, IVAR<sup>3</sup>, and CBT's own commissioned reports from learning partner Renaisi<sup>4</sup> have consistently recommended that independent funders with the ability to work collaboratively should do so as far as possible.
3. In March 2020 the Court of Common Council for the City Corporation as Trustee of BHE resolved to allocate a further £200m in funding to the charity's ancillary object, a sum over and above the annual budget allocated to those activities. These designated funds are applied in accordance with the charity's *Bridging Divides 2018-23* Funding Strategy, and the BHE Board's Grants Committee is responsible for application of

---

<sup>1</sup> [London Funders, 2021: London Community Response learning Reports](#)

<sup>2</sup> [ACF, 10 Pillars of Stronger Foundations](#)

<sup>3</sup> IVAR, 2016: [Funder Collaboration: is it worth it?](#)

<sup>4</sup> Various iterations have been included in papers over time, copy of most recent review available on request.

those funds, other than in respect of decisions over £500,000 which are reserved to the BHE Board, as is presented here for consideration to the BHE Board.

### **Alliance Partnerships – Introduction & Update**

4. For these reasons, at their meeting on 6<sup>th</sup> December the BHE Board's Grants Committee earmarked up to £15m over the next 12-18 months towards "Alliance Partnership fund" initiatives. Alliance Partnership grants will be awarded in order to advance the mission and vision of the charity's *Bridging Divides 2018-23* Funding Strategy, and will not be usually awarded to augment the "business as usual" day to day operations of other funders i.e. it is intended to "add value" and generate increased impact. Key features of recommendations for Alliance Partnerships will include:
  - a. The funds will be awarded to established funders, with a track record of delivering grant funding programmes, where the organisation's primary aim (or primary aim within civil society) is achieved by way of funding activities.
  - b. The funds will be awarded towards grant programmes which are in development, or recently begun, and which have a finite end point (this could include phased initiatives).
  - c. Initiatives to be funded must have involved significant scoping/evidence review work, where the funder has specialist knowledge of funding theme/priority that is additional to CBT's own reach. Evidence can include expertise by experience, including direct/lived experience.
  - d. The organisation receiving funds must be able to adequately ring-fence funding for onward distribution to work which benefits Londoners.
5. Whilst there is existing precedent for funding in this way, earmarking significant funds now is timely due to the confluence of an available uplift of funding to the designated grants funding budget (to further the charity's ancillary object) at a time when there is surging need in the sector, as it recovers from the pandemic and deals with the significant impacts of the pandemic on London's communities served by the sector. Like CBT, many funders have been re-evaluating their approaches and pivoting to more closely meet the needs of the sector, and will be opening new funding programmes. Few will have the benefit of additional funds available for distribution. By positioning ourselves as "funder allies" we can tap into and support the expertise and experience of other funders which have already dedicated extensive resources and time to scoping these funding initiatives, without needing to rapidly and unsustainably increase our own resources in terms of research and development, assessment, and grant management. This will maximise the impact and reach of CBT's funds for the benefit of Londoners.

6. Alliance Partnerships will, in seeking to add value and maximise impact from BHE's funds and activities in furthering the charity's ancillary object under its *Bridging Divides* funding Strategy:
  - a. Model a collaborative, generous approach to the wider sector, acknowledging that CBT does not always need to be "in the driving seat" in progressing initiatives which benefit Londoners.
  - b. Present an opportunity to leverage support from other funders.
  - c. Offer communications and influencing opportunities.
  - d. Allow CBT (and thus BHE) to benefit from proximity to more expert and specialist funders, and use BHE and its Trustee's total assets approach to amplify the work of those organisations with which we are collaborating, as well as to convene and enhance the reach of those organisations via our own networks.
7. By way of example, support for the first Alliance Partnership was agreed at the Grants Committee meeting on 6<sup>th</sup> December; by a grant of £499,999 to ROSA - a grant-making charity that funds grassroots women's organisations working to make the UK a fairer, safer place for women and girls. The grant is being applied to ROSA's Rise Fund which will award two-year grants of up to £40,000 to Black and minoritised-led women's organisations for organisational development work. CBT funds will only be used to support organisations benefitting Londoners (and the costs of administering such grants). A number of other funders are contributing, and a further £789k will be awarded from their funds to organisations operating outside of London.
8. Please note that this paper was previously titled "Alliance Fund" but the word "Partnership" has been added following Member input to avoid any confusion with other funders/funds which use the word "Alliance" in the name. Thus, these funding collaborations will now be referred to as an "Alliance Partnership" or "Alliance Partnership fund".

### **GLA and Civil Society Roots 3 Programme – An Alliance Partnership**

9. In 2016 The Way Ahead report<sup>5</sup>, commissioned by London Funders, was published outlining a vision for the way in which community needs in London could be met by the voluntary and community sector into the future. It outlined the need for consistent, sustainable, collaborative funding and led to the development of the Cornerstone Fund<sup>6</sup> in 2017. This was as a direct response to the recommendation that it was time to review the provision of infrastructure support to London's civil society, particularly given the changing economic climate.

---

<sup>5</sup> [The Way Ahead, 2018](#)

<sup>6</sup> The Cornerstone Fund is CBT's initiative to fund partnership work between civil society infrastructure organisations. See Appendix 1 for further information.

10. Following the development of the Cornerstone Fund, which supported partnership work explicitly, the Greater London Authority (GLA), working in collaboration with CBT and other stakeholders working in London, developed a further fund – the Civil Society Roots fund (referred to below as “Civil Society Roots 1”) - in support of civil society infrastructure bodies.
11. CBT and the GLA enjoy a trusted relationship, with the GLA having contributed £175,000 towards the first stage of the Cornerstone Fund. Most recently, the two organisations collaborated to become, respectively, the founder and first donor to the London Community Response Fund (LCRF) (a restricted fund held within BHE’s ancillary object), with both BHE and the GLA allocating £1m each within days of the announcement of the first lockdown in response to the coronavirus health pandemic in March 2020. Both later increased their allocations to the LCRF, with the GLA donating a total of £5.4m and CBT allocating £16m from BHE’s funds designated for application in furthering the charity’s ancillary object. During this time, strong relationships were built both between City of London Corporation (CoLC) officers, (those working on the activities of the LCRF and elsewhere for BHE, as well those CoLC officers in other Teams/departments working both to support the charity as Trustee of BHE and in the CoLC’s wider response to the pandemic), together with GLA officers who were also involved in contributing to the pan-London recovery response. CBT also recently contributed to the GLA’s “Festival of Ideas” funding some of the costs of the development and staging of community events across the capital to share and generate ideas and learning to feed into recovery work.
12. CBT grants made to statutory bodies in previous years have complied with the principle that this is only permitted where they are acting as an accountable body for onward distribution of funding to voluntary and charitable organisations, as in this case, and do not relieve those statutory bodies of any of their own funding obligations.

### Civil Society Roots 3

13. It is now proposed to further the objectives of collaborative working through the Alliance Partnerships concept through a further collaboration with the GLA in respect of its Civil Society Roots 3 programme. This programme seeks to support specialist infrastructure, being focused on equity organisations<sup>7</sup> within London, and building on two earlier initiatives:

- a. *Civil Society Roots 1, 2019 – a collaboration between the Mayor’s Office for Policing and Crime, CBT, and the National Lottery Community Fund.*

---

<sup>7</sup> Organisations which work specifically with communities affected by structural inequality, often those with protected characteristics including intersecting characteristics

This initiative offered grants of £100,000 over two years for specialist regional (London focused) infrastructure bodies supporting BME-led organisations, LGBT+-led organisations, Women's organisations, criminal justice organisations, and organisations led by disabled people.

*b. Civil Society Roots 2, 2020, GLA*

Launched in the wake of the first coronavirus/Covid-19 lockdown, £50,000 of "incubator" or micro grants, and £150,000 of collaboration development grants, were awarded to new and existing collaborations between infrastructure organisations.

14. *Civil Society Roots 3* will continue to have an equity focus but will also take a place-based approach<sup>8</sup> (focusing on specific boroughs). The programme will aim to strengthen local civil society support that focuses on relationship building, networking, and the development of collective voice and advocacy.
15. Beginning with a rapid evidence review, it will identify geographic cold spots (both in terms of the prevalence and strength of equity groups, and the support already in place to assist them). Following the rapid review, an "Ideas Camp" will bring together key organisations from 10-12 identified cold spot areas to facilitate dialogue, build relationships, and explore shared priorities. Organisations will be supported through pre-application workshops to develop their ideas and submissions. The funding will then be targeted to support projects that build networks and capacity within the cold spots. Equity groups and funders will be involved in the project design from the beginning with a view to generating maximum impact from each party's contribution, including that of CBT.
16. It is intended that any CBT funding contribution to *Civil Society Roots 3* will be awarded on a restricted basis to the GLA, specifically for the *Civil Society Roots 3* programme, with up to £120,000 to be spent on administration costs including the salary of a coordinator and under the condition that the job description of the coordinator be provided. A payment schedule will be drawn up, allowing the funds to be paid to the GLA in instalments, with payments to be received by the GLA prior to onward grants being committed and/or paid.
17. A grants panel of GLA and funder officers will make final decisions on the award of grants of between £5,000-£50,000, to each be spent over a two-year period. Funds will be awarded to user-led groups (organisations led by the communities that they serve), with a particular focus on strengthening support for communities that have been disproportionately impacted by Covid-19 as a result of structural inequalities.

---

<sup>8</sup> Place-based working is a person-centred, bottom-up approach used to meet the unique needs of people in one given location by working together to use the best available resources and collaborate to gain local knowledge and insight

This includes such disadvantage in relation to age, disability, ethnicity, gender, gender identity, religion, sexual orientation, and socio-economic position.

18. In addition to evidence and learning gathered within the evolution of the Cornerstone Fund and previous iterations of Civil Society Roots, this initiative will also take learnings from the creation of the Building Stronger Communities Mission during the development of the London Recovery Programme<sup>9</sup>, the creation of the Civic Strength Index<sup>10</sup>, and the Festival of Ideas - a series of events which explored individual and collective plans for building strong communities across London.

19. The timeline of the initiative is as follows:

- a. November-December 2021 – rapid evidence review.
- b. January-February 2022 – ideas camp, applications open and assessed.
- c. April 2022 onwards – funding awarded, grant management.

20. The National Lottery Community Fund (TNLCF) has indicated a commitment of £250,000 (via aligned funding, as it is limited by internal bureaucracy and is more easily able to align) bringing the total budget available exclusive of CBT funding to £530,000. CBT funding of £720,000 would match the available onward grant-making funds already committed, and also provide both - £100,000 (over two years) for non-grant support (an external consultant will be appointed to work with groups providing targeted “funder plus” style consultative support to funded groups, and bring them together as a cohort), and £120,000 (over two years, including on-costs, NIC etc) for a dedicated post providing ongoing one to one support and relational grant management to funded organisations (as well as grant management support). The post is equivalent in grade to similar posts at CBT and represents 11% of the total project budget.

21. Table of Civil Society Roots 3 budget and funder commitments

	<b>Admin (FTC post)</b>	<b>Grant support (consultant)</b>	<b>Onward grant making</b>	<b>Total contribution</b>
<b>CBT</b>	120,000	100,000	500,000	720,000
<b>GLA</b>	0	30000	250,000	280,000
<b>TNLCF</b>	0	0	250,000	250,000
<b>Total</b>	120,000	130,000	1,000,000	<b>1,250,000</b>

<sup>9</sup> The London Recovery Programme is the GLA’s [plan](#) to restore confidence in Greater London, minimise the impact on communities and build back better the city’s economy and society. It has been developed in consultation with London’s communities and other stakeholders including the CoLC.

<sup>10</sup> The [Civic Strength Index](#) was developed by the Young Foundation, commissioned by the GLA, and is a report and tool that aims to begin to measure what makes a strong community.

22. CBT Officers will meet regularly with the GLA and will design a monitoring process including reporting on the number and value of grants awarded, and aggregate information regarding the types of work funded.
23. Whilst CBT has ambitions to support equity-led, and especially smaller equity focused, user-led organisations, it has to date faced barriers to supporting these types of organisations at scale. During the operation of the LCRF (which also focused on such organisations), 61% of funded organisations had never received funding from CBT before. Supporting this initiative facilitates the bridging of this gap and will allow CBT to share learning from the programme. CBT does not always need to directly fund all of the types of organisations which meet its mission; one of the ways it can ensure that its funding has extended reach and impact is by, instead, funneling its resources to those organisations where that reach already exists.

#### GLA – Funding History

<b>Funding</b>	<b>Year</b>
£300,000 to support the three-year London Borough of Culture programme.	2017
£80,000 pilot fund for specialist civil society support organisations (Civil Society Roots 1).	2019
£300,000 towards commissioning charities to support Young Londoners Fund projects.	2019
£19,675 for emergency food bank re-supply costs. COVID-19.	2020
£100,000 towards the provision of networks for Young Londoners Fund grantees in 2022.	2021

#### GLA – financial information

24. Given the size and nature of the entity as a statutory body, a shorter financial review has been undertaken. Consistent with previous grant awards to this organisation, and as agreed with the Charities Finance Team, the financial table was not deemed necessary.
25. Total reserves have declined from £1.1bn at 1 April 2019 to £728m at 31 March 2021. Budgets for 2021/22 and 2022/23 forecast the planned draw down from unallocated reserves will be smaller than in previous years, hence lower reductions in reserves are planned in these years. This is due in part to plans to stop investment in a number of programmes, and from savings made in core function costs as a result of the relocation of City Hall. In subsequent years, the level of draw down from reserves is anticipated to reduce further, though total reserves are expected to continue to reduce to a much lower level than currently, but this appears to be a part of future planning and does not present an overall delivery risk.



## **Conclusion**

26. CBT is committed to collaborative working with other funders and stakeholders within London to address inequality experienced by Londoners, and to maximise the impact of CBT's funding and activities. Awarding £720,000 to the GLA (Civil Society Roots 3 programme) supports CBT's vision for a London where all communities can thrive, allowing funds to be laser targeted to those communities which are most significantly facing barriers. It also supports the mission to reduce inequality and grow stronger more resilient communities, by ensuring that equity provision is accessible in every borough. The collaboration with the GLA, as well as the proposed wider Alliance Partnerships concept itself, speak to the values of being progressive, adaptive, collaborative, inclusive and representative. Earmarking funds for Alliance Partnerships has created a unique opportunity to apply some of the uplift funds to the charity's ancillary object in a collaborative, collegiate manner, facilitating the sustainability of civil society organisations, including fellow funders operating in London. It demonstrates CBT's commitment to funding work which most meets our mission and values and creating the greatest impact from our activities and funding, regardless of whether CBT itself is in the driving seat in delivering a funding programme.

## **Appendix**

- Appendix 1 - Table of examples of major CBT collaborative funding.

### **Sam Grimmett-Batt**

Funding Director

[Sam.grimmett-batt@cityoflondon.gov.uk](mailto:Sam.grimmett-batt@cityoflondon.gov.uk)

**Appendix 1: Table of examples of major CBT collaborative funding.**

<b>Initiative/co-collaborating funders</b>	<b>Description</b>	<b>CBT funds</b>	<b>Initial CBT involvement</b>	<b>Onward grant-making?</b>
Corston Independent Funders' Coalition - multiple funders including Barrow Cadbury, Paul Hamlyn Foundation, and Lankelly Chase.	A rare collaborative funder effort in advocacy, pressing for the full implementation of the 2007 Corston Report's recommendations for vulnerable women in the criminal justice system. Total project cost was £1m and CBT awarded £94k via aligned funding.	£94,000	2010	No
Grenfell: The Children and Young People's Coalition Funding (Phase 1)	Co-funders included John Lyon's, Tudor Trust, BBC Children in Need, RB Kensington & Chelsea, among others.	£114,000	2017	No
Grenfell: The Advice Fund - Trust for London, the National Lottery Community Fund, Comic Relief, the Legal Education Foundation	Co-funders included National Lottery Community Fund and Comic Relief, among others.	£75,000	2017	No
Cornerstone Fund – National Lottery Community Fund, Trust for London, John Lyons Charity, Mercers Company, GLA, London Funders and London Councils	Funder collaborating aiming to bring about systemic change, enabling collaboration between civil society support organisations, with a focus on tackling deep seated structural inequalities to improve outcomes for Londoners.	£3m (further £2m expected).	2018	Yes (reciprocally – CBT awarded onward funds from Trust for London).
Trust for London - Moving On Up (Phases 1 & 2)	Project supporting young black men to find jobs and careers in London's competitive labour market, in partnership with Black Training and Enterprise Group (BTEG).	£857k	2018	Partially

<b>Initiative/co-collaborating funders</b>	<b>Description</b>	<b>CBT funds</b>	<b>Initial CBT involvement</b>	<b>Onward grant-making?</b>
Trust for London - Strengthening Voices - Realising Rights	Joint fund supporting work that tackles some of the root causes of poverty and disadvantage amongst Deaf and Disabled Londoners. Co-funded with Trust for London. Original grant £300k (2018), £400k in 2020 (to last until 2022) plus £385k in 2021 (to cover 2022-2024	£1.85m	2018	Yes
Civil Society Roots 1 (pilot programme) - Greater London Authority	The fund supports five specialist civil society infrastructure organisations to develop the offer of support for their respective sectors and strengthen London's civil society. Co-funded with GLA and National Lottery Community Fund.	£80,000	2019	Yes
LocalMotion - Esmée Fairbairn Foundation, Lankelly Chase, Lloyds Bank Foundation, Paul Hamlyn Foundation and Tudor Trust	A joint initiative by six funders to support communities to maximise the 'power of place' working with local partners to challenge existing norms and shape philanthropic practice.	£685,000	2019	Yes (although no onward funds actually awarded as yet).
Cripplegate Foundation/ Islington Giving	Funding towards the young grant makers programme, which provided grants awarded in a participatory grant making model to youth work in Islington.	£25,000	2019	Yes
London Community Response Fund – 20 different funders.	Collaborating of London's funders to provide coordinated funding to support groups responding to the needs of communities in the capital affected by the covid-19 pandemic.	£16m	2020	Yes reciprocally (CBT awarded onward funds from a number of funders)



<b>Committee</b>	<b>Date</b>
Bridge House Estates Board	11 January 2022
<b>Subject:</b> Baobab Foundation (19019)	<b>Public</b>
<b>Which outcomes in the <i>BHE Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?</b>	1,3
<b>Which outcomes in City Bridge Trust’s funding strategy, <i>Bridging Divides</i>, does this proposal aim to support?</b>	Reducing inequalities, Every Voice Counts, Progressive, Collaborative, Inclusive, & Representative values.
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b> <b>(£2m recommended from current year budget.)</b>
<b>If so, how much?</b>	<b>NA</b>
<b>What is the source of Funding?</b>	<b><i>Bridging Divides</i> allocation 2021-2022. BHE Unrestricted Income Funds – designated fund for grant making.</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>Yes</b>
<b>Report of:</b> David Farnsworth, Managing Director of BHE	<b>For Decision</b>
<b>Report Author:</b> Sam Grimmett Batt, Funding Director/Aasha Farah, Funding Manager	

### Summary

This report requests funding for phase two (incubation phase) of the development of the Baobab Foundation (Baobab), the first funder dedicated explicitly to growing, supporting, and strengthening groups and organisations led by and serving Black people and communities affected by racism and racial disparities in the UK. You have already supported phase one (research and development) costs totalling £100,000 in 2020 and early 2021 and the Grants Committee agreed a further £200,000, towards phase two running costs at their meeting on 6<sup>th</sup> December 2021. The total costs of the next “start-up” phase, over two years, are £2.27m and Baobab aims to raise an additional £10m to award as onward grants in the first two years.

A restricted grant of **£2m** was supported by your Grants Committee at its last meeting on 6<sup>th</sup> December 2021, and it is now recommended to your Board for approval, with the £2m being for onward grant-making (as opposed to running costs, which have already been supported at £200,000 over two years) to Black and Ethnic Minority (BEM) organisations benefitting Londoners.

All of the grants (totalling £300,000) awarded towards Baobab’s work date have been made via Hackney CVS, as an “incubator” (or host) organisation. This paper requests

a further commitment of £2m towards the Baobab Foundation itself, once registered and relevant conditions are met.

#### Summary of Baobab’s fundraising and CBT recommendations

	Running costs	Grant-making	Total
<b>Baobab target</b>	2,270,000	10,000,000	12,270,000
<b>Raised to-date</b>	1,000,000	3,600,000	4,600,000
<b>CBT</b>	200,000 (approved)	2,000,000 (recommended)	<b>2,200,000</b>
<b>Balance still to be raised</b>	1,070,000	4,400,000	5,470,000

### **Recommendations**

It is recommended that the Bridge House Estates Board approve:

1. A restricted grant of **£2,000,000** (payment schedule to be agreed at the point of funds being committed) to the Baobab Foundation towards onward grant-making for the benefit of Londoners provided that the following conditions are met:
  - i) The Baobab Foundation becomes a constituted organisation registered in a manner which meets City Bridge Trust’s usual eligibility criteria, and your officers are satisfied that appropriate governance and management practices are in place.
  - ii) Subject to the condition at (i) above being met, the Chamberlain (through the Charities Finance Team) is satisfied with the financial position of the organisation.
2. A letter of comfort be sent to the Baobab Foundation to confirm the intention to make the grant of £2m subject to the stated conditions being met and also subject to a grant agreement being entered into.
3. Should the Bridge House Estates Board approve Recommendation 1 above and the relevant conditions be met, that authority be delegated to the Managing Director of Bridge House Estates in consultation with the Chairman and Deputy Chairman of the Bridge House Estates Board and the Chamberlain, to award the grant of £2,000,000 to the legally constituted Baobab Foundation subject to any additional conditions which might be considered prudent at that time.
4. Should there be substantive alterations to the arrangements set out in this report and/or to matters affecting the decisions taken, that this matter will be reported back to the Grants Committee and Bridge House Estates Board.

### **Main Report**

#### **Background**

1. Racial inequality continues to lead to poor outcomes for Black and ethnic minority (BEM) communities across London (and the UK) and crosscuts every area within which the City Bridge Trust (CBT) aims to have an impact, from education, to healthcare, to the justice system, and across the work of civil society generally.

2. The Joint Committee on Human Rights reported, for example, in November 2020, that, despite only making up 4% of the 10–17-year-old general population in England and Wales, Black children were over four times more likely than white children to be arrested; almost three times more likely to be given a caution or sentence and accounted for 33% of children remanded in youth custody<sup>1</sup>. Eight in 20 households affected by the benefit cap are BEM, even though BEM households represent only three in every 20 of the total population. More than a quarter of BEM working adults spend more than a third of their income on housing, compared to one in ten white people<sup>2</sup>. People in BEM communities are twice as likely to be unemployed, twice as likely to live in poverty<sup>3</sup>, and five times more likely to die in pregnancy or childbirth than white people<sup>4</sup>. Reported wealth, employment rates, pay equality, GCSE attainment, and many more elements of everyday life highlight racial inequality in Britain and in London<sup>5</sup>.
3. Funders have struggled to bring about positive change to BEM communities at the same level as within non-racialised communities within their mainstream, non-targeted, funding approaches and to fund organisations led by BEM people at levels commensurate with their relative population sizes. A review commissioned by the Baobab Foundation identified that few BEM-led organisations had long-term strategic funding beyond Covid-19 and few funders have been explicit in addressing racial inequalities in their strategies<sup>6</sup>.
4. Some funders, including CBT, have made progress in this area working through intermediaries and/or prioritising BEM community organisations, for example through your Moving on Up Project in collaboration with Trust for London, registered charity no:205629 and the Black Training and Enterprise Group (BTEG), registered charity no:1056042; funding for the Ubele Initiative as a strategic partner supporting the development of the London Community Response (LCR), and joining the Funders for Race Equality Alliance. Indeed, your London Community Response Fund (a restricted fund held within BHE's ancillary object) as part of the wider LCR, resulted in a significant proportion of emergency funding reached BEM led organisations during and following the lockdowns<sup>7</sup>.
5. BEM-led groups (those where at least 50% of the governing board and leadership are from the BEM community) are critical to frontline provision, tackling hate crime and bringing unique expertise to the table. However, this sector is comprised disproportionately of small and micro-organisations and relies heavily on volunteers<sup>8</sup> which means that it is less likely to access, and/or be successful in

---

<sup>1</sup> Joint Committee on Human Rights, 2020: [Black people, racism and human rights \(parliament.uk\)](https://www.parliament.uk/jchr/reports/2020/black-people-racism-and-human-rights)

<sup>2</sup> Joseph Rowntree Foundation, 2021: [What's causing structural racism in housing? | JRF](https://www.jrf.org.uk/what-causing-structural-racism-in-housing)

<sup>3</sup> Equality and Human Rights Commission, 2016: [Healing a Divided Britain: the need for a comprehensive race equality strategy.](https://www.equalityhumanrights.com/en/our-work/2016/healing-a-divided-britain-the-need-for-a-comprehensive-race-equality-strategy)

<sup>4</sup> MBRRACE-UK, 2019: [Saving Lives, Improving Mothers' Care Lessons learned to inform maternity care from the UK and Ireland Confidential Enquiries into Maternal Deaths and Morbidity 2015-17](https://www.mbrpace.org.uk/2019/05/saving-lives-improving-mothers-care-lessons-learned-to-inform-maternity-care-from-the-uk-and-ireland-confidential-enquiries-into-maternal-deaths-and-morbidity-2015-17)

<sup>5</sup> Runnymede, 2020: [The Colour of Money: how racial inequalities obstruct a fair and resilient economy.](https://www.runnymede.org.uk/2020/06/the-colour-of-money-how-racial-inequalities-obstruct-a-fair-and-resilient-economy)

<sup>6</sup> Baobab, 2021: [A Better Normal: Building scaled, sustained and engaged investment from funders into racial justice in the UK.](https://www.baobab.org.uk/2021/06/a-better-normal-building-scaled-sustained-and-engaged-investment-from-funders-into-racial-justice-in-the-uk)

<sup>7</sup> Funders for Race Equality Alliance/Equally Yours, 2021: [A Quantitative Analysis of the Emergency Funding to the UK Black and Minority Ethnic Voluntary Sector During Covid 19](https://www.frea.org.uk/2021/06/a-quantitative-analysis-of-the-emergency-funding-to-the-uk-black-and-minority-ethnic-voluntary-sector-during-covid-19)

<sup>8</sup> Ubele Initiative, 2020: [Impact of Covid-19 on the BAME Community and Voluntary Sector](https://www.ubele.org.uk/2020/06/impact-of-covid-19-on-the-bame-community-and-voluntary-sector)

applying to, your non-emergency reactive grant programmes, as well as the grant programmes of many other “mainstream” grant funders.

6. Barriers to funding include leadership that isn't representative (in 2018 between 92 and 99% of foundation trustees were white<sup>9</sup>); decision making processes that underestimate the impact of structural racism in the funding sector (54% of charity staff have experienced discrimination based on their race/ethnicity<sup>11</sup>) and don't sufficiently value lived/direct experience; processes that are extractive and place increased burden on communities; short term funding, and a lack of data (as well as a lack of utilisation of the data) available to understand inequity<sup>12</sup>. Research and data revealing the historic underfunding of BEM led organisations is only now beginning to surface; most of the references in the footnotes to this report relate to work published in the last 24 months or so.

### **About Baobab**

7. Following the catalysing events of 2020 (Covid-19 and the murder of George Floyd in particular) research and development for what would become the Baobab Foundation (Baobab) began in January 2021 and led to a collective of members led by and for Black people and communities affected by systemic racism. It now represents a UK-wide network of c300 member and associate member organisations (of which 50 are based in and serve London communities). Its core strategy was co-designed with and adopted by members, including 185 who attended a 'BaoLab Summit'. During the research and development phase, it also developed a steering group, basic brand identity and social media presence and a high value fundraising pipeline including relationships across foundations and the private sector.
8. The core purpose of Baobab is to create an unprecedented funder which is led by and for the communities it serves. The organisation currently operates as an unincorporated voluntary organisation and is taking steps to formally constitute as a legal entity (and, depending upon the legal form adopted, if necessary, register as a charity with the Charity Commission). The constituted organisation will retain the same core purpose and will work to create a world in which BEM people and the community organisations they lead, are resourced, sustainable, and valued for their contribution to work taking place across the UK and in London towards justice, equity and social change.
9. It will achieve this throughout three phases: phase one: research and development (January 2021 to December 2021), phase two: incubation (December 2021 – December 2023) and phase three: scaling (year three onwards). This report relates specifically to the funding of phase two, for which Baobab has developed a set of SMART objectives (see **Appendix 2**).
10. The membership and steering group lead Baobab's work, with a small project team heading up operations, whilst it works towards formal constitution and appropriate

---

<sup>9</sup> ACF/CASS Business School, 2018: [The Awareness and Effectiveness of Charity Trustees in Grant-making in England and Wales](#)

<sup>10</sup> Charity Commission, 2017: Taken on Trust: the awareness and effectiveness of charity trustees in England and Wales

<sup>11</sup> [CharityJob Survey, 2018](#)

<sup>12</sup> Ubele Initiative, 2021: [Booska Paper](#)



registration. It currently works closely with Hackney Council for Voluntary Service (HCVS), registered charity no: 1069736 as set out at paragraph 12 below. Once formally constituted as a legal entity, it will transition to an appropriate governance model (likely a board of trustees or management committee of that entity).

11. Current steering group members include representatives from leading organisations working in racial justice including Allfie, Race on the Agenda, Project Tallawah, Imkaan, and the Decolonising Wealth project, to name a few. The project team includes co-directors Joe Ferns and Dilhani Wijeyesekera, with fundraising support from Amina Ahmad, and communications, community engagement and fund design support from Jermain Jackman and Yoanna Chikwezie. The project team possess a wealth of professional experience between them, having led voluntary sector and funding bodies themselves (Dilhani Wijeyesekera, for example, until recently sat on the senior leadership team at Comic Relief) and have extensive networks and knowledge of the sector.
12. The steering group and project team receive financial management support from the finance team at HCVS, which is also acting as an incubator organisation (via a formal Memorandum of Understanding), holding funds for Baobab until it is formally constituted as a legal entity. The MoU requires HCVS to ensure that all Baobab spending is properly recorded and expended within the available budget. Once Baobab is registered, a treasurer (or equivalent) will be appointed, along with finance staff, and financial policies and processes will be documented and established. Should you agree to the recommendations set out in this report, your officer(s) will conduct a standard CBT due diligence check on Baobab's policies, processes, procedures, and governance prior to the issue of a formal grant offer letter, or the release of the £2,000,000 towards onwards grant-making. Due diligence has already been undertaken on HCVS.
13. The £200,000 grant already committed by CBT towards running costs over the first two years (approved by the Grants Committee at their meeting on 6<sup>th</sup> December 2021), will be made to HCVS as the incubator, with any funds remaining at the point at which Baobab is formally constituted as a separate legal entity then being transferred to Baobab. Your officer(s) have met with both Baobab and HCVS during the course of the assessment period. Funds will be released as costs are incurred.
14. Over two years the start-up and incubation phase will continue to build a community devised distribution model. It will begin with a focus on six broad regions covering England (London being one of the six, in silo, due to its high proportion of BEM residents and BEM community organisations). CBT running costs funding will only be used to cover the London proportion of the work. CBT onward grant-making funds will be used only to fund groups which benefit Londoners (or at a proportionate level for groups working in London and elsewhere). CBT (along with other funders) will meet with Baobab regularly and will ensure that onward grant funds are only being utilised for work benefiting Londoners during these meetings, as well as during annual monitoring (the format of which will be agreed once the fund is more developed).
15. Expected core activity in the first two years includes:

- a. Expanding and diversifying membership to over 1,000 organisations - around 35% will be based in London.
- b. Trialling a regional distribution infrastructure and co-designing and launching the first funding pilot.
- c. Developing digital storytelling celebrating members' work.
- d. Piloting support to smaller community organisations (which are often unconstituted groups - frequently a barrier to conventional grant funding).
- e. Piloting of in-kind resources, akin to Bridge House Estates' "total assets" approach. For example, a model connecting BEM professionals to grassroots groups to provide technical support. Indeed, there is rich scope here to capitalise on the unique opportunities which CBT can make available to its funded organisations via Bridge House Estate's corporate trustee, the City of London Corporation, and through its other avenues, such as the Bridge Programme<sup>13</sup> and its convening and influencing avenues.

16. Expected organisational development includes:

- a. Confirming the future legal structure of Baobab, its constitution and registration (likely as a Charitable Incorporated Organisation or Community Benefit Society, both eligible governance arrangements under CBT's usual criteria).
- b. Recruiting/appointing a board (or equivalent), staff, and learning partner.
- c. Developing further the overarching strategy, fundraising strategy, business plan, infrastructure, and systems, with an emphasis on digital solutions and member collaboration.
- d. Outsourcing back-office support (to avoid an early high-cost base and allow staff to focus on community relationships and fund design).

17. There is an existing precedent of CBT supporting new organisations (such as London Plus, registered charity no:1115303, which you supported to start up with £153,500 in 2008 and have continued to support since, most recently with a grant of £500k over two years in 2019), and Participatory City in Barking & Dagenham, registered charity no:1175174, which you supported with start-up costs of £450k and a further grant of £450k in 2019), as well as new initiatives, such as LocalMotion (supported to the value of £585,000 to date in start-up costs), and the LCR (through which you channelled donations totalling £32m), the success of which have all demonstrated the extra-ordinary catalysing potential of CBT support.

### **Incubator relationship**

18. HCVS currently holds fiscal responsibility for Baobab. HCVS is a current grantee of CBT, with a funding relationship stretching back to at least 2014 (see **Appendix 1**). The relationship between HCVS and Baobab is governed through a Memorandum of Understanding (MOU) which your officer has examined. It is anticipated that this arrangement will be in place until Baobab officially constitutes as a legal entity, with a phased exit by HCVS from the arrangement with Baobab.

---

<sup>13</sup> The Bridge Programme is CBT's "Funder Plus" offer; which provides CBT grantees with tailored non-financial support such as fundraising support, business planning, marketing expertise and so on.

## **Budget and fundraising**

19. The budget for phase two (incubation) over the first two years, for Baobab's operations both within and outside of London but not including onward grant-making, is £2.27m (see **Appendix 3**). A CBT contribution of £200,000 was agreed by your Grants Committee in December towards these costs incurred in London.
20. The recommendation of £2m towards onward grant-making is part of an overall planned expenditure of £10m which Baobab expects to commit across both years, frontloaded in the first year due the fact that it will be awarding multi-year grants. However, as the fund design (and therefore fund drawdown) will be an iterative process it is expected that officers will work with Baobab over the course of the two years and that Baobab will likely vary the drawdown of funds from CBT and other funders as the co-design process develops and the membership shapes how the funding is distributed. This means that the drawdown may be frontloaded, for example, if the development of London focused work happens more quickly than other areas or spread more evenly (or backloaded) if London fund distribution takes longer. The drawdown arrangements will be designed such that Baobab will receive payments in advance of making onward grant commitments. Your officer(s) will attend bi-monthly funder collaboration meetings to remain informed as the work progresses.
21. Of the £10m onward grant making target, Baobab has raised £3.6m (Lankelly Chase, CAF, Paul Hamlyn Foundation). A further award (in principle) of £2m from CBT would bring Baobab significantly closer to its funding target. Baobab has already raised £1.2m of the £2.27m running costs required for the next two years.
22. Baobab is confident that once a few major funders have committed, others which are waiting in the wings will come forward. It is in conversation with at least ten other funders (including Esmée Fairbairn Foundation, Comic Relief and Joseph Rowntree Charitable Trust), some of which are considering endowments as an additional contribution (i.e. capital for investment rather than as income for expenditure on the organisation's purposes). It is expected that potentially three funders may agree to endow Baobab by the end of December.
23. Whilst the grant of £200k towards running and set up costs can be appropriately made to HCVS for the benefit of Baobab, it is considered sensible to wait until Baobab is formally constituted as a separate legal entity before committing the proposed CBT grant of £2m for onward grant-making. This thereby avoids issues for CBT/BHE, HCVS and Baobab around awarding/receiving/transferring significant funds initially to be held by the incubator organisation for the benefit of Baobab, and also avoids artificially inflating the accounts of the incubator organisation. This approach has also been taken by other donors, such as CAF bank.
24. However, this is a pivotal moment in the fundraising cycle for Baobab and indication of support from CBT at this crucial early stage is likely to leverage support from other funders, pump-priming this important initiative and demonstrating CBT's commitment to its values of being progressive, inclusive, and

representative. It will also enable Baobab to adhere to its current timeline and itself begin committing funds early in 2022.

25. Therefore, following advice from the Comptroller & City Solicitor's Department, it is recommended that a decision to fund is made initially in principle and subject to conditions (allowing a letter of comfort to be sent, which Baobab can share with interested parties to encourage support both financial and in-kind). Subject then to the required conditions being met and Baobab Foundation thus being formally constituted as a separate legal entity in compliance with CBT's eligibility requirements for all CBT funded organisations, this report also seeks delegated authority to the Managing Director of BHE, in consultation with the Chairman and Deputy Chairman of the BHE Board and the Chamberlain, to then take the decision to award the grant and commit the funds.
26. Whilst this is an unusual request, and one that CBT would not seek to repeat often, it is your officers' view that the extenuating circumstances in this case (as set out above) merit a tailored approach to best support the success of Baobab and its core aims and objectives as they benefit Londoners, building upon existing CBT funding of £300k already awarded. The proposed approach does not prevent any matters being reported back to Members for decision in the event there are significant changes to the proposals as set out in this report, or should it otherwise be considered to be in the best interests of BHE not to exercise the officer delegated authority.

### **Funding History**

27. £300,000 in total to date:

- a. £50k in November 2020 (phase one) – proportion of the costs of establishing a steering group, resourcing member participation, consultancy.
- b. £50k in November 2021 (phase one) – as above plus the costs of appointing a CEO.
- c. £200k in December 2021 (phase two) - towards phase two running costs over two years (agreed by your Grants Committee).

### **Financial information**

28. At the Grants Committee meeting on 6<sup>th</sup> December £200,000 was awarded towards running costs which will be paid to HCVS as the incubator organisation for Baobab. The finances of this organisation were used to conduct the financial assessment by your officers, which was reviewed by the Charities Finance Team (CFT) in the Chamberlain's Department (see **Appendix 4**). As the Baobab Foundation is currently not registered or constituted as a legal entity, it has not been possible to conduct a financial assessment of the Baobab Foundation. Should you agree in principle to the award of £2m to Baobab itself, your officers will carry out further financial due diligence on Baobab once it is formally constituted as a separate legal entity, in consultation with the CFT and subject to the approval of the Chamberlain. Additionally, your officers will agree a phased payment drawdown structure in order to mitigate risk.

### **Conclusion**

29. Many parts of civil society can reasonably lay claim to problems of being poorly funded, which means that race equality work will often feature as only an element of a funders mandate (if at all). The recommendations to your Board, if supported,

will enable Baobab to increase resourcing to BEM communities and their community organisations; support a more sustained approach to tackling racial inequality; and add value to the current funding eco-system in London. Your funding will catalyse a scaling of support to BEM led organisations at an unprecedented level, and support long term investment into these organisations, which often have disproportionately lower reserves<sup>14</sup> (likely due to historic underfunding).

30. Funding the Baobab Foundation supports CBT's vision - 'For London to be a city where all individuals and communities can thrive, especially those experiencing disadvantage and marginalisation.' It also supports our PACIER values, in particular the aim to be progressive, inclusive, and representative and provides an opportunity for CBT to be adaptive and observe and learn from a fellow funder operating in new ways.

31. Finally, your support facilitates many of the actions set out in the CBT's Race Action Plan, DEI Working Group Action plan, and the Interim Review of Bridging Divides recommendations.

**Appendices:**

- Appendix 1 – Table of previous funding to Hackney CVS
- Appendix 2 – Phase 2 Objectives
- Appendix 3 – Running costs budget
- Appendix 4 – Financial assessment

**Sam Grimmatt-Batt**

Funding Director

E: [sam.grimmatt-batt@cityoflondon.gov.uk](mailto:sam.grimmatt-batt@cityoflondon.gov.uk)

**Aasha Farah**

Funding Manager

E: [aasha.farah@cityoflondon.gov.uk](mailto:aasha.farah@cityoflondon.gov.uk)

---

<sup>14</sup> Ubele Initiative, 2020: [Impact of Covid-19 on the BAME Community and Voluntary Sector](#)

## Appendix 1: Table of previous funding to Hackney CVS

Meeting Date	Decision
29/06/2019	£200,000 over five years (5 x £40,000) towards the pt 3dpw salary costs of the VCS Development Manager, pt 2pdw salary costs of the Training Coordinator and contribution to marketing, IT support and subscriptions.
25/09/2014	£157,000 over three years (£52,000; £52,000; £53,000) towards the part-time salary (0.6FTE) of an Organisation Development Officer, plus management and project running costs of a capacity building programme.

## Appendix 2: Phase 2 objectives

Phase Two Objectives	Progress Indicators
Baobab will be an enduring entity led and community owned	<p>Baobab is constituted in a legal form approved by its members aligned to its approved vision and mission.</p> <p>Governance mechanisms are established to place key decisions in the hands of its members.</p> <p>Skilled and representative long-term board and leadership.</p>
Baobab will build the foundations for sustainability and independence	<p>Long term financial and revenue model is established.</p> <p>3-4 income diversification pilots are tested, evaluated, scaled.</p> <p>Baobab has ethical fundraising and investment policies.</p>
Baobab will undertake smart prototypes to test and scale funding	<p>Funding mechanisms for decisions, distribution, and due diligence are established.</p> <p>Funds are co-created and decided by members and affected communities.</p> <p>2-3 fund pilots implemented with agreed learning and insight conducted.</p>

Baobab will build its members and their role in the network	<p>Membership increased to 1,000 with regional and intersectional diversity.</p> <p>Stratified membership structure designed and approved.</p> <p>1-2 pilots to test place-based/intersection led fund activity with members.</p>
---	---

### Appendix 3: Running costs budget

Full proposal received from Baobab also available on request.

Type	Year 1 (000)	Year 2 (000)
Transitional Governance (project team and steering group)	230	
Staff	250	325
Board (recruitment, costs, training)	27	28.8
Member Participation	75	90
Regional & Inter-sectional distribution pilots	50	50
Grant Making (design, panels)	30.75	33
Fund administration (outsource testing)	80	80
Fundraising activity	50	65
Website and Digital Platforms	60	30
Brand and Comms	30	40
Research, Insight and Learning	60	60
Finance and Audit	15	15
Insurance, licences and professional fees	35	45
<b>Sub-total</b>	<b>992.75</b>	<b>861.8</b>
Management Fee (Hackney CVS to 31 December)	60	
Reserves (calc. 6 months running costs)	155.79	143.63
Contingency	25	25
<b>Sub-total</b>	<b>1,233.54</b>	<b>1,040.33</b>
<b>Total</b>		<b>2,273.87*</b>





## Appendix 4: Financial assessment

Year end as at 31st March	2020	2021	2022
	Signed Accounts	Draft Accounts	Budget
	£	£	£
<b>Income &amp; expenditure:</b>			
Income	2,222,508	3,300,455	3,110,979
- % of Income confirmed as at	N/A	N/A	100%
Expenditure	(2,456,818)	(3,041,471)	(3,591,971)
Investment & Pension gains/(losses)	28,237		
Total surplus/(deficit)	<b>(206,073)</b>	<b>258,984</b>	<b>(480,992)</b>
Split between:			
- Restricted surplus/(deficit)	(116,813)	351,197	(523,443)
- Unrestricted surplus/(deficit)	(89,260)	(92,213)	42,451
	<b>(206,073)</b>	<b>258,984</b>	<b>(480,992)</b>
<b>Free unrestricted reserves:</b>			
Free unrestricted reserves held at year end	180,404	88,191	130,642
Reserves policy target	280,000	280,000	280,000
Free reserves over/(under) target	(99,596)	(191,809)	(149,358)
<b>Restricted reserves</b>	<b>275,927</b>	<b>627,124</b>	<b>103,681</b>

Hackney CVS receives income from a mixture of grants, donations, and trading income. Since 2020, the organisation's income level has grown substantially, partly due to its function as an incubator for Baobab.

There was a drop in reserves in 2020/21 due to the depreciation costs of recently purchased leasehold assets and additional expenditure, which was covered by unrestricted funds. Although the reserves position is expected to increase in 2022 it will still be under target. However, as the proposed grant is restricted to use towards the running costs of Baobab (not HCVS's wider operations) and will only be held by HCVS until Baobab is formally constituted as a separate legal entity, likely early in 2022, the risk relating to low reserves is somewhat mitigated.

Additionally, HCVS is holding significant designated funds (£481k), not included in the free reserves shown in the Table below, to purchase new premises. The purchase is on hold until the market is more stable; the charity could therefore draw on these funds in the short term if necessary.

This page is intentionally left blank

<b>Committee:</b>	<b>Date:</b>
Bridge House Estates Board	11 January 2022
<b>Subject:</b> BHE Grants Committee – Officer Delegations	<b>Public</b>
<b>Which outcomes in the BHE Bridging London 2020 – 2045 Strategy does this proposal aim to support?</b>	1
<b>Does this proposal require extra revenue and/or capital spending?</b>	No
<b>Report of:</b> David Farnsworth, Managing Director of BHE	<b>For decision</b>
<b>Report author:</b> Scott Nixon, Head of Director’s Office	

## Summary

This report sets out matters for the Bridge House Estates Board (“BHE Board/ the Board”) to consider and endorse to the Court of Common Council in respect of the BHE Grants Committee proposal on officer delegations that was considered by the Committee at its meeting in December 2021.

To support the efficient and effective delivery of BHE’s activities in furthering its ancillary object, there is an established practice of delegating authority for certain grant decisions to officers. This is in line with good practice in charity administration and the City Corporation’s governing framework.

At its meeting in December 2021, the BHE Grants Committee considered three options for the involvement of the full Grants Committee in the exercise of officer delegated authority for grants of a value of between £100,001 and £250,000 (rather than officer consultation solely with the Chair and Deputy Chair of the Grants Committee), to operate alongside the agreed delegations to officers for grants of £100,001 or more, and the decisions for the award of grants over £250,000 which remain reserved to the Committee. The Grants Committee have recommended an option for the Board to endorse which involves written consultation with the full Committee in the exercise of officer delegated authority for all grants of a value between £100,001 and £250,000. If supported by the Board this would require onward approval to the Court of Common Council as it is inconsistent with the current standard corporate governance framework for regular decision-making already approved by the Court.

The option endorsed by the Grants Committee recommends a change to the current delegations in that for grants of a value between £100,001 and £250,000:

- (a) the full Grants Committee shall be consulted in writing on the decision prior to the exercise of the Chief Officer’s delegated authority;
- (b) should any Member have a comment on the application to be considered, this should be forwarded directly to the Chair/Deputy Chair of the Grants Committee within 48 hours of the email being sent; and
- (c) the Chair and Deputy Chair of the Grants Committee have the authority to reject or accept any comments from the wider Committee as part of the decision-making process.

## Recommendations

- i) To consider the recommendation from the Grants Committee to amend the current officer delegations to allow for the involvement of the full Grants Committee in the

- exercise of officer delegated authority for grants of a value of between £100,001 and £250,000 (as set out at paragraph 11c); and,
- ii) If the recommendation from the Grants Committee is endorsed, to recommend to the Court of Common Council the approval of the change on a permanent basis, subject to a six-month review period (i.e., lasting two Grants Committee cycles).

## Main Report

### Background

1. A charity's trustee is ultimately responsible for the decisions and actions of its charity. However, a trustee board of a large charity (in the case of BHE, the City Corporation acting by the Court of Common Council) cannot and should not seek to do everything and take all decisions for the charity as this would not allow for effective decision-making which would be inconsistent with the trustee's duty to act in the charity's best interests. Subject to any constraints in statute or the charity's own governing document on the decisions reserved to the trustee board, the trustee should adopt "*decision-making processes [which] are informed, rigorous and timely, and [ensure] that effective delegation, control and risk-assessment, and management systems are set up and monitored*".<sup>1</sup>
2. Charity trustees should, in delegating authority, adopt a clear written framework around the scope and exercise of that delegated authority, including having clear and robust reporting procedures and lines of accountability. Charity Commission's Guidance on trustee delegation's states:  
  
*"... Delegation can help trustees to govern more effectively, but they cannot delegate their overall responsibility. ...[Trustees] should set out in writing the limits of any delegated authority. [Trustees] should also put clear reporting procedures in place, so you can ensure the delegated authority is exercised properly. ...[Trustees] should consider and decide what decisions they will not delegate. ...[Trustees] should allow staff ... to carry out any functions that have been delegated to them. But [trustees] must be able to ensure that delegated authority is being properly exercised, through appropriate monitoring and reporting procedures..."*<sup>2</sup>
3. In discharging its obligations as Trustee of BHE, the City Corporation, acting by the Court, operates within the City Corporation's corporate governance framework which - through Standing Orders, Committee Terms of Reference, Financial Regulations, Procurement and Project Codes, etc - sets out a transparent framework of written delegation, both as to scope and process, adopted by the Court.
4. This framework clearly sets out that decisions are either taken collectively by Members (in a meeting of the Court, Committee or Sub-Committee) or by an officer

---

<sup>1</sup> Refer – Charity Governance Code for larger charities, Principle 4 – Decision making, risk and control, <https://www.charitygovernancecode.org/en/4-decision-making>

<sup>2</sup> The Essential Trustee: what you need to know, what you need to do, Section 9.3, page 30: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/866947/CC3\\_feb20.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866947/CC3_feb20.pdf)

alone. There is currently no provision for the Court, a Committee or a Sub-committee to collectively take decisions through a written procedure (as might be the case with some charity boards having individual trustees). Consistent with the principles of good delegation, and accountable and transparent decision-making (applicable to charity trustees and more generally), the exercise of the delegated authority is required to be reported back to the delegating Committee or Sub-Committee, or the Court as the case may be.

5. A convention has developed within the City Corporation in recent years that the full Committee/Sub-Committee membership might, by exception on a case-by-case basis, request to be informally consulted outside a meeting where a decision is required to be taken between meetings on matters of sensitivity or significance before officer delegated authority is exercised in consultation with the relevant Chair or Deputy Chair (as provided under the City Corporation's corporate governance framework). As matters stand this approach is not usual practice for all decisions and as such is not provided for anywhere in the written corporate governance framework of the City Corporation adopted by the Court.
6. Rather, that framework reflects the underlying principle that the Court's committees and sub-committees meet to collectively take decisions, with a clear distinction between decision-making by Members (collectively in committee) and by officers (acting individually), thus ensuring accountability for the decisions taken in each case. The Chair and Deputy Chair of a committee may, as a matter of practice consistent with their roles take soundings or consider representations from the wider committee, when consulted in the exercise of officer delegated authority.
7. As noted above, other charity boards with individual trustees may be authorised under their governance framework to take decisions collectively in writing, or otherwise to consult by email to form a consensus view in taking a decision in writing and instructing their Chief Executive accordingly. The arrangements for BHE with the City Corporation as corporate Trustee, however, are not equivalent.

### **Current position**

8. At its first meeting in September 2021, the BHE Grants Committee temporarily agreed to delegate authority for certain grant decisions to officers against financial thresholds, and to widen those delegations to include authority to take decisions to reject applications where appropriate. These are set out at **Appendix 1**.
9. The delegations were agreed on a temporary basis, subject to a follow up being presented to the Grants Committee considering more regular involvement of the full Committee in the exercise of officer delegated authority for grants of a value over £100,001 (rather than with the usual officer consultation solely with the Chair and Deputy Chair).
10. At its meeting in December 2021, the Grants Committee considered three options for changes to the delegation framework to officers set by the Grants Committee within its Terms of Reference and the City Corporation's wider corporate governance framework.

11. All three options considered by the Grants Committee are shown below. **The Grants Committee agreed to recommend Option 3** to the BHE Board. As this is a change to the City Corporation's standard corporate governance framework in decision-making, as noted above, this change requires a decision by the Court, upon the recommendation of the BHE Board.

- a. Option 1 - To agree to implement on a permanent basis the officer delegations and financial thresholds presented at your September meeting and to widen those delegations to include authority to take decisions to reject applications where appropriate, as set out at **Appendix 1**. If the delegation is recommended to be made on a permanent basis, for transparency and consistent with good governance, the delegations should be reflected in the Chief Officer Scheme of Delegations when next reviewed. This would not prevent consultation with the full Committee in exercising delegated authority in exceptional cases as is currently the convention.
- b. Option 2 - the Committee could reconsider the financial thresholds for the exercise of delegated authority by the Chief Officer as set out in **Appendix 1**. This would not prevent consultation with the full Committee in exercising delegated authority in exceptional cases as is currently the convention. Depending on the frequency of the meetings of the Grants Committee and the level of the revised thresholds for decisions by officers under delegated authority, this option could, however, affect the ability of the charity to operate effectively in taking decisions expediently in the interests of BHE and its beneficiaries.
- c. Option 3 (recommended by the Grants Committee) - To agree to implement the officer delegations and financial thresholds presented at your September meeting on a permanent basis and to widen those delegations to include authority to take decisions to reject applications where appropriate, as set out in **Appendix 1 subject to one amendment** in that for all grants of a value between £100,001 and £250,000:
  - i. the full Committee shall be consulted in writing on the decision prior to the exercise of the Chief Officer's delegated authority;
  - ii. should any Member have a comment on the application to be considered, this should be forwarded directly to the Chair/Deputy Chair within 48 hours of the email being sent; and
  - iii. the Chair and Deputy Chair shall, as part of the decision-making process, have the authority to reject or accept any comments from the wider Committee in providing their views to the officer who will take the decision under delegated authority.

12. Option 3 is now recommended by the Grants Committee to the BHE Board to consider whether they wish to endorse the proposal for onward approval by the Court. This option falls outside the City Corporation's standard documented corporate governance framework and changes to that standard framework require the Court's approval (or approval in accordance with the delegated authority process in place already approved by the Court). This will also ensure clarity around the proposed delegation arrangement consistent with the Trustee's obligations to ensure accountability for decision-making.

13. Having regard to a charity trustee's obligations in setting a delegation and decision-making framework, as set out at paragraphs 1 and 2 above, officers continue to have some concerns that adopting the recommended Option 3 as a standard practice for certain classes of decisions potentially risks reducing the transparency of the decision-making process. It also potentially risks undermining the lines of accountability for the decisions being taken and running counter to the move to allow greater levels of officer delegation to enable members of boards and committees to focus on more substantive and strategic decisions.
14. Additionally, following discussions with the Funding Operations Team, concerns were raised that an extra layer of engagement with members of the Committee in the delegated authority approval process may unnecessarily complicate the process and delay the decision-making on awards of funding to applicants. As noted above, delegation arrangements (from the Court for the Trustee) should provide for timely and effective decision-making, whether by Members in Committee or an officer under his/her delegated authority.
15. Nevertheless, it remains open to the City Corporation should it be considered to be in the best interests of BHE, to adopt a revised delegated decision-making framework for the charity which provides that all members of the Board (or its Committees) might be consulted in the exercise of officer delegated authority as a standard practice for certain classes of decisions, rather than by exception as is currently the case.
16. If the BHE Board and Court of Common Council approve the recommendations in this report, the Grants Committee proposed that the arrangements be implemented permanently but subject to review after a trial period lasting two committee cycles. At the end of the trial, and if the new processes are deemed successful by the Grants Committee Chair and Deputy Chair, the changes will be implemented on a permanent basis. If they are not successful the Grants Committee will recommend adjustments to the BHE Board (and onward to the Court, as required).

## **Conclusion**

17. This report asks the BHE Board to consider the recommendation of the Grants Committee to amend the permanent officer delegations to provide for the full Grants Committee to be consulted in advance of the exercise of officer delegated authority for grants of a value of between £100,001 and £250,000 (rather than officer consultation solely with the Chair and Deputy Chair of the Grants Committee. If supported by the BHE Board in the best interests of the charity, this proposal requires the approval of the Court of Common Council.

## **Appendices**

- Appendix 1: Grants Committee Officer delegations and financial thresholds

## **Background reports:**

- Report to the BHE Grants Committee, entitled Grants Committee – Officer Delegations, dated 6 December 2021.

**Scott Nixon**  
Head of Managing Director's Office

[E: Scott.nixon@cityoflondon.gov.uk](mailto:Scott.nixon@cityoflondon.gov.uk)  
T: 020 4526 1213

## **Appendix 1 – Grants Committee Officer Delegations and financial thresholds**

- a. Application recommendations of up to £50,000 in total may be approved or rejected by the Managing Director of BHE or in their absence, the Associate Director of CBT or a CBT Funding Director;
- b. Application recommendations of between £50,001 and £100,000 in total to be approved or rejected by the Managing Director of BHE or in their absence the Associate Director of CBT, in consultation with the Chamberlain (acting by the Charities Finance Team) for recommendations;
- c. Application recommendations of between £100,001 and £250,000 in total to be approved or rejected by the Managing Director of BHE or in their absence the Associate Director of CBT in consultation with the Chamberlain (acting by the Charities Finance Team) for recommendations, with the decision of the Managing Director of BHE (or the Associate Director of CBT as the case may be) being taken in consultation with the Chair and Deputy Chair of the Grants Committee; and
- d. Application recommendations of between £250,001 and £500,000 in total to be approved or rejected by the Grants Committee.



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank



Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank